THE EU REGIONAL POLICY AND REGIONAL POLICY CHALLENGES IN CZECH REPUBLIC, HUNGARY, POLAND, SLOVAK REPUBLIC, MONTENEGRO AND SERBIA

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INTRODUCTION

Introduction

1. Objectives and importance of the EU regional policy for the Member states and the Candidate countries

The EU regional policy is a cornerstone of the European Union's efforts to promote balanced and sustainable development across its member states. At the same time, the EU regional policy is a composite policy of the utmost importance for **the candidate countries** and their local communities on their European integration path. By addressing regional disparities and fostering economic, social, and territorial cohesion, the policy aims to ensure that all regions can thrive and contribute to the overall prosperity of the EU and Europe.

Besides, the implementation of the EU acquis often happens at **the local level**. This is crucial because many EU common policies and legal acts have a direct impact on local communities and regions. Local and regional authorities are often responsible for the practical application and enforcement of these regulations, which ensures that EU laws are effectively integrated into the national legal systems of member states.

The EU regional policy, also known today as **the EU Cohesion Policy** integrating economic, social and territorial aspect of the cohesion, is indeed of utmost importance for several reasons:

1. **Economic, Social and Territorial Cohesion (EST goals):**
   - The primary objective of the EU regional policy is to reduce disparities between the levels of development of various regions within the EU. This helps in promoting economic, social, and territorial cohesion.
   - By supporting less developed regions, the policy aims to foster more balanced economic growth across the EU (improvement of transport network, utilities, energy transition and decarbonisation, digital economy, circular economy development, urban development, education and training, health and social services, etc.).
   - The candidate countries is obliged to harmonise their institutional framework and strategies with the EU regional policy during the accession negotiation process.

2. **Funding and Investments:**
   - The EU allocates significant funds through various financial instruments (European structural and investment funds, such as the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, and the Just Transition Funds) to support projects that enhance regional development. Other important part with strong regional impact is the Common Agricultural Policy and its funds.
   - These funds are used for infrastructure projects, digital and green transition projects, innovation and research, sustainable development, and job creation.
   - The candidate countries are invited to prepare their administrations for participation in the EU regional policy from the first day of accession to the Union;

3. **Local Impact:**
   - Regional policy directly benefits local communities by improving infrastructure, creating jobs, and enhancing the quality of life.
   - Local authorities often manage and implement projects funded by the EU, ensuring that investments meet the specific needs of their communities.
   - Local communities of the Candidate countries are one of key stakeholder that should be involved in the accession negotiations in chapter 22.

4. **Capacity Building**:
    - The EU regional policy also focuses on strengthening the institutional capacity of local and regional authorities. This involves providing training, technical assistance, and support for administrative reforms.
    - Building local capacity ensures more effective and efficient use of the EU funds and better implementation of the EU policies.

5. **Sustainable Development and Green Transition**:
    - The policy promotes sustainable development by investing in green technologies, renewable energy projects, and initiatives aimed at reducing carbon emissions.
    - It aligns with the EU's broader goals of combating climate change and promoting environmental sustainability.

6. **Digital Transition, Innovation and Competitiveness:**
    - The digital transition is a key component of the EU's broader strategy for growth and development, aligning closely with the goals of the EU regional policy. Integrating digital technologies into various aspects of society and the economy helps to drive innovation, enhance productivity, and ensure that all regions, including less developed ones, can participate in and benefit from the digital economy (invest in the digital infrastructure and broadband expansion; establish the Digital Innovation Hubs that support local businesses, especially SMEs, by providing access to advanced digital technologies, expertise, and funding for innovation; e government services; smart cities and regions; digital skills training and support to the local self-governments to develop digital skills;
    - By funding research, innovation, and small and medium-sized enterprises (SMEs), the EU regional policy enhances the competitiveness of regions.
    - This support helps regions to adapt to global economic changes and technological advancements.

In summary, the targeted harmonisation with the EU acquis in this area, preparation of the effective implementation of the EU acquis at all levels with a special focus on the local level, combined with the strategic importance of EU regional policy within the national integration context, plays a critical role in ensuring balanced regional development, fostering economic growth, and improving the quality of life for citizens across the European Union, and in the countries of enlargement.

2. About the project

The Project: „Visegrad Group Supports Montenegro and Serbia in the Preparation for the EU Regional policy“ (01/09/2023 – 30/06/2024) is supported by the International Visegrad Fund, an international donor organization established in 2000 by the governments of the Visegrad Group countries—Czechia, Hungary, Poland and Slovakia, in order to promote regional cooperation in the Visegrad region (V4) as well as between the V4 region and other countries, especially in the Western Balkan and Eastern Partnership regions.

The project focuses on sharing experiences, transferring knowledge, and recommending further regional and local economic development from the Visegrad group countries (Czechia, Hungary, Poland and Slovakia) to Montenegro and Serbia.

The project products (book, surveys) and events (conference, workshop, and lectures) address differences in economic development strategies with recommendations based on:

- the lessons learned from the Visegrad group regarding the regional policy and
- estimation of the current level of harmonisation with the EU regional policy in Montenegro and Serbia (the negotiating chapter 22. Regional policy and coordination of structural instruments)

for innovative solutions in local and regional economic development and preparation for the EU regional policy.

The added value of this project is that it has brought together **project partners** from 6 organizations from V4 and WB6 regions:

	Institute for Politics and Society (IPS), Prague, Czechia
	Union of the Robert Schuman Institute for Developing Democracy in Central-Eastern Europe (RSI), Budapest, Hungary
	Center for Social and Economic Research (CASE) Warsaw, Poland
	Macro-Economic and Social Analyses 10 (MESA10), Bratislava, Slovakia
	Centre for Foreign Policy (CFP), Belgrade, Serbia
	Montenegrin Pan-European Union (MPEU), Podgorica, Montenegro, as the Grantee – partner coordination organization.

This book titled „**The EU Regional Policy and regional policy challenges in V4 and Montenegro and Serbia**“ is one of key results of the Project. The conducted research is devoted to the analysis of the importance of the European Union's regional policy, its implementation in the V4 countries, and the main challenges faced by the Western Balkan countries in the context of their enlargement process, particularly in relation to Chapter 22 of EU regional policy and coordination of structural funds. The goal is to provide insights and recommendations on how to avoid the "middle-income trap" and promote economic, social, and territorial cohesion in the Western Balkans.

