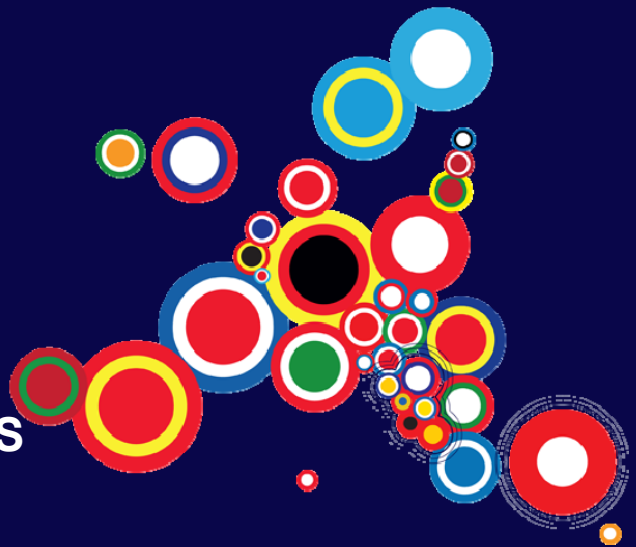




INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY EU SUPPORT TO PUBLIC ADMINISTRATION AND PUBLIC FINANCIAL MANAGEMENT REFORMS IN THE WESTERN BALKANS



Action summary

Public administration reform is one of the key fundamental pillars of the EU enlargement strategy. The overall objective of this action is to support the Western Balkans in the establishment of effective, efficient, accountable, transparent, digital, and professional public administrations and public financial management systems able to deliver better services to citizens.

The action will have two components. Activities of the Regional School of Public Administration (ResPA) will be supported to ensure that Western Balkans implement key horizontal governance reforms identified in Public Administration Reform strategies, notably in the areas of policy development and co-ordination; professionalisation of Public Service and Human Resource Management; accountability; and service delivery. The support to International Monetary Fund (IMF) will contribute to efficient implementation of Public Finance Management (PFM) reform strategies and/or programmes.

Both components will contribute to bringing the Western Balkans closer to relevant international and EU public administration and financial management standards and facilitate the accession process.

Action Identification			
Action Programme Title	IPA II Multi-Country Action Programme 2018		
Action Title	EU support to Public Administration and Public Financial Management Reforms in the Western Balkans		
Action ID	IPA 2018/040-113.08/MC/EU PAR and PFM		
Sector Information			
IPA II Sector	9. Regional and territorial cooperation		
DAC Sector	15110 - Public sector policy and administrative management		
Budget			
Total cost	EUR 14.35 million		
EU contribution	EUR 14.35 million		
Budget line(s)	22.020401 – Multi-country programmes, regional integration and territorial cooperation		
Management and Implementation			
Management mode	Direct management		
<i>Direct management:</i> European Commission	Directorate-General for Neighbourhood and Enlargement Negotiations– Unit A3 Thematic support, Economic governance & IFIs, Public Administration Reform		
Implementation responsibilities	Directorate-General for Neighbourhood and Enlargement Negotiations– Unit A3 Thematic support, Economic governance & IFIs, Public Administration Reform		
Location			
Zone benefiting from the action	Western Balkans (Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo*, Montenegro, and Serbia)		
Specific implementation area(s)	N/A		
Timeline			
Final date for contracting including the conclusion of delegation agreements	31 December 2019		
Final date for operational implementation	31 December 2022		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	✓
Aid to environment	✓	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	✓	<input type="checkbox"/>

* This designation is without prejudice to positions on status, and is in line with UNSC 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Trade Development	✓	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	✓	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	✓	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	✓	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	✓	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	✓	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Public administration reform, together with the rule of law/fundamental rights and economic governance, are the three fundamental pillars of the EU enlargement strategy since 2014.

A sound public administration is of utmost importance for the success of socio-economic policies and a pillar for implementing EU rules and standards. The quality of public administration directly impacts governments' ability to provide public services, prevent corruption, foster investment and job creation, and contribute to sustainable and inclusive growth. Reforming the public administration is also necessary to support reforms in the areas of rule of law/fundamental rights, especially fight against corruption.

The Western Balkans beneficiaries - although they differ in a number of ways and are at different stages of development - face important common challenges in the field of public administration and public financial management. Indeed, while most of the beneficiaries have by now public administration reform (PAR) strategies and public financial management (PFM) strategies/programmes, their implementation is, overall, at an early stage. There are deficiencies and challenges in planning, execution, monitoring and evaluation capacities. This is evidenced in the baseline measurements conducted in 2015 and 2017 by the OECD/SIGMA and other international assessments such as the Balkan Barometer, the World Bank Indicators on Governance and the Public Expenditure and Financial Accountability (PEFA) assessments.

The overall public administration architecture is fragmented and has led to a proliferation of agencies with various accountability lines and other dysfunctions. Often, basic functions at central level are not fully assured, severe coordination problems are frequent and administrative procedures tend to be sector or law specific, although there are increasing initiatives to introduce general laws on administrative procedures.

There is a difficult context for the development of a professional, meritocratic, reliable public administration. Civil service reform efforts have not yet had the desired effect of reducing politicisation and other distortions such as personalisation of power and patronage. Corruption remains a problem in both the political sphere and public administration.

Policy development and coordination, including the overall policy planning system (and coherence of sector strategies) and capacities for legislative and policy development, face considerable challenges. The main shortcomings relate to the lack of proper policy analysis capacities, poor quality of legislative drafting and regulatory impact assessments, insufficient inter-ministerial coordination, inadequate public consultation and weak links between strategic planning and budgeting.

PFM has improved in the last years but is still far from the international standards in general terms. Budget credibility (revenue and expenditure), budget comprehensiveness and budget transparency need substantial improvement in the region as well as public investment, public procurement, internal control and external audit. Fiscal risks, cash, debt management, financial integrated systems and tax administrations are other areas that do not have the necessary capacities for a sound financial management that allows the strategic allocation of resources for efficient and effective public policies and service delivery.