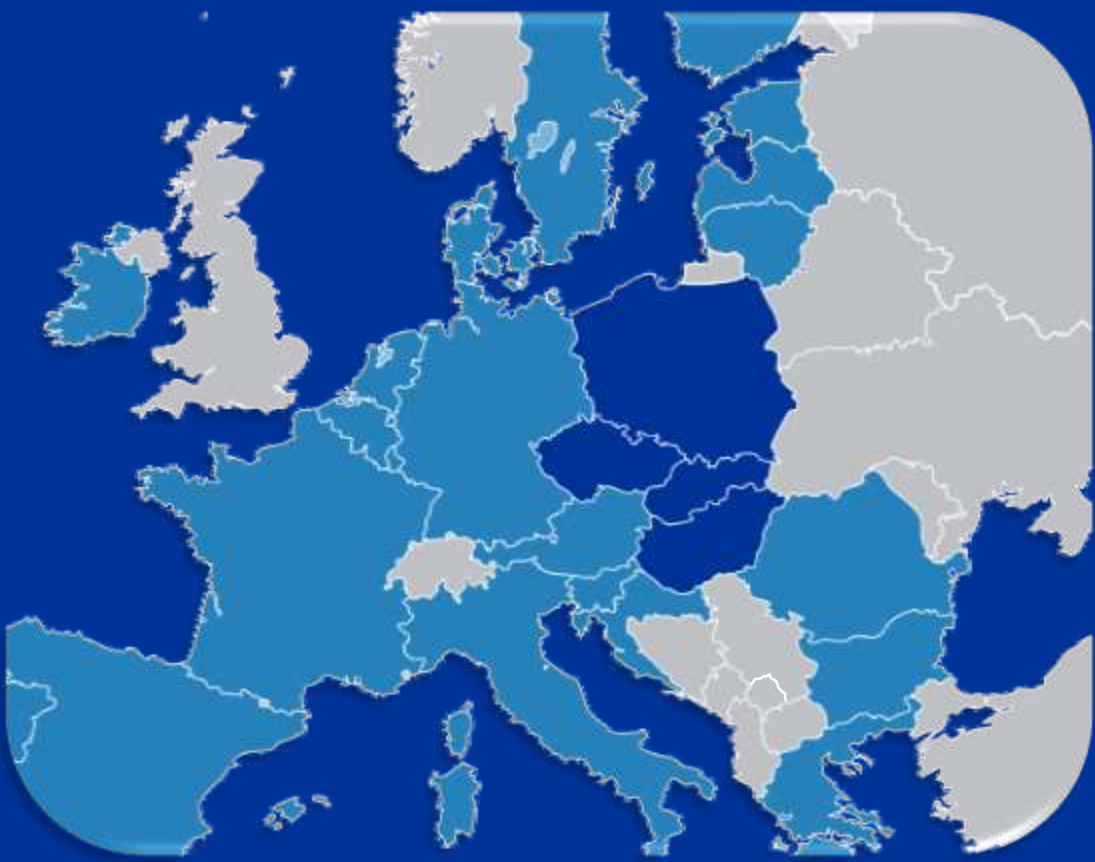
The project has **regional relevance** since its focus is on regional and local economic development, innovative solutions and investment in infrastructure, harmonization of the EU regional policy of V4, Member States of the EU (CZ, PL, SK, HU), and the EU enlargement countries from the WB region, as Montenegro and Serbia.

This project is focused on the **regional development and analysis of the EU regional policy,** its implementation in V4 countries, and education, knowledge transfer and experience sharing of V4 countries to the WB region, namely to Montenegro and Republic of Serbia. More specifically, the project aims at finding and sharing innovative solutions in local and regional infrastructure development and improvement of economic governance and EU integration dynamics in WB region.

Gordana DJUROVIC

Podgorica, May 2024

II THE EU REGIONAL POLICY: EXPERIENCES FROM THE ACCESSION PROCESS AND RECCOMENDATIONS FOR CANDIDATE COUNTRIES AFTER TWO DECADES OF THE EU THE EU MEMBERSHIP



1. The EU Regional Policy: experiences and recommendations from the Czech Republic

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Abstract

The EU Regional Policy, also known as Cohesion Policy, plays a crucial role in supporting economic development and reducing disparities among regions within the European Union. Czech Republic, like other EU member states, has benefited from this policy, particularly in terms of infrastructure development, investments in innovation, and fostering sustainable growth. Despite the successes, there are still challenges that Czechia faces in implementing the EU Regional Policy effectively. By leveraging EU funds effectively and addressing implementation challenges, Czech Republic can further capitalize on the opportunities provided by the EU Regional Policy to ensure balanced and inclusive development across its regions.

Keywords*: the EU Regional policy, Czechia, regions, convergence, economic development*

1.1. Introduction

Obtaining European Union membership has critical consequences for the domestic policies, politics, and institutions of the new Member States. Yet, the membership also has the potential to bring significant impacts on the foreign and regional policies of countries. Per the conditions of membership, countries have to adopt the EU's acquis and align themselves with Common Foreign and Security Policy (CFSP) statements and positions even before accession. As member states, the countries help shape policy decision-making within the EU's supranational first (or Community) pillar. They also take part in intergovernmental Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP) deliberations and are expected to coordinate their national policies with other EU governments.

Presently, society has witnessed both the benefits and struggles of obtaining EU membership. It is unclear, however, exactly what the impact of EU integration on the national policies of some countries have been. This chapter's focus will explore the situation of Serbia and Montenegro while utilizing examples of the member countries such as the Czech Republic.

1.2. Pre-accession period and lessons learned

The pre-accession period is a crucial phase in the journey of a country aspiring to join the EU. It serves as a testing ground for aspiring members, providing them with an opportunity to align their policies, institutions, and practices with EU standards and values. As various countries have navigated through this phase, lessons have emerged that shed light on the challenges and opportunities inherent in the accession process. We can mention key lessons learned from EU member states during their pre-accession period.

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- **Institutional Reforms and Governance -** A principal lesson learned from the pre-accession period is the emphasis on robust institutional reforms and effective governance. Successful EU members have demonstrated the importance of establishing transparent, accountable, and efficient institutions. Strengthening the rule of law, ensuring the independence of the judiciary, and combating corruption are vital components. Countries such as Poland and Romania have experienced the significance of addressing these issues in order to build a solid foundation for EU accession.

- **Economic Convergence -** Economic convergence is a key criterion for EU accession. Member states have shown that aligning economic policies with EU standards, implementing market-oriented reforms, and fostering a competitive business environment are essential steps. Countries like Estonia and Slovenia successfully navigated this aspect and achieved sustained economic growth and stability during their pre-accession period.

- **Social and Cultural Transformations -** The EU places a strong emphasis on promoting social cohesion and cultural integration. Thriving member states have recognized the importance of addressing issues related to minority rights, gender equality, and social inclusion. Lessons from Croatia and Hungary underscore the significance of fostering a diverse and inclusive society, which cultivates a strong European identity.

- **Regional Cooperation -** The EU encourages aspiring members to engage in regional cooperation and hold respectable relations with neighbouring countries. The lessons learned from the Western Balkans, specifically Serbia and North Macedonia, demonstrate the severity of resolving historical disputes and fostering collaboration with neighbouring countries. The establishment of steady and secure regional relationships cultivates peace and stability, essential prerequisites for EU membership.

- **Public Support and Communication -** Securing public support for EU accession is vital. Member states have recognized the need for effective communication strategies to educate the public about the benefits of EU membership. Lessons from the Czech Republic and Slovakia emphasize the importance of transparent communication and addressing concerns, in order to build a respectable narrative around the accession process.

1.2.1 The Czech Republic and its European Story

Relations between the Czech Republic and the European Union were maintained even before the Czech Republic joined the Union on May 1, 2004. On this day, the Czech Republic joined the European Union together with nine other countries. As an EU member state, the Czech Republic has been closely cooperating with EU institutions and other member states. This multilateral cooperation is executed by the majority of the Czech government (Úřad vlády České republiky, 2004).

The government's foreign policy goals are closely linked to the European Union. Apart from certain specifics, that are typical for the historical development of the Czech Republic, the government accepts the direction of the EU abroad as its own, and at the same time participates in it through all EU institutions.

The Czech Presidency on the Council of the EU is a notable moment. The Czech Republic assumed the presidency of the Council of the EU for the first time on January 1, 2009. The preparation of the Czech presidency was coordinated by the Office of the Deputy Prime Minister for European Affairs at the Government Office, which was headed by Deputy Prime Minister Alexandr Vondra.

After Slovenia, the Czech Republic was only the second "new" member state that had the opportunity to lead the Council of the European Union. The Czech Presidency also "came out" on the 20th anniversary of the fall of the Iron Curtain and the fifth anniversary of the largest enlargement of the EU in history, which included the Czech Republic. The Czech Republic assumed its second presidency on July 1, 2022. In both cases, it formed the presidency trio with France and Sweden.