Dedicated technical assistance (TA) and training - jointly named capacity development – in line with the needs identified in the public administration reform strategies and PFM reform strategies/programmes are needed to support the EU's enhanced approach to public administration reform.

This proposed action for the period 2018-22 builds on the previous EU funded programmes with the Regional School of Public Administration (ReSPA) and the International Monetary Fund (IMF). The recent monitoring reports have confirmed that these programmes have been relevant and effective. These new programmes under this action are essential for the consolidation and sustainability of PAR and PFM reforms, which are long-term processes that do not yield fast results.

ReSPA is a regional international organisation serving primarily as an instrument of regional cooperation and a primary hub for public administration capacity building in the Western Balkans. Its purpose is to help governments in the region to develop better public administrations, public services and overall governance systems for their citizens and businesses, as well as to prepare its members for the EU accession. ReSPA's overarching purpose is to develop and execute a comprehensive regional response to common public administration strategic needs.

The IMF Fiscal Affairs Department and its Capacity Development Institute currently focus on supporting the PFM capacity development in the region, building on the longstanding cooperation of the IMF's Fiscal Affairs Department with the six EU pre-accession countries in Southeast Europe (SEE) in support of their efforts to align fiscal management systems and processes with good international practice.

The action will contribute to foster regional cooperation, supporting one of the key EU political objectives of encouraging good neighbourly relations in the Western Balkans.

OUTLINE OF IPA II ASSISTANCE

In line with the European Commission's approach on PAR, including PFM, ReSPA's and the IMF's capacity development activities will contribute to the preparation, implementation, monitoring and evaluation of reform strategies/programmes and action plans to improve beneficiaries' performance that will be reflected in stronger institutions, more strategic allocation of resources, better public policies and service delivery to the citizens. The improvement of institutions and public administration management will also contribute to a more stable socio-economic environment that can attract investment, jobs and prosperity to the region.

To that purpose, ReSPA will enhance regional cooperation through networking events, workshops, seminars, and seasonal schools, peer-to-peer exchanges among national institutions from different countries, high level meetings, regional conferences, studies and working groups meetings. Also, ReSPA will support the implementation of the PAR strategies at IPA II beneficiary level and action plans mainly through support to the ReSPA members.

Moreover, ReSPA will promote quality management tools in the region in order to contribute to improve managerial accountability culture and improve public administration service mindedness in the region. This result will be achieved through the following activities: development of standards in service delivery and standards for measuring client satisfaction; development of guidelines for data opening as well as open data; support to re-engineering and digitalisation of public services; and development of criteria and categories for PA awards and utilisation of regional innovation and quality award for PA scheme; bench learning, and best practises exchanges.

The IMF capacity development programme will continue to support PFM reforms. The IMF will provide targeted capacity development for strengthening public finance reforms, including on the fiscal revenue side, public expenditures and the overall PFM system. The programme will support implementation of the specific policy guidance on PFM adopted by the Joint Ministerial dialogue in the context of the annual Economic Reform programmes. Broader fiscal policy reforms (i.e. tax and expenditure policies) that have a bearing on the reforms in public financial management may also be supported by the programme. This programme will also take advantage of opportunities for synergies with other donor partners such as Switzerland, Germany and the Netherlands that are also actively involved in this policy area. A comprehensive joint approach could help advance a shared vision among all stakeholders, close collaboration in implementation, and better targeting of support, thereby strengthening results and outcomes, and fostering efficiency gains. The programme will continue to be implemented by the IMF's Fiscal Affairs Department, through Headquarters missions, long term experts (based in the region) and short term experts. It may also choose to partner with the Ljubljana based Centre for Excellence in Finance (CEF) and the Joint Vienna Institute (JVI) to deliver specific targeted training seminars.

RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES

The activities included in this action are designed to strengthen the IPA II beneficiaries' capacities to fulfil their obligations under the Copenhagen criteria and the Stabilisation and Association Process. In particular, their objective is to strengthen the institutional and administrative arrangements in the 6 horizontal PAR core areas as identified for the first time in the 2014-2015 Enlargement Strategy and further defined by the Principles of Public Administration: Strategic Framework of Public Administration Reform; Policy Development and Co-ordination; Public Service and Human Resource Management, Public Finance Management; Accountability; and Service Delivery.

The revised Multi-country Indicative Strategy Paper 2014-2020¹ (MCSP) and the ongoing mid term review of the Indicative Strategy Papers² confirm the focus on PAR as an essential component of public and economic governance, vital for the EU accession process.

The proposed ReSPA and IMF actions contribute to objectives outlined both in the enlargement and the SEE 2020 strategies. The action also contributes to enhancing democracy, governance and rule of law/ fundamental rights by further improving the professionalism of the public service, building capacity and improving efficiency of service delivery, strengthening public financial management and thus enhancing the overall quality, reliability, integrity, transparency and accountability of public administrations.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The recent evaluations and results oriented monitoring (ROM) missions have confirmed the relevance of the previous EU support to ReSPA and the IMF programme. These reports have identified useful insights for improvement of programme design and approach to capacity development delivery. In particular, past experience has demonstrated that PAR requires strong political commitment and strong leadership. Therefore the action will support to the European Commission's efforts in raising political awareness and commitment to PAR and PFM reforms. Efficiency and effectiveness on PAR and PFM reforms also require coordination with all PAR/PFM related initiatives and therefore close coordination within the European Commission, EU Member States, other donors and international organisations, especially with OECD/SIGMA.