The Czech Republic's path to European Union membership serves as an exemplar case study in the broader context of the pre-accession period. As the Czech Republic transitioned from a post-communist state to a thriving EU member, several valuable lessons emerged that are noteworthy. We can therefore explore key insights and lessons learned from the Czech Republic's pre-accession journey.

- **Lesson 1: Political and Institutional Reform**

The Czech Republic's successful pre-accession period was cultivated by their commitment to political and institutional transformation. The country undertook comprehensive transformations, aligning its legal and administrative systems with EU standards. Notably, the establishment of transparent and accountable institutions effectively helped construct an agile governance, contributing to the country's preparedness for EU membership.

- **Lesson 2: Economic Reforms and Market Liberalization**

Economic convergence was crucial in the Czech Republic's accession process. The nation undertook market-oriented reforms, embracing liberalization and privatization. The shift from a centrally planned economy to a market-oriented one was demanding yet indispensable. The Czech Republic's journey highlights the significance of cultivating a competitive business landscape, enticing foreign investment, and attaining sustainable economic growth in the pre-accession phase.

- **Lesson 3: Addressing Environmental Concerns**

Environmental considerations gained prominence during the pre-accession period. The Czech Republic learned that aligning environmental policies with EU standards was not only a prerequisite for membership but also crucial for sustainable development. The country invested in modernizing its environmental practices, adopting EU regulations, and promoting green initiatives. Today, this lesson is particularly relevant, as environmental sustainability remains a key focus within the EU.

- **Lesson 4: Embracing Democratic Values and Human Rights**

During the pre-accession period, the Czech Republic prioritized democratic values and human rights. Strengthening its commitment to the rule of law, the Czech Republic pursued the fortification of its legal framework, ensuring the protection of individual rights, and fostering a culture of democratic governance. These efforts not only facilitated accession to the EU but also contributed to the consolidation of democratic principles within the country.

- **Lesson 5: Effective Communication and Public Support**

The Czech Republic acknowledged the significance of public support during the pre-accession phase. Insights learned from engagement underscored the importance of transparent communication, addressing concerns, and effectively conveying the benefits of EU membership. This experience highlighted that an informed and supportive public is crucial for accession into the EU.

1.2.2. Regional policy of the Czech Republic within the framework of EU membership

Regional policy is understood as a set of measures and tools, aimed to mitigate or eliminate differences in the economic development of sub-regions. In the case of the Czech Republic, and that of many other countries, collaboration among state, regional, and local authorities is imperative. The focus is on supporting development activities in individual regions and mitigating the negative consequences of territorially uneven development. The objective was therefore to have a balanced development of all parts of the Czech Republic and the activation of its hitherto underutilized potential.

The EU's regional policy operates as a coordinated effort, with member states tasked with implementation, while coordination and harmonization are overseen by the pertinent Union institutions. This policy aims to bolster territorial cooperation and enhance regional competitiveness. The Lisbon Strategy is a vision for the continued advancement of the EU. Regional policy holds a fundamental role in the creation of a single market. The emergence of a single currency limits the capacity of states to influence the economy via exchange rates. Furthermore, the entry of thirteen new countries into the EU, whose incomes were significantly below average, underscores the importance of cohesion policy.

The average economic growth of the member countries that joined the EU after 2000 grew and currently exceeds the values achieved in the old member countries (convergence tendency). From a regional point of view, divergent tendencies prevail in member countries after 2000, where divergence occurs in the metropolitan regions of their capital cities.

Funds such as the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF) represent the main instruments for the implementation of regional policy. In the years 2006-2013, approximately 347 billion euros were allocated to regional policy from these funds. It is the second largest EU policy with a 36% share of the total EU budget.

The implementation of regional policy entails developing multi-year and multi-disciplinary programs, which are then subdivided into sub-programs and specific measures. The initial step in formulating regional policy is determining these long-term programs and objectives, all guided by specific principles:

- The principle of programming
- The principle of concentration
- The principle of partnership
- The principle of complementarity
- Principle of monitoring and evaluation

The EU regional policy stands out as a prominent and widely acknowledged example of mutual support among its member states, characterized by effective control mechanisms and adaptability.

The aim of regional policy before joining the EU was to support the creation of jobs, the competitiveness of companies, economic growth, sustainable development and improving the quality of life of citizens. The main and actively used instrument of regional policy was and presently is the support of small and medium-sized businesses in economically troubled areas. These programs are updated annually to meet changing conditions, but also to respond to previous negative or positive experiences. With the entry of the Czech Republic into the European Union, more attention was paid to regional politics. Since 1999, alongside the support programs for small and medium-sized enterprises, initiatives have been launched targeting the most affected regions such as north-western Bohemia and northern Moravia. In 1997, new principles of regional policy were created, aligning with the foundational principles of the European Union's regional policy. Additionally, in 2000, the Act on the Support of Regional Development was ratified, further solidifying these efforts.

The principle of concentration was used when defining regions with concentrated state support. Among these regions with state support are structurally affected regions, i.e. industrial areas with a decline in traditional industries and a high rate of unemployment. 10 structurally affected regions were defined in the Czech Republic. They are the districts: Most, Karviná, Chomutov, Teplice, Ostrava-město, Louny, Bruntál, Frýdek-Místek, Jeseník and Nový Jičín. Economically weak regions, characterized by a lower standard of living and located in rural areas, follow. These are the districts of Znojmo, Třebíč, Rakovník, Tachov, Přerov, Svitavy, Šumperk, Hodonín, Vyškov and Český Krumlov. The last are other regions with specific problems, e.g. with highly above-average unemployment, i.e. the districts of Děčín, Ústí nad Labem and Litoměřice.

1.2.3. Regional Policy of the Czech Republic today

The regional policy of the Czech Republic within the framework of European Union (EU) membership represents a dynamic and evolving approach to addressing economic and social disparities. Since joining the EU in 2004, the Czech Republic has actively participated in regional policy initiatives, thereby contributing to the overall cohesion and development of both the country and the broader European community. Furthermore, the commitment of the CEFTA Parties to establishing a regional economic area, based on EU compliance, aims to decrease the cost of trade and production by eliminating market access barriers. CEFTA's role in this process provides valuable insights, particularly for the Western Balkans (WB6) contemplating adopting new practices such as harmonization of trade regulations, streamlined customs procedures, and mutual recognition of standards. A report by the World Bank on trade integration in the Western Balkans underscores the importance of aligning regional practices with EU standards to promote economic growth and stability (World Bank, 2020). We delve into the key aspects of the Czech Republic's regional policy within the EU framework.

1. **EU Cohesion Policy:** At the heart of the EU's regional policy lies the Cohesion Policy, aimed at reducing economic and social disparities among regions. The Czech Republic, recognizing the significance of this policy, has strategically utilized EU funds to invest in its less-developed regions. This has facilitated infrastructure improvements, innovation, and employment opportunities, fostering a more balanced and integrated national landscape.

2. **Multiannual Financial Framework (MFF):** The Czech Republic actively engages in negotiations regarding the Multiannual Financial Framework, the EU's long-term budget. Through diplomatic efforts and strategic planning, the country strives to secure adequate funding for its regional development projects. This involves aligning national priorities with EU objectives, ensuring a harmonious allocation of resources to address specific regional challenges and opportunities.

3. **Smart Specialization and Innovation:** A key component of the Czech Republic's regional policy is the emphasis on smart specialization and innovation. By aligning regional strengths with EU priorities, the country has leveraged EU funds to support research, development, and innovation projects. This not only enhances regional competitiveness but also contributes to the EU's overarching goal of becoming a global innovation leader.