In relation to ReSPA, the main lessons are:

- In the past ReSPA activities were too fragmented and addressed a wide set of PAR-related issues thus limiting the impact of ReSPA actions in the region. For that reason, ReSPA has decided to concentrate the efforts on a limited number of key horizontal areas: optimisation of public administration, managerial accountability, quality management, better regulation, service delivery, human resource management and EU integration.
- Reform progress requires strong political commitment and leadership from the ReSPA members. Therefore the action will support coaching/external assistance for members of the ReSPA Governing Board (GB) in order to provide greater clarity on the respective roles and responsibilities at ministerial and senior official levels.
- Compared to its previous 'training school' embodiment, ReSPA's new approach as a hub on PAR demands greater responsibilities from its members to maintain the strategic focus. Members should ensure that the right people participate in ReSPA activities in order to consolidate communication between the different levels of the ReSPA structure and; ultimately, to drive forward the take-up in national strategies.
- ReSPA management should build stronger in-house monitoring capacities, including processes for collecting and collating monitoring data provided by the ReSPA members. In order to address this

1 C(2018) 3442, 31.05.2018.

2 C(2014) 5770, 18.08.2014, Albania; C(2014) 9495, 15.12.2014, Bosnia and Herzegovina; C(2014) 5861, 19.08.2014, the former Yugoslav Republic of Macedonia; C(2014) 5771, 18.08.2014, Montenegro; C(2014) 5772, 20.08.2014, Kosovo; C(2014) 5872, 19.08.2014, Serbia.

issue, ReSPA will set up a monitoring and evaluation system to measure the outcomes achieved and follow up on the key recommendations of ReSPA studies.

- One of the fundamental lessons learned is that concrete achievements in PAR need longer time. Therefore ReSPA already reorganised its programming model into a four years programme framework.
- Information flows, visibility and coordination between ReSPA and key stakeholders were not always sufficient. In order to address the lack of visibility, ReSPA started with the organisation of Open days in the Western Balkans and also in Brussels. ReSPA should further improve the communication of success stories, and improve visibility in the region, with a special focus on key multipliers, such as the EU Delegations and donors.
- In order to respond to different needs and priorities, ReSPA has developed a model for direct support and peer-to-peer learning, which should be strengthened in the future.
- Ensuring participation of the right experts' profile in the ReSPA working groups and follow up at the home administrations should be further developed in the future.

These critical lessons have already allowed ReSPA to start to refocus and adapt its purpose, vision and overall framework. Therefore, this action will support the ReSPA's new multi-annual Strategic framework (2019-2024) and incorporates the most important aspect of ReSPA's strategic reorientation - a concentration on capacity development and improved quality of public administrations.

In relation to the IMF programme, the IMF ROM report concluded that the current programme is efficient and effective. Compared to other similar support, the IMF capacity development design is more straightforward and coherent, with less administrative burden for the beneficiaries in implementation. This helps to ensure a "results based" focus. The know-how transfer from IMF is appreciated by the beneficiaries, especially on practical issues. The IMF support has already contributed to visible key sector developments for example in Albania and Kosovo. The further main lessons related to the IMF are:

- Some areas of the intervention are perceived as too ambitious in relation to the absorption capacity of the beneficiaries, the required pace of legislative change and the limited resources available. Since the necessary change management culture for the new or modernised processes is not yet in place, the new programme should ensure a more coordinated approach with the ongoing general public administration reform efforts and reinforce the need for institutional and human resources capacity.
- Focusing on sustainable capacity building will be essential for the success of PFM reforms. Considering the relatively high levels of donors' support in the region, the ROM raised concerns that there is a risk that beneficiaries may rely too much on donors' support, and that this may negatively impact ownership and sustainability of the assistance. This new programme will address this through building upon the results of the previous programme, gradually building on the actual achievements rather than shifting to new areas of reform, while respecting the reform priorities in the PFM reform programmes.
- Greater emphasis should be given to delivering training: demand driven, based on the specific needs of beneficiaries and given to a much wider audience base, including technical staff that usually do not have access to this facility due to funds or time constraints.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To support the public administrations of the Western Balkans to provide better services to citizens and businesses	Score of Government effectiveness by 2021 (following World Bank Institute – WBI) Score of Balkan Barometer Survey (Perceptions on Public Institutions and Services) by 2021	Government effectiveness Index Balkan Barometer Survey	
SPECIFIC OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Component 1 – Support to ReSPA</p> <p>To contribute to more efficient implementation of key horizontal governance and public administration reforms identified in the PAR strategies at IPA II beneficiary level</p>	<p>ReSPA</p> <p>1. Quality (nature and scope) of PAR-related initiatives in line with the PAR strategies undertaken by ReSPA members as a result of the following: - Recommendations of ReSPA’s comparative studies/guidelines/methodologies; - Conclusions/recommendations of the ReSPA working groups; - ReSPA regional trainings/conferences.</p> <p>4. Quality of decisions taken by the Governing Board at Ministerial level and Senior Official level that allow ReSPA to contribute to more efficient implementation of PAR strategies</p> <p>5. Level of quality of the strategic framework on PAR/PFM (SIGMA indicator)</p>	<p>ReSPA</p> <p>Progress reports on the implementation of the Beneficiaries' PAR strategies and Actions Plans; Minutes of the ReSPA Working Group sessions; ReSPA’s comparative studies/ guidelines/ methodologies; ReSPA regional training and conference programmes; Minutes of the ReSPA GB meetings; Annual evaluation commissioned by ReSPA; SIGMA baseline assessments</p>	<p>ReSPA</p> <p>Reaffirmed awareness amongst the decision makers on the need for PAR strategies and regional cooperation on the matter.</p> <p>Strong commitment of the beneficiaries through their Governing Board Members to support ReSPA's work,</p> <p>ReSPA is gradually consolidating its position in the region as a lead institution on public administration reform and EU integration</p>
<p>Component 2 – Support to the IMF</p> <p>Stronger PFM laws and institutions; improve coverage and quality of fiscal reporting; better budget preparation better budget execution and control; strengthen identification, monitoring and management of fiscal risks; Strengthen revenue administration management and governance arrangements;</p>	<p>IMF</p> <p>1. Indicators in diagnostics of PFM systems 2. Extent to which there are strategic and/or operational PFM action plans in place 3. PEFA and FTC indicators</p>	<p>IMF</p> <p>PEFA, FTE, TADAT, OBI and SIGMA evaluations and monitoring reports</p>	<p>IMF</p> <p>Governments are committed to implementing PFM reform strategies/programmes.</p>

RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>Component 1 – Support to ReSPA</p> <p>R1. Enhanced regional cooperation in the area of PAR and EU integration</p> <p>R2. Selected actions in the beneficiaries' PAR action plans implemented with ReSPA's support</p> <p>R3. Quality management tools promoted to strengthen managerial accountability and support the implementation of the Beneficiaries' PAR strategies</p>	<p>OVI for result 1:</p> <ol style="list-style-type: none"> 1. Quality (nature and scope) of the measures agreed as a result of regional network meetings, seminars and other events organised for participants from ReSPA members; 2. Number and quality of peer-to-peer learning exchanges in national institutions of countries from the region; 3. Number of institutions from the region represented at regional networking events; 4. Percentage of participants that applied the skills methods and procedures, presented at the networking events; 5. Percentage of policy recommendations from ReSPA studies implemented in all regional countries by the end of the action. <p>OVI for result 2:</p> <ol style="list-style-type: none"> 1. Number of PAR actions supported; 2. Number of actions identified in the operational conclusions of the PAR SG meeting supported; 3. Share of in-country support applications approved vs. applications received <p>OVI for result 3</p> <p>Extent to which a mechanism for measurement of client satisfaction is conducted in-country</p> <p>Extent to which improvements of public services are positively reflected in clients satisfaction surveys</p>	<p>ReSPA monitoring reports</p> <p>Peer-to-peer learning applications and experts' reports at the end of the exchange programme</p> <p>Minutes of the PAR Special Groups + operational conclusions</p> <p>In-country support applications</p> <p>Participants' evaluation forms</p> <p>Participants' surveys</p> <p>GB minutes</p> <p>PAR Action Plans and Progress Reports on the implementation of the APs</p> <p>In-country support applications</p> <p>Client satisfaction surveys</p>	<p>ReSPA</p> <p>Closer cooperation and interaction with stakeholders and central authorities especially those dealing with PAR and EU integration related issues;</p> <p>Continued coordination and cooperation with other regional initiatives and existing networks such as RCC, NALAS, and RAI;</p> <p>Client satisfaction surveys will be conducted more regularly</p> <p>Risks:</p> <p>Lack of political will and commitment on PAR</p> <p>Lack of readiness of relevant national institutions to endorse and enforce policy recommendations</p>
<p>Component 2 – Support to the IMF</p> <p>R1. The capacity of ministries of finance to plan, implement and sustain PFM reform is enhanced</p> <p>R2. PFM information systems, chart of accounts and budget classifications are improved</p> <p>R3. comprehensiveness, frequency and quality of fiscal reports is enhanced;</p> <p>R4. More credible medium-term macro-fiscal framework supports budget preparation and it is integrated in the budget process;</p> <p>R5. Planning and budgeting for public investment is more credible;</p> <p>R6. Appraisal, selection and implementation of public investments are improved;</p> <p>R7. Budget execution and control capacities are improved in terms of predictability of in-year resources allocation and arrears;</p> <p>R8. Central fiscal oversight and analysis of public corporation risks are strengthened;</p>	<p>R1. Extent to which diagnostics of PFM systems Strategic and/or operational PFM action plans in place;</p> <p>R2. Extent to which there is consistency and comparability of budget classification with international standards (PEFA PI-4, FTC 1.3.1);</p> <p>R3. Extent of financial data integrity (PEFA PI-27); Comprehensiveness, accuracy and timeliness of in-year budget reports (PEFA PI-28); Comparability of Fiscal Data: Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained (FTC 1.4.3.);</p> <p>R4. Percentage variation between aggregate expenditure outturn and approved budget (PEFA PI-1); Percentage variation between revenue outturn and approved budget (PEFA PI-3); Percentage variation between forecast and actuals of the main macroeconomic variables; Presentation and</p>	<p>PEFA, FTE, TADAT, OBI and SIGMA evaluations and monitoring reports</p>	<p>The implementing authorities are committed to reforms and have established the appropriate governance structures for planning, implementation, monitoring and evaluation.</p>

<p>R9. Disclosure and management of contingent liabilities and other specific risks are more comprehensive;</p> <p>R10. Analysis and presentation of macroeconomic risks are enhanced;</p> <p>R11. A reform strategy and a strategic management framework adopted and institutionalised;</p> <p>R12.organisational arrangements enable more effective delivery of strategies and Reforms (HQ and branch office structures);</p> <p>R13. Corporate priorities are better managed through effective risk management in tax administration</p> <p>R14. A larger proportion of taxpayers meet their payment obligations;</p> <p>R15. Audit and other verification programmes more effectively ensure accuracy of reporting in tax administration</p>	<p>explanation of medium-term macroeconomic and fiscal forecasts (PEFA PI-14, FTC 2.1.2);</p> <p>R5. Extent to which medium-term projections for investments are included in budget (PEFA PI-11.3, FTC 2.1.4); Allocation of funds for investments (PIMA 2, and 6 to 10); Adoption of, and reporting on clear and measurable fiscal policy objectives (PEFA PI-15, FTC 2.3;</p> <p>R6. Appraisal, selection, costing and monitoring of public investment projects (PEFA PI-11, PIMA 9, PIMA 10, PIMA 13, PIMA 14, FTC 2.1.4);</p> <p>R7.Predictability of in-year resource allocation (PEFA PI-21), Stock of expenditure arrears as share of expenditure and frequency of monitoring (PEFA PI-22);</p> <p>R8.Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (PEFA PI-10.1, FTC 3.3.2),Disclosure of quasi-fiscal activities (OBI 38);</p> <p>R9. 1. Reporting contingent liabilities and other risks (PEFA PI-10.3, OBI 42), Reporting specific fiscal risks (FTC 3.1.2), Disclosure and authorization of guarantees (FTC 3.2.3), Disclosure and management of public-private partnerships (FTC 3.2.4), Disclosure and management of financial sector exposure (FTC 3.2.5), Valuation, disclosure and management of natural resources (FTC 3.2.6), Analysis, disclosure and management of environmental risks (FTC 3.2.7);</p> <p>R10. Disclosure of macro-fiscal sensitivity analysis or alternative scenarios (FTC 3.1.1, PEFA 14.3, OBI 15);</p> <p>R11. Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated. Key performance indicators established, regularly reported, and monitored.</p> <p>R12. Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning, and monitoring) and local branches (execution) adopted;</p> <p>R13. Compliance risks identified, assessed, ranked and quantified through intelligence and research. Compliance improvement programme in place to mitigate identified risks. Compliance risk mitigation activities monitored and evaluated.</p> <p>R14. Management of refunds improves over time.</p> <p>R15. Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud. Automated cross-checking used to verify return information.</p>		
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DESCRIPTION OF ACTIVITIES