4. **Sustainable Development and Environmental Concerns:** Aligned with the EU priorities, the Czech Republic integrates sustainable development principles into its

regional policy. Environmental factors, such as advancing towards a green economy and addressing climate change, are crucial in determining the allocation of EU funds. The country actively participates in initiatives promoting energy efficiency, renewable energy, and environmentally friendly infrastructure within its regions .

5. **Cross-Border Cooperation:** Acknowledging the interconnected nature of regional development, the Czech Republic engages in cross-border cooperation projects with neighboring countries. This collaborative approach promotes economic integration, cultural exchange, and the efficient use of EU funds to address mutual challenges. Programs such as the European Territorial Cooperation Programmes emphasize the importance of forging robust partnerships for sustainable regional development.

1.2.4. Conclusion

The pre-accession period is a transformative journey for countries aspiring to join the European Union. The lessons learned from successful member states provide valuable insights into the multifaceted challenges and opportunities that accompany this process. Robust institutional reforms, economic convergence, social and cultural transformations, regional cooperation, and effective communication are key pillars that contribute to a successful pre-accession period. As countries continue to navigate this phase, these lessons serve as a guide, shaping their path towards European integration and contributing to the overarching goal of a united and prosperous Europe.

The Czech Republic's evolution from a post-communist state to an EU member imparts valuable lessons for other countries navigating the pre-accession period. Political and institutional transformation, economic reforms, environmental considerations, a commitment to democratic values, and effective communication are crucial elements that contributed to the Czech Republic's successful accession to the EU. As other nations aspire to follow a similar path, these lessons offer insights into the challenges and opportunities inherent in the pre-accession process, ultimately contributing to a more united and integrated Europe.

The Czech Republic's regional policy within the EU framework reflects a commitment to addressing regional disparities, fostering innovation, and promoting sustainable development. Through strategic alignment with EU priorities, the country has effectively utilized Cohesion Policy funds and engaged in cross-border cooperation to enhance the well-being of its regions. As the EU continues to evolve, the Czech Republic's regional policy serves as a model for leveraging the benefits of membership to create a more cohesive, competitive, and resilient European Union. By navigating the complexities of regional development within the EU framework, the Czech Republic contributes to the shared vision of a united and prosperous Europe Union.

1.3. Experiences of Czechia in Today’s EU Regional Policy

Even after almost 20 years of EU membership (accession on April 1st, 2004), the differences in the 13 Czech regions[3] remain noticeable. If we stick with the variables monitored by the Czech Statistical Office (ČSÚ) - economic performance, average earnings and pensions, life expectancy, availability of health care, unemployment rate, and use of the Internet – they differ among individual regions. The best situation is still in Prague and the Central Bohemia region, the Karlovy Vary and the Ústí Regions are among the weakest.

[3] The Czech Republic is divided into **13 regions**: Karlovy Vary Region, Liberec Region, Moravian-Silesian Region, The Pardubice Region, The Ústí Region, Vysočina Region, Zlín Region, South Bohemian Region, Hradec Králové Region, The Olomouc Region, The Pilsen Region, Central Bohemia Region and Southern Moravia Region.

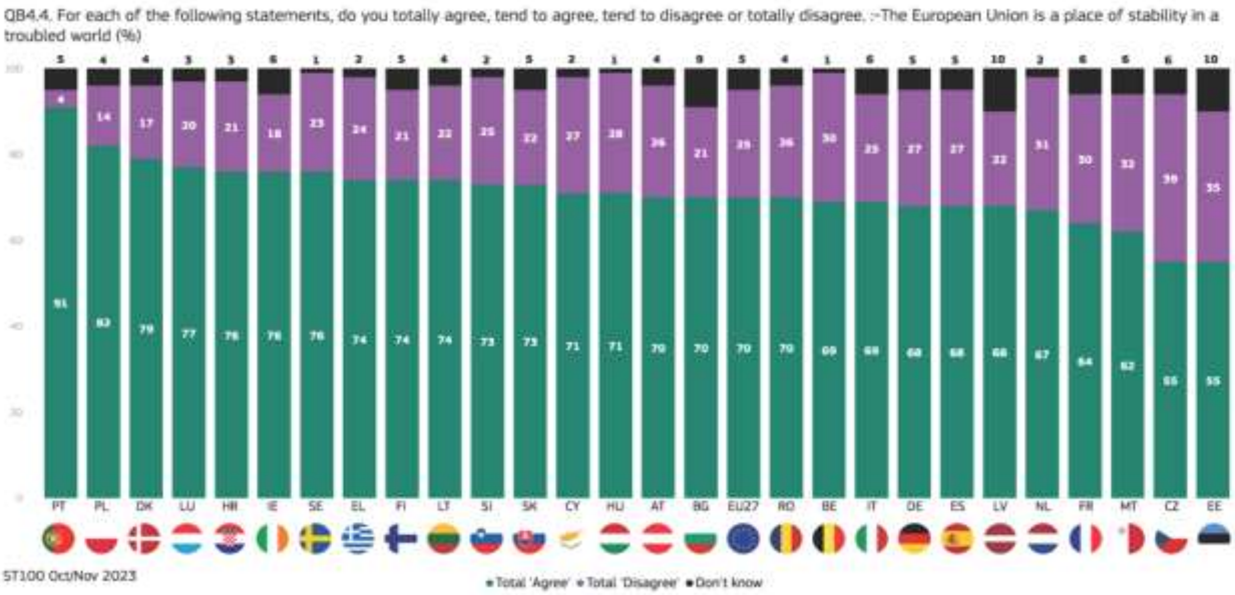
According to the results (ČSÚ – Czech Statistical Office, 2023), the situation is significantly different in Prague. It is followed by the Central Bohemian, South Moravian, and Hradec Králové regions with a greater distance in the compared indicators. The opposite end of the ranking belongs to the territory of the former Sudetenland as in the previous decades. The Czech Republic has thus still not overcome the effects of the events of the Second World War and the clearing of border territories inhabited by the German minority before 1945. And this is a fact even though the most affected regions (especially the Ústí Region and the Karlovy Vary Region) are adjacent to industrially strong Germany, which represents the Czech Republic's main trading partner.

The strategy chosen by a particular country to mitigate or even eliminate regional differences to some extent affects the perception of the European Union as such. This is confirmed in the case of the Czech Republic by sociological surveys (CVVM, 2023), which show that in Prague and other developed parts of the republic respondents are more conciliatory towards the EU than in regions with peripheral problems.

1.3.1. Czechs and the EU

Compared to other countries, the Czechs are not among the apologists of the European Union. It can even be said that the Czechs regularly appear among the most pessimistic countries. This approach is similar both in the case of understanding the EU as a place of stability and security (see figure 1. below), and Czechs being concerned about the future of the EU as such (see figure 2. Below).