The overall objective of the action is to support the public administrations of the Western Balkans to provide better services for citizens and businesses. More specifically, the action aims to improve the implementation of key horizontal public administration and public financial management reforms identified in the beneficiaries' PAR strategies and PFM strategies/programmes.

Component 1 – Support to ReSPA

R.1. Enhanced regional cooperation in the area of PAR and EU integration

- Organisation of regional conferences, network meetings, seminars, trainings and other regional events on topics identified in the PAR strategies at IPA II beneficiary level
- Elaboration and publication of research studies and methodologies
- Support to peer-to-peer learning exchanges among experts from institutions of the Beneficiaries
- Organisation of working group meetings on PAR and EU integration-related topics that respond to the public administration priorities of the ReSPA members

R.2. Supported the implementation of selected actions within the Beneficiaries' PAR Action Plans

- Implementation of the support mechanism to provide technical assistance to the ReSPA members;
- Organisation of meetings, trainings, summer schools targeted at senior and middle management officials of the public administration on the implementation actions identified in PAR APs and the operational conclusions of the PAR SGs

R.3. Quality management tools promoted to strengthen managerial accountability and support the implementation of the Beneficiaries' PAR strategies

- Development of guidelines on service delivery and promotion of tools for measuring client satisfaction
- Capacity building programme on Quality Management system and tool (CAF, ISO 9001, EFQM) in order to strengthen managerial accountability
- Development guidelines for data opening and the use of open data including eParticipation
- Organisation of a regional conference on open data and data quality
- Introduction of a public sector scheme award for the best and innovative practices in public administration

Component 2 – Support to the IMF

The IMF will provide targeted capacity development for strengthening public financial reforms, including on the fiscal revenue side, public expenditures and the overall PFM system. The assistance will be tailor-made for each beneficiary and it will be demand-driven and complementary to other EU or donor-funded support.

With regard to PFM, depending on beneficiaries' needs and the state of play with development and/or implementation of the PFM reform programmes, IMF may provide support with diagnostic work. This could include improving macro-fiscal forecasting capacities, medium-term budget frameworks (MTBFs); strengthening expenditure control and preventing the accumulation of arrears; improving fiscal accounting and reporting systems (e.g., to meet the requirements of international standards not directly linked to the statistical acquis, including any potential European Public Sector Accounting Standards (EPSAS)); strengthening debt and cash management structures; and/or the identification and management of fiscal risks.

It could also include support to strengthening revenue administration structures and operations, geared toward helping tax administrations to better align with international good practices, including the European Commission's Blueprint standards, and cover areas such as the overall tax administration framework (e.g., procedural legislation, governance and organisations' structures, and performance management systems); core business functions (e.g., taxpayer registration and filing and payment systems); compliance management (e.g., gathering and dissemination of data and intelligence, compliance strategy development, taxpayer services, audit, tax fraud investigation, and taxpayer appeals systems); and information technology (e.g. proper strategic approach to large scale replacements or systems overhaul).

The IMF's technical assistance advice, – together with other IMF activities in the context of its surveillance and IMF-supported programmes – will also be a useful input for preparation of comprehensive and meaningful Economic Reform Programmes. This will contribute to improve policy planning and will provide a good basis for the beneficiaries' dialogue with the European Commission, the Member States, and with domestic social partners. IMF capacity development will support implementation of the specific policy guidance adopted by the Joint Ministerial dialogue in the context of the annual Economic Reform programmes. The design of the IMF capacity development will consider the specificity of the context and the reform needs (of which many may be long-term). Such approach will require periodic adjustments, as needed, as the Beneficiaries progress on their reform paths and new priorities emerge.

While the IMF's capacity development programme will mainly focus on strengthening public financial management, broader fiscal policy reforms (i.e. tax and expenditure policies) that have a bearing on the reforms in public financial management may also be supported by the programme after discussion and previous agreement of the European Commission. In the area of expenditure policies, for example, there is a need to improve the efficiency of government spending and enhance the sustainability of pension and social systems. Most Beneficiaries face a number of challenges in containing the growth of spending while ensuring that essential government services and social protection are delivered. This will require efforts to improve the efficiency of spending over the short and medium-term on a wide range of categories, including, for example, the wage bill, health care, and social benefits. In addition, longer-term reforms of pension systems are needed to ensure their fiscal sustainability in many beneficiaries of the region. Capacity development in the area of expenditure policy will aim to provide specific advice on reform options in these areas and boost the capacity of the authorities to assess and formulate reforms.

Similarly, in the area of tax policies, there is a need to support the beneficiaries in raising revenue in a growth enhancing and equitable fashion. Most beneficiaries also face challenges related to their transition process and/or the loss of trade-related revenues through their increased integration with the EU. This, along with increased debt levels, is putting pressure on governments to strengthen tax policies. The IMF's advice will focus on identifying areas for tax base broadening and for improving the composition and progressiveness of tax revenues, including by providing specific advice on different areas of tax reform (e.g., income tax, value added tax, property tax, environmental tax and the taxation of natural resources).