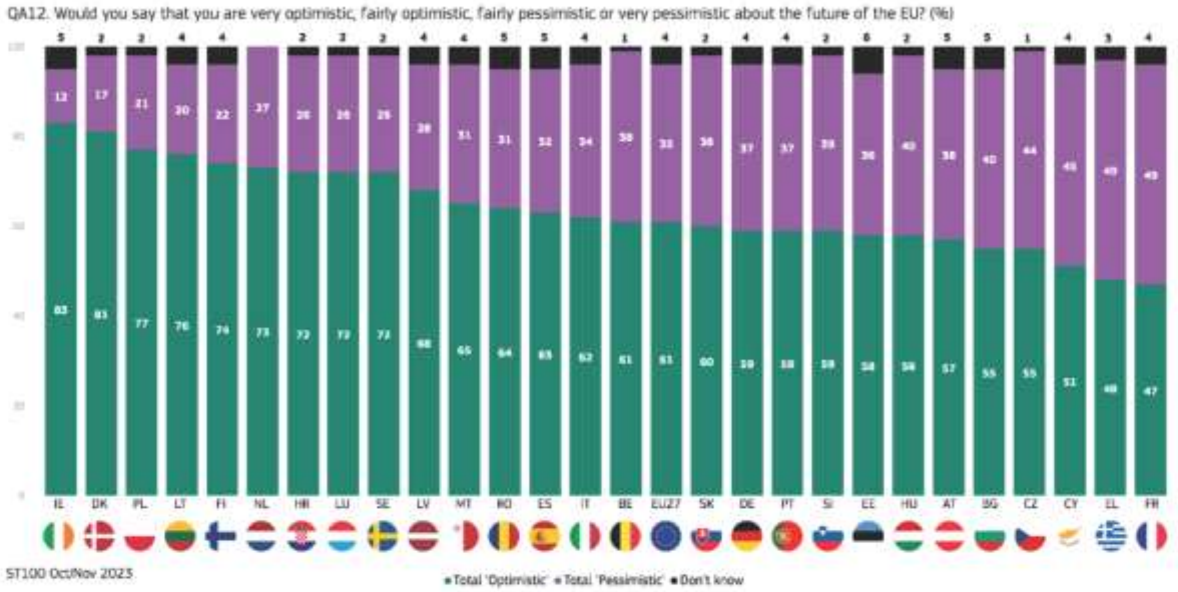
Figure 1. Share of Respondents who are Convinced that the EU Ensures Stability - Member Countries



Source: Eurobarometer 2023b

If we look at the distribution of responses across national surveys, we get a much clearer picture. According to the latest public opinion poll conducted by the IPSOS agency (IPSOS, 2024) over 13 percent of people are very satisfied with the Czech Republic's membership in the union, and another 34 percent are rather satisfied with it. 19 percent of respondents are very dissatisfied, a quarter is rather dissatisfied. Concerning the functioning of the European Union, less than five percent of respondents are very satisfied, another 31 percent are rather satisfied. A quarter of people are very dissatisfied, another 31 percent are rather dissatisfied.

Figure 2. Level of Respondents' Optimism Regarding the Future of the EU - Member Countries



Source: Eurobarometer 2023b

In the case of the Czech Republic, the main variable that affects the opinion of the respondents is age. Satisfaction is more often expressed by people under the age of 34, while the older generation over 55 is, on the contrary, more often dissatisfied. This is related to making use of benefits provided by the EU and its institutions according to the respondents.

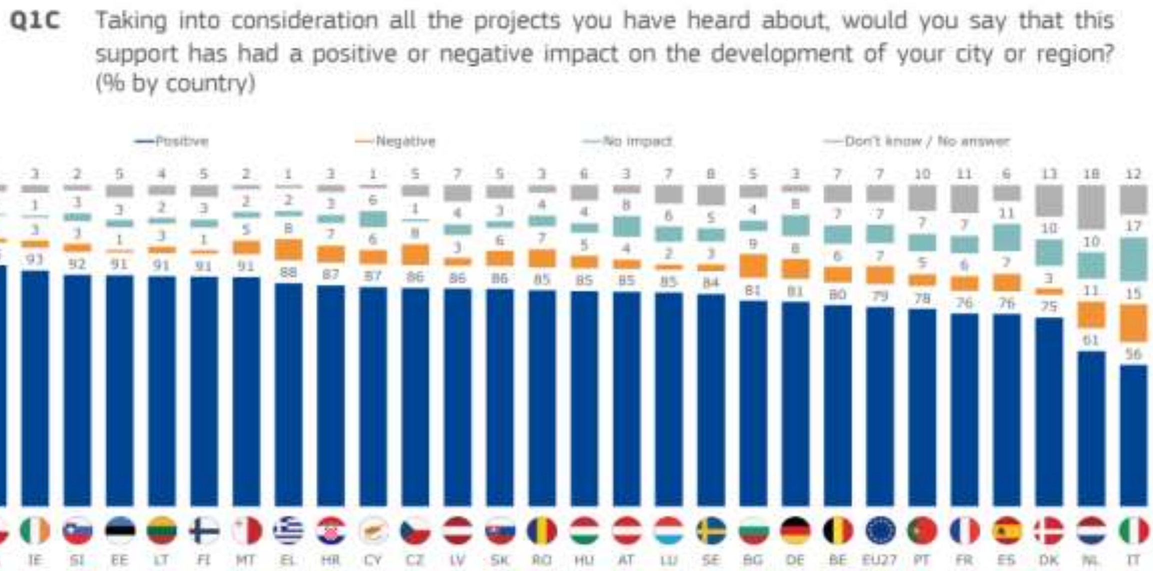
As reasons why they are dissatisfied with the functioning of the EU, people in the survey mainly cite **restrictions on the sovereignty of the member states**. This applies to 41 percent of respondents, 39 percent indicated problems related to migration policy, 35 percent excessive regulation and 31 percent **excessive focus on solving climate change and green transformation**. Men are more likely to be dissatisfied with the excessive focus on green issues, while older people are even more bothered by restrictions on sovereignty and by migration policy.

According to the respondents, the most important advantage provided by the EU is **security and peace in the Union**. More than two-thirds of people identified it as a very important aspect, and almost a quarter as rather important. This is followed by the **protection of democratic values**. **The support and development of regions** is in third place (IPSOS, 2024).

For a third of people, **free movement within the territory of the Union** is very important. Four percent of Czechs have used the **Erasmus student program**, roughly a third of people know someone who has been on this stay abroad. Two fifths of people do not know Erasmus at all.

If we summarize the current attitude of the Czechs towards the European Union, it is indisputable that those who have direct and clear benefits from programs or interstate agreements think positively about the EU. This appears not only in the case of free movement of persons and opportunities to study in other EU countries, but also in the evaluation of the benefits of European funds. As expected, this is relatively high among EU states in the case of the Czech Republic.

Figure 3. Share of Respondents Who are Aware of EU-funded Projects



Source: (Eurobarometer (a), 2023)

Eurobarometer surveys typically assess public opinion and awareness of EU policies and programs across member states. Regarding awareness of EU-funded projects in the Czech Republic, 86 percent of respondents believe that these funds have a positive impact on the development of the country's regions.

1.3.2. The Structure of EU Regional Policy Financing in Czech Republic

Evaluation of the success of regional and cohesion policy in the Czech Republic is the responsibility of both state authorities (especially the Ministry of Regional Development of the Czech Republic), and independent analyses. For the needs of this work, we focus on the research of the Prague University of Economics and Business from 2023 (Franke, D. and Maier, K., 2023).

The success or failure of regional politics and cohesion policy primarily depends on the structure and volume of funds directed to individual regions of the Czech Republic, as well as their distribution between individual projects. If we deal with all EU funds in the years 2000–2020 that were paid out in the Czech Republic (CZK 5,730,150 million; approx. € 220,390 million), we will get table no. 1 below.

Table 1. Legal Status of Funding Beneficiaries (2000–2020)

Legal status	**Total amount drawn (CZK million)**	**Share in total funding**
Unspecified	2,531,181	45.0%
Educational legal entities	602,358	10.7%
State or national corporations	81,825	1.5%
Individual persons / entrepreneurs	68,716	1.2%
State funds	368,877	6.6%
Funded organizations	723,280	12.9%
Railway companies	383,615	6.8%
Municipalities, municipal organizations and associations of municipalities	631,802	11.2%
Other forms	227,328	4.05%
Total	**5,618,982**	**100%**

Source: (Franke, D. and Maier, K., 2023, str. 397)

Among the largest recipients of subsidies are budgets of governance regions (NUTS 3), investment in transport infrastructure (through Directorate of Roads and Motorways, Railway Administration and State Fund for Transport Infrastructure), agriculture (State Agricultural Intervention Fund), technical infrastructure and support of research, science, and higher education (Franke, D. and Maier, K., 2023, str. 397)

Table 2. Assistance to Regional Budgets (2000–2020)

Region (ordered by per-capita subsidies)	Total amount drawn (CZK million)	Population (as of 2020)	Amount drawn per capita (CZK)
Hradec Králové	103,857	551,343	188,371
Ústí nad Labem	153,555	819,713	187,328
Karlovy Vary	54,178	294,331	184,072
Olomouc	116,087	631,836	183,730
Zlín	106,213	581,862	182,541
Moravia-Silesia	217,763	1,198,534	181,691
Vysocina	92,015	509,817	180,486
South Bohemia	115,669	643,408	179,775
Pardubice	93,246	523,054	178,273
Liberec	78,722	443,842	177,366
South Moravia	198,212	1,192,698	166,188
Plzeñ	97,286	590,461	164,762
Capital City of Prague	213,294	1,325,280	160,943
Central Bohemia	207,832	1,388,185	149,715
Regions total	***1,847,929***	***10,694,364***	***172,795***

Source: (Franke, D. and Maier, K., 2023, str. 399)

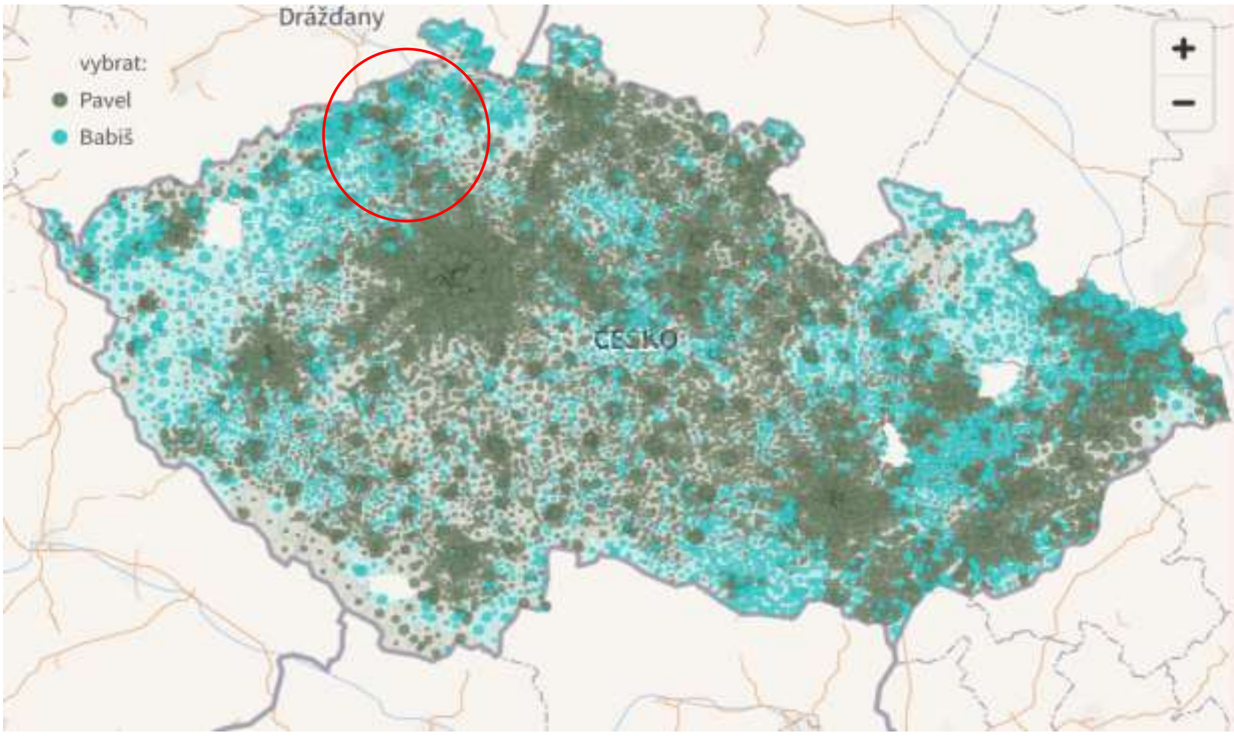
Table no. 2 above shows the allocation of subsidies to individual regions. The regions of Karlovy Vary, Ústí nad Labem and the Moravian-Silesian Region are the so-called structurally disadvantaged regions.

„As for providing subsidies to the structurally disadvantaged regions, there is an evident effort to support all the three structurally disadvantaged regions relatively evenly, even though this support has not been growing significantly over time. The highest increase was evident in the programming periods until 2014. In the programming period 2014–2020, the funding dynamic was relatively lower there than in other regions, where the increase made on average 10% more than in the disadvantaged regions“ (Franke, D. and Maier, K., 2023, str. 416). Overall, we can say that despite the significant lagging behind of disadvantaged regions, financial support was not significantly higher than in other regions.

1.3.3. Political Implications of Differences in Regional Development

As we mentioned in the text above, the different development of the regions and especially their peripheral position affects the political scene in the Czech Republic. It's not just crime statistics, access to healthcare or the unemployment rate, the absence of infrastructure that permeate Czech election results. According to experts (Wolf, 2023), the results of the second round of the presidential election also confirmed **regional differences** and the division into so-called Czechia A and Czechia B.

Figure 4. Territorial Distribution of Electoral Support in the Second Round of the Presidential Elections in 2023 in the Czech Republic



Source: (Mahdalová, 2023)

Candidate Andrej Babiš (ANO) was successful in the peripheral parts of the Czech Republic (blue color), while candidate Petr Pavel (citizen candidate with the support of the government 5-coalition[4]) was successful especially in large residential areas (brown color), regional centers and municipalities with more than 15,000 inhabitants. In the area of the Ústí Region, on map No. 1 it is clearly visible that simply the existence of the D8 highway from Prague to Dresden created a corridor where Pavel succeeded (marked with a red circle). This supports the theory that regional development can have serious effects on the political scene as such.

Within the framework of the Czech political parties represented in the parliament, there is a basic agreement on the membership of the Czech Republic in the European Union. An exception is the SPD (Freedom and Direct Democracy party), as a nationalist-populist party that is critical of both the Czech Republic's membership in the EU (demanding a referendum on withdrawal) and the discussion of the Czech Republic's role in NATO (also demanding withdrawal). Her support ranges between 6-12% depending on the poll.

The other political currents do not agree on the topic of adopting the euro, which the Czech Republic already committed to when joining the Union in 2004. After such a long time, the topic has become a polarizing issue that divides both the government coalition and Czech society. While the majority of the government coalition (especially the parties Christian Democracy, TOP 09, Pirates and Mayors) are in favor of acceptance, the largest party of the 5-coalition ODS (Civic Democracy) is skeptical about acceptance, as are the two opposition formations ANO and SPD.