RISKS

The main risk for the success of the action relates to the level of political commitment of the Western Balkans towards PAR, including PFM. The overall challenge is to ensure that political and administrative leaders within beneficiaries' administrations are committed to good governance and to professionalisation of their public administrations and civil service. To overcome this challenge, the European Commission, ReSPA and the IMF, as well as other donors (such as the OECD, the World Bank, SECO, etc.) are committed to continuously raise awareness of the importance of PAR/PFM reforms, target broader range of stakeholders (including civil society) that can support and encourage/add pressure for reform to take effect and be reinforced.

A second risk relates to the lack of adequate identification of key priorities and ways to ensure that lessons learned at regional level are translated into concrete actions centrally and locally. This risk will be mitigated with a developed monitoring system by focusing on impact and results and requesting all networks and working groups to report on concrete results of their work.

Another potential risk relates to the process of selection of the adequate participants for the regional activities both at ReSPA and in the context of the IMF regional events. ReSPA has developed clear selection criteria to identify civil servants who have the appropriate background, institutional position and ambition to actively utilise knowledge and/or skills earned through ReSPA events. The continuing improvement of selection process for participants through an online system will allow ReSPA to better integrate its work with the beneficiaries' priority agendas and to better monitor and measure the impact of the trainings, networking and other capacity development activities. For IMF regional actions, the action will rely on the strong links established by the Centre for Excellence in Finance based in Ljubljana, which acts as a partner of the IMF in these regional activities.

Finally, the limitations to transpose some of the proposed ReSPA policy recommendations and/or solutions in the national context, due to the lack of strong commitment and support from the ReSPA Governing structures and final beneficiary institutions remains a major risk. This risk will be mitigated through deployment of a flexible mechanism - direct support measures for implementation of recommendations arising from regional studies in one particular Beneficiary and/or in groups of Beneficiaries. In addition, the monitoring system will ensure stronger role of the members of governing structure of ReSPA in monitoring the implementation of ReSPA activities in its Members.

CONDITIONS FOR IMPLEMENTATION

Although there are risks to be monitored, and where appropriate, mitigated for the duration of the programme (see previous section), there are no pre-conditions for implementation of the programme. The main conditions required for an effective and timely implementation of the action will be included in each Beneficiary log frame, which will cover specific objective related baseline situation and outcome indicators as well as verifiable indicators and milestones to indicate how the objectives should materialise and be checked.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

Component 1 – Support to ReSPA.

The ReSPA working organisation is structured at three levels: the Governing Board at Ministerial level; the Governing Board at Senior Officials level (State Secretary/Deputy/Assistant Ministers and director generals); and multi beneficiary (expert) Working Groups level.

The Governing Board is made up of representatives of all ReSPA members. The European Commission has an observer status ex officio. Also, Kosovo, benefiting of ReSPA's activities, has been granted the observer status within the Governing Board. The role of the Governing Board is inter alia to agree on the strategic directions for the development and running of ReSPA, including its activities, annual or multi-annual Programmes of Work and ReSPA regulations. The Governing Board is also required to review and decide on the regular reports submitted by the Secretariat on the implementation of ReSPA activities.

Within ReSPA, the European Integration Programming Committee (EIPC) has a subsidiary role to ensure that all ReSPA activities contribute to responses of Member States to challenges and tasks arriving from EI process, and PAR Network has the role in coordination and monitoring the activities in area of PAR.

The ReSPA Secretariat has 15 staff members.

ReSPA is planning to establish an Advisory Board, with mandate to provide advices and support in defining the strategic vision of ReSPA and provide inputs for the development of strategic documents of ReSPA.

Administrative coordination with ReSPA members is supported by the National Coordinators from the central administrations. Their tasks include contacts with stakeholders at central level, support to selection of participants, communication and inputs for monitoring.

In order to manage the achievement of planned results ReSPA, regular annual governance activities include the following: one meeting of Governing Board on Ministerial level, four meetings of Governing Board at

Senior Officials level, three meetings of Budget Committee, two meetings of European Integration Programme Committee as well as two meetings of PAR Network and two meetings with National Coordinators.

Component 2 – Support to the IMF.

IMF will provide customised support: (i) missions from IMF headquarters (HQ); (ii) long-term experts (LTX) who are permanently in the region; and (iii) short-term expert (STX) assignments. IMF staff at HQ will closely supervise the work of the LTX and STX in terms of implementation of their work programmes, and the quality and consistency of their advice (“backstopping”). The capacity development programme will also include various targeted cross-cutting actions, in the form of training/ seminars/ workshops on specific issues, including at the regional and central levels, to facilitate the exchange of views and experiences among Beneficiaries, and to help foster reform drive and regional cooperation. These regional workshops might be delivered through the IMF’s Joint Vienna Institute (JVI) and the Centre of Excellence in Finance (CEF) in Ljubljana.

All activities supported by the capacity development programme will involve close cooperation with officials of the Beneficiaries and be coordinated with other donors. Assistance for each Beneficiary will be demand driven, and designed and developed in close consultation with relevant officials and the European Commission services (HQ and EUD), within the framework of the PFM reform action plans/programmes, EU’s enhanced economic governance approach to potential and candidate countries, and in particular the assessments of the Beneficiaries' Economic Reform Programmes and. Annual Coordination Meetings between relevant Beneficiaries, European Commission, SECO, NL, GiZ other relevant organisations (e.g.: SIGMA/OECD, ReSPA) and IMF Staff will also ensure the overall alignment of the CD work programme with reform priorities of the beneficiaries.