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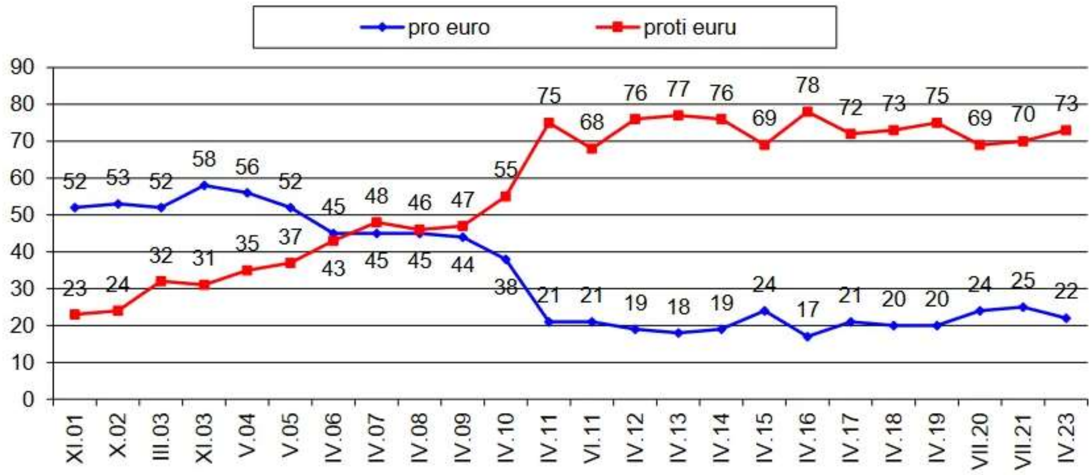
[4] On November 8, 2021, representatives of the SPOLU coalition consisting of ODS, KDU-ČSL and TOP 09 signed a coalition agreement with the second electoral coalition Pirates and Mayors, consisting of Pirates and STAN. The government consists of 18 members, including 6 for ODS, 4 for STAN, 3 for KDU-ČSL, 3 for Pirates and 2 for TOP 09, forming the so-called 5-coalition.

Figure 5. Opinions on the adoption of the Euro - development in Years 2001-23 (blue in favour, red against)



Source: (CVVM, 2023)

This is also linked to the development of public opinion regarding the adoption of the European currency. **The euro** had the highest support in 2003, even before the Czech Republic joined the EU. The events of the world economic crisis (2009) and especially the economic problems of Greece had a devastating impact on public opinion. Since then, the opponents have gained the upper hand, and the current situation is roughly 73% against adopting the euro and only 22% in favour (CVVM, 2023).

From our experience, it is not wise to point only to the economic dimension of integration and leave the others behind. With integration comes a natural process of searching for one's own identity, and this can easily turn against one's own membership in the EU or its aspects. Questions regarding national pride or national autonomy can be considered trivial or unimportant compared to the financial benefits of EU membership, but for a certain part of society they can mean a very important circumstance that maintains the existing way of life, tradition, etc.

This is also the current case of the Czech Republic, when from an economic point of view, one cannot find too many arguments against the adoption of the euro, and the expected effect of the adoption of the European currency would have rather positive effects on the Czech economy, which is strongly linked with neighboring Germany, which adopted the euro already in 1999. "*The Czech Republic should adopt the euro because the advantages of adoption outweigh the disadvantages. The economy has been ready since 2000,*" thinks Jan Švejnar, director of the IDEA think tank at CERGE-EI from Columbia University in New York (Jadrná, 2024).

This shows the importance of information campaigns and, above all, the agreement among political currents on what should be the specific goals of a member country within the EU and how to achieve them. The assumption that money from Brussels will convince the inhabitants of a particular city that the EU must be beneficial and that they should strive for further integration unfortunately runs into a completely different reality.

The last important factor that affects the Czech view of regional politics and the reduction of regional differences is the subject of further expansion of the EU, mainly to include **Ukraine**. Besides Ukraine's readiness, necessary EU internal reforms – in institutions, policies, and finances – are crucial for enlargement. Expansion by a country the size of Ukraine would fundamentally change **the distribution of funds** from the EU budget and the functioning of key EU policies, including agricultural and cohesive.

In the updated program statement of Petr Fiala's government, it is stated in the Foreign Policy chapter: *"We will actively participate in the post-war reconstruction of Ukraine, which will not only be a reconstruction, but a comprehensive modernization, with the aim of enabling Ukraine to join the European Union."* (Vláda České republiky, 2023) Reconstruction is thus understood by the Czech government as modernization with the goal of Ukraine's later accession to the EU, when, in the words of Petr Fiala, *"candidate status has a huge moral and symbolic meaning."* (Šídlová, 2022). It is therefore about the overall transformation of Ukraine before joining the EU and not ex post.

From an economic point of view, the danger is of course Ukraine's strength in the field of agriculture. Huge and fertile Ukraine with low labor costs is a significant competitor for farmers in Poland, Slovakia, Hungary, and the Czech Republic. As we witnessed in April 2023, Poland, although in other respects a stable supporter of Ukraine, proceeded to restrict the import of Ukrainian grain into its territory. All this in a situation where the export of agricultural commodities is key for Ukraine.

The possible reduction of cohesion funds for the Czech Republic and the possibility of greater **competition** for Czech farmers may be the main obstacle in forming a positive opinion of the enlargement of the EU in Czechia. And it is certain that the most critical will be people from the peripheral regions, where agriculture and the economy are much more linked than in industrially strong regions such as the region of Central Bohemia.

1.3.4. Conclusion

As we have shown, in the Czech Republic even after 20 years of membership in the EU, the differences between regions persist despite the coordinated efforts of the Czech government and its agencies to financially support disadvantaged areas.

The 20 years long experiences of Czechia in the EU regional policy can be summarized into a few recommendations:

- First, **the distribution of funds for regional development must be specific and targeted, and focused on real problems of the region**. Small differences in financial aid and the situation where disadvantaged regions receive 10% more funds on average do not lead to accelerated convergence of disadvantaged areas in the case of the Czech Republic. The targeting of funds should be better and disadvantaged regions should receive **a significantly larger share** of funds if they are to catch up with other parts of the republic.
- Secondly, **peripheral problems and weak infrastructure have a direct impact on the mood of the population and their approach to European integration as such**. Anti-European sentiments appear in areas where the development of the region fails to start sufficiently. Limiting yourself to the contribution of the European Union only in financial resources and European funds is insufficient, and even if people appreciate the benefit of investments, in many cases the issues of national sovereignty and national pride may prevail.
- Thirdly, given the state of the discussion regarding the adoption of the euro in the Czech Republic, it is evident how **important the basic agreement among political currents is on the goals of EU membership.** The problem of the Czech Republic is that since joining the EU it has not had a clear and concrete goal where to go or what is actually an indicator of success. The very discussion about the euro shows that the individual elements of integration can become a political issue, especially if the integration steps are not fast and the discussion on the topic drags on disproportionately.

For new EU members, the challenges are mainly in finding a story, a common goal on what a specific country wants to achieve, and from the Czech experience we can say that pumping money into the regions is not much of a story.

1.4. Navigating the Future: Recommendations for Montenegro and Serbia on EU Regional Policy

As Montenegro and Serbia continue their journey towards the EU membership, strategic engagement with the EU Regional Policy becomes crucial. This policy framework, designed to address economic and social disparities among regions, offers guidance for sustainable development and integration. The timeline given by the EU to Montenegro and Serbia to meet EU standards is “ambitious and meant to be an incentive” (Jozwiak, 2018). In this section, we examine **recommendations for Montenegro and Serbia** to enhance their approach to EU Regional Policy, ensuring a harmonious transition into the EU.

1. **Strengthening Institutional Capacity:** Building and strengthening institutional capacity is a foundational step for both Montenegro and Serbia. Enhancing administrative efficiency, transparency, and accountability within national and regional institutions will facilitate the effective implementation of EU Regional Policy initiatives. Both countries should prioritize investing in human resources, ensuring that skilled professionals are equipped to manage and coordinate regional development projects (Asian Development Bank, 2014).

2. **Aligning National Strategies with the EU Priorities:** Montenegro and Serbia should closely align their national development strategies with EU priorities outlined in the Multiannual Financial Framework (MFF). This synchronization ensures that regional development plans resonate with broader EU objectives, maximizing the potential for securing EU funds. The countries should engage in proactive dialogue with EU institutions to understand evolving priorities and adjust their strategies accordingly.