As is already current practice, the IMF’s capacity development advice will also be informed by and integrated into the core financing and surveillance operations of the IMF, and coordinated with that of other key donors in the region to avoid duplication and enhance synergies. In anchoring the IMF’s capacity development advice on the ground, the LTX will play a specifically important role, as they will undertake frequent visits to the countries in the region to follow up on previous recommendations, provide hands on advice, keep up the momentum for reforms, and maintain relationships with key counterparts.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The action will be financed through two direct grants to ReSPA and IMF for a total value of EUR 14.35 million (EUR 10 million for the IMF and EUR 4.35 million for ReSPA). The EU will finance the action up to 100% of the total amount. It is proposed to directly award the grants to ReSPA and the IMF on the basis of Article 190 (1)(f) of the Rules of Application of Regulation (EU, Euratom) No. 966/2012, based on technical competence and high degree of specialisation of ReSPA and IMF. ReSPA is the only, genuinely regional institution created by all beneficiaries to deliver training and networking activities in the area of public administration reform in the Western Balkans. The IMF Fiscal Affairs Department is the only institution with the necessary resources, knowledge and experience to carry out PMF specialised technical assistance and training.

The two contracts will be signed in Q4 2018 with the starting dates of activities set in 2019.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the Directorate-General for Neighbourhood and Enlargement Negotiations guidelines on linking planning/programming, monitoring and evaluation. In

addition, the action might be subject to external monitoring in line with the European Commission rules and procedures.

ReSPA will establish the monitoring and evaluation (M&E) system and through this support contribute to spreading the M&E culture among the ReSPA Members. The M&E will ensure greater effectiveness, efficiency and also visibility of ReSPA. This M&E system will be inspired with the before mentioned Directorate-General for Neighbourhood and Enlargement Negotiations guidelines.

The IMF will facilitate implementation and monitoring through a computerised system for managing and tracking CD and Results Based Management (RBM) catalogue. Relevant information on program status will be accessible to EU stakeholders via the IMF's Partner Portal, a secure website.

In addition to financial information, the Partner Portal is a central repository of information, including documentation related to the contribution arrangements, program documents, progress reports, program status, TA reports, and self-assessments. The Partner Portal also provides access to documents on beneficiary-level and regional CD priorities and well as other information on IMF capacity building. A mid-term assessment could be undertaken, if desired, by the IMF in collaboration with the European Commission to review progress to date in individual beneficiaries and for the programme overall, and to reconfirm, or if necessary change, individual and programme objectives. If needed, an independent evaluation may be commissioned at just over the mid-point of the implementation of the programme. Information from other EU supported CD programs in the region should be shared with the IMF as possible.

INDICATOR MEASUREMENT

Indicator	Baseline (value + year) (2)	Target 2020 (3)	Final Target (2022) (4)	Source of information
<p>Score of Government effectiveness [Indicator of the Multi-country Indicative Strategy Paper (2014-2020)] This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; the respect for the institutions that govern economic and social interactions among them (World Bank definition)</p>	2.3 (2016)	2.76	2.8	World Bank
<p>Composite indicator: Level of quality of the strategic framework on PAR and PFM This indicator assesses the coverage, scope, coherence of PAR planning documents and whether they are prioritised; it also assesses the presence of minimum content of PAR planning documents including the quality of consultations related to PAR planning documents. In this way, this indicator measures to what extent PAR related strategies and action plans are relevant and credible. It is measured through 6 sub-indicators included in the revised monitoring framework.</p>	Available in 2017 assessment reports (2016 data)	To be specified by end 2017	To be specified by end 2017	Regular SIGMA assessments (new assessment framework)

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the

year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

5. CROSS CUTTING ISSUES

GENDER MAINSTREAMING

The principles and practice of equal opportunity will be guaranteed to ensure equitable gender participation in the action. The principle of equal opportunity applies also in relation to the beneficiaries and training participants coming from the different public administrations.

Especially in relation to capacity building and networking activities in the area of Human Resources Management and Development, gender mainstreaming shall be discussed as a fundamental cross-cutting issue. Following the finalisation and publication of the European Commission study on gender equality in public administration in the Western Balkans expected in early 2018, positive actions shall be considered to strengthen the understanding of gender-related issues and relevant capacity building of officials to enhance gender mainstreaming into Beneficiaries' policies and programmes. Such actions will be considered during the preparation of the two contracts with ReSPA and the IMF.

EQUAL OPPORTUNITIES

Lack of good governance and public administration reform hamper equal opportunities for women and men. ReSPA and IMF will ensure equal opportunity of participation in action activities to everybody; in addition, to the extent that the action addresses issues where gender may be directly relevant (e.g. civil service and human resources management, policy planning), ReSPA and IMF will ensure that their advice is consistent with this cross-cutting principle.

MINORITIES AND VULNERABLE GROUPS

Concerns related to minorities and vulnerable groups will be reflected in some activities of the project, in particular when it concerns participation in the training and networking activities. ReSPA Secretariat and IMF are aware of key issues related to national minorities in the Western Balkan region, and will make reasonable effort to include relevant participants from minority groups in ReSPA and IMF activities. Such efforts will include, but are not limited to, provision of translation of relevant documents to languages of minorities in the Beneficiaries.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The action will contribute to more inclusive and evidence approach in policy and legislative development, in line with the key Principles of Public Administration and the approach advocated at the EU level by the Better Regulation Agenda. This approach advocates for appropriate involvement of non-governmental stakeholders in developing, monitoring and implementing public policies and legislation.

In order to increase ownership by the IPA II beneficiaries and stimulate a need for PAR and PFM reforms, the action will target non-governmental stakeholders such as civil society organisations, business associations, academia, and media. Such efforts should be coordinated with initiatives funded under the IPA Civil Society Facility, such as e.g. the “Western Balkans Enabling Project for Civil Society Monitoring of Public Administration Reform” (WeBER) project, which aims to strengthen the capacity of civil society to monitor and engage in dialogue with the governments on key public sector reforms in accordance with the Principles of Public Administration.

ReSPA and IMF already started and envisage continuing cooperation with think tanks, academic institutions, research institutes and non-governmental organisations from the Western Balkans who are dealing with public administration and public finance reform issues, and/or with European integration. In particular, ReSPA already included representatives of civil society organisations (CSO) in its thematic working groups, various networking events and conferences. On the other side, ReSPA will continue to provide its representation at conferences and events organised by CSOs in the Western Balkan region, in particular when such events are geared around topics of importance for public administration reform and European integration process. In preparing comparative studies and in conducting regional research projects, ReSPA will rely on expertise from academia, think tanks and research institutes from the Western Balkans.

ReSPA is an Associate in the WEBER project that brings together six regional CSOs who are directly dealing with monitoring or public administration reform efforts in light of European integration in the Western Balkans.

Finally, the action shall make every effort to encourage national reform teams to consult widely, recognising the role of civil society in stimulating Public Administration Reforms and ensuring that it remains close to the citizens and business.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Environmental objectives are not directly targeted by this action. However, to the extent that the action addresses the horizontal policy and legislative development process, it will have positive effects on the capacity of the Western Balkans to align their legislation with the EU environmental *acquis*. In this regard, the action will promote and advocate the better regulation approach, which focuses on inclusive and evidence-based law- and policy-making process. It aims to ensure that “policy is prepared, implemented and reviewed in an open, transparent manner, informed by the best available evidence and backed up by involving stakeholders”. In addition, the action will contribute to professionalisation of the civil service and to improvements in the organisation of the administration as a whole. This will have positive effect in terms of quality of legislation and strategies and their proper implementation in all sectors, including environment and related areas.

Every year ReSPA hosts over 700 participants of various events in its Campus in Danilovgrad, Montenegro. These participants are senior and mid-level public servants from ReSPA Members, mostly coming from ministries and governmental agencies who are dealing with various aspects of public administration reform and European Integration. In order to raise their awareness about climate change and environmental issues in the Western Balkan region, ReSPA Secretariat plans to distribute various publications on relevant topics (e.g. on regional energy policy, on climate adaptation and mitigation measures in the region, etc.) which are produced by other organisations who are professionally dealing with environmental issues. In particular, we plan to cooperate with the Environment and Climate Regional Accession Network (ECRAN, www.ecranetwork.org) EU Environment Partnership Programme for Accession (EPPA) and the EU Support for Climate Action in IPA II beneficiaries – Transition towards the low emissions and climate-resilient economy to start in 2018 , with the Regional Environmental Centre (REC, www.rec.org), and with the Climate Action Network Europe (CAN, www.caneurope.org), and to use publications and promotional materials produced by these organisations. By distributing brochures, newsletters, leaflets and other publications, to participants of ReSPA events we hope to raise their interest in current trends and pressing issues in this field in the Western Balkans.

Climate action relevant budget allocation: EUR 0
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6. SUSTAINABILITY

This program will have a specific focus on capacity building to ensure on going sustainability of credible public financial management and effective and efficient revenue administration and governance. The programme components to support this outcome will include but not limited to (i) knowledge transfer (ii) specific specialized training for a wide number of staff in each relevant Beneficiary (iii) regional training (iv) mentoring opportunities.

To ensure sustainability for the Beneficiaries in the key disciplines of the program, capacity will need to be built in such areas as change management, human resources development, and information technology. The IMF will actively seek the close cooperation of other CD providers as needed. The IMF will also seek to coordinate with the European Commission and with other CD providers with regards to unmet CD needs that are identified in the context of delivering the agreed CD programme and which would strengthen implementation of the agreed actions. In the delivery of the agreed CD, IMF staff will pay specific attention to putting in place viable medium-term strategies that help sustain the reforms and achievements once the action is completed.

One of the basic conditions for ReSPA's sustainability is that ReSPA's Members continue to pay their annual contributions to cover its operational costs. In 2017 ReSPA's Members agreed the extension of ReSPA's international agreement until 2024.

Important condition for sustainability of ReSPA is solving the issue with finalisation of the procedures for official membership of Kosovo.

From the mid-term and longer-term point of views, sustainability of ReSPA depends of its capability to provide added value to the public governance and public administration reform agenda of its Members and to their EU association and accession policies. This ensures readiness of the European Commission and the Governments of EU Members to provide funds for ReSPA operations.

The impact of ReSPA products on the PAR agenda of ReSPA Members is important factor of sustainability as well as an indicator of success of ReSPA operations. In cooperation with national training centres and schools for public servants in the Western Balkans, ReSPA will ensure transfer of its training materials, presentations, syllabuses, organization of training for trainers' activities, as well as comparative studies, some of which will be also translated into local languages. In such a way, training centres and schools and academies for public servants will be able to continue and multiply ReSPA's efforts on central and local levels.

ReSPA will show the ability to overcome or mitigate the effects of the risks and to carry on its continuing readiness to adapt its way of work to the changeable environment and increasingly demanding needs for capacity development of public administration in its Members. ReSPA is currently considering diversification of funding and may decide to start with fundraising efforts in the coming years, in order to provide funds for activities that cannot fit within the budget approved by the European Commission. In addition, comparative studies and feasibility analysis³ have been produced, and recommendations of these studies are valuable information for encouraging further work on diversification of activities and funding.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the action. The implementation of the communication activities shall be funded from the amounts allocated to the action, and therefore grant communication assistant will be engaged.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the EU communication and visibility requirements in force. All stakeholders and implementing partners shall ensure the visibility of EU Financial assistance provided through IPA II throughout all phases of the programme cycle.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process, as well as the benefits of the action for the general public. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds. Visibility and communication aspects shall be complementary to the activities implemented by Directorate-General for Neighbourhood and Enlargement Negotiations and the EU Delegations in the field.

The European Commission and the EU Delegations shall be fully informed of the planning and implementation of the specific visibility and communication activities. In the IMF component, the approved operational guidelines for the current programme will be grandfathered into this new action stipulating the visibility and outreach requirements and sharing of information.