3. **Smart Specialization and Innovation:** Developing smart specialization and innovation is central for unlocking the full potential of Montenegro and Serbia's regions. Both countries should identify and invest in sectors where they possess a competitive advantage, aligning these strengths with EU priorities. Embracing innovation in research, development, and technology will not only increase regional competitiveness but also contribute to the overall innovation ecosystem within the EU (European Commission, 2019).

4. **Environmental Sustainability:** Environmental sustainability should be a key focus in the regional policies of Montenegro and Serbia. Aligning with EU goals for a green transition, both countries should prioritize projects that promote energy efficiency, renewable energy sources, and sustainable urban development. For instance, investing in the construction of bicycle lanes and pedestrian-friendly infrastructure in urban areas can encourage alternative modes of transportation, reduce carbon emissions from vehicles, and improve air quality. This not only contributes to the fight against climate change but also positions the regions for long-term resilience and competitiveness.

5. **Cross-Border Cooperation:** Given the geographic proximity, fostering cross-border cooperation is important for Montenegro and Serbia. Both countries should engage in joint initiatives, sharing best practices, and addressing common challenges. Participating in European Territorial Cooperation Programmes and establishing strong partnerships with neighboring countries will enhance the effectiveness of regional development efforts and promote regional stability (European Commission, n.d.).

6. **Inclusive Governance and Stakeholder Involvement:** Inclusive governance is vital for the success of regional policy initiatives. Montenegro and Serbia should actively involve local communities, civil society, and private sector stakeholders in the decision-making process. This participatory approach not only enhances the legitimacy of regional development plans but also ensures that projects fit the specific needs of each region.

7. **Effective Communication and Public Awareness:** Building public support for regional policy initiatives is essential. Montenegro and Serbia should develop effective communication strategies to inform the public about the benefits of EU Regional Policy. Transparency about the utilization of EU funds, the impact on local communities, and the long-term benefits of regional development projects will foster a positive narrative and enhance public engagement (Auckland Council, 2021).

1.4.1. Enhancing Montenegro's Integration: Recommendations for the EU Regional Policy

Montenegro's journey towards European Union accession has been marked by significant progress, yet challenges persist, particularly in the realm of regional policy. As the nation aspires to align its policies with EU standards, a strategic approach to regional development is crucial.

- **What is standing in Montenegro's way?**

In its conclusions adopted in December 2023, the Council welcomed the overall progress made on Montenegro's accession and stated that the fulfilment of rule of law interim benchmarks was the utmost priority for further progress. Until this milestone is reached, no further chapters will be provisionally closed (European Council, 2024). In this context, the Council further stated that Montenegro must undertake important and urgent reforms to restore the functioning of main judicial bodies and increase efforts in the fight against corruption and organized crime, freedom of expression and media freedom (European Council, 2024). Montenegro has "two fractious governments to fall on votes of no-confidence" (European Commission, 2022). Flawed by corruption and organized crime, Montenegro's judiciary and other state institutions lack independence. Despite government-led efforts over the years to address these structural issues, reforms that are vital for EU membership have postponed (American Security Project, 2022).

On the other side, the Council welcomed the strong rebound and steady growth of Montenegro's economy and encouraged the country to implement structural reforms, reduce public debt and continue its efforts to strengthen fiscal governance and transparency. It also strongly commended Montenegro's consistent cooperation on foreign policy issues and its full alignment with the EU Common Foreign and Security Policy (European Council, 2024).

Below are key recommendations for Montenegro to optimize its integration process through the effective EU regional policy.

- **Strengthening Cross-Border Cooperation:** Encouraging cross-border collaboration is essential for Montenegro's regional development. The EU should prioritize initiatives that promote economic growth, cultural exchange, and joint infrastructure projects between Montenegro and neighbouring countries in order to foster a partnership. Montenegro and its neighbours have significant renewable energy potential, presenting a valuable opportunity for collaborative development of energy infrastructure. Collaboration of this nature has the potential to enhance energy security, promote sustainable development, and reduce dependence on fossil fuels. Moreover, pooling resources and knowledge in the energy industry can yield more efficient and economical outcomes, ultimately fostering prosperity and stability within the region. This collaborative approach will not only enhance regional stability but also contribute to the overall prosperity of the Western Balkans.

- **Sustainable Development and Environmental Protection:** Aligning with EU regional policies, Montenegro must prioritize sustainable development and environmental protection. Investing in green technologies, promoting eco-friendly practices, and implementing policies that address climate change will meet EU standards and ensure a resilient and environmentally conscious (International Union for Conservation of Nature, 2014) future for Montenegro. For example, establishing protected areas and promoting sustainable tourism practices can help preserve Montenegro's biodiversity and natural beauty while supporting the local economy.

- **Strengthening Administrative Capacity:** To effectively implement EU regional policies, Montenegro should enhance its administrative capacity. This involves streamlining bureaucracy, improving public administration, and investing in training programs for officials. For instance, establishing specialized training programs for civil servants in areas such as EU regulations and project management can strengthen Montenegro's administrative capabilities (European Commission, 2022). A robust administrative framework is crucial for ensuring the successful integration of EU policies at the national and regional levels.

- **Infrastructure Development:** Investing in infrastructure is pivotal for Montenegro's regional development. The EU should support projects that enhance connectivity, such as transportation networks and digital infrastructure. For instance, funding the construction of highways or improving broadband internet access in rural areas can significantly boost connectivity and foster economic development. These improvements will not only facilitate economic growth but also strengthen Montenegro's position as a key player in the region.

- **Inclusive Social Policies:** Addressing social disparities is integral to successful regional policy implementation. Montenegro should focus on inclusive social policies that prioritize education, healthcare, and social welfare. For instance, investing in programs that provide access to quality education for marginalized communities can help bridge the educational gap and promote social mobility. The EU can provide guidance and support to ensure that these policies align with European standards, fostering a more equitable and prosperous society.

1.4.2. Navigating EU Regional Policy: Recommendations for Serbia's Path to Integration

Serbia's journey towards European Union (EU) accession is a multifaceted endeavour that demands a holistic approach to regional policy. As the nation strives to synchronize its strategies with EU standards, strategic recommendations become essential for promoting sustainable development and fostering harmonious regional cooperation (European Union Institute for Security Studies, 2018).

- **What is standing in Serbia’s way?**

One of the issues is reliance on Russian gas and cheap prices, (DiEM25 Communications, 2022) Serbia’s integration to the EU has obstacles such as its state of weakness regarding energy security. Any minor disorder in the chain or change of prices could negatively impact Serbia’s state stability as well as its economy. Furthermore, Serbia’s reliance can hinder the ability to transition towards more sustainable energy, which the EU's 2030 climate target plan aims to reduce greenhouse gas emissions by at least 55% by 2030 (European Union, 2023). Additionally, Serbia’s confidence in Russia's gas does not align with the energy policies of the EU impeding its EU accession. Serbia must address this issue and find other means of energy sources in order for it to align to EU’s standards and regulations.

We can underline the key recommendations for Serbia to optimize its integration process through effective EU regional policy.

- **Cross-**Border **Collaboration:** Serbia must actively engage in fostering cross-border collaboration with neighbouring countries. The EU should encourage and support initiatives that facilitate economic, cultural, and infrastructural partnerships. For instance, promoting joint investment projects in sectors of tourism or supporting cultural exchange programs can foster closer ties among neighbouring nations. Strengthening ties within the Western Balkans region will not only contribute to regional stability but also enhance Serbia's standing as a cooperative and proactive member of the EU family.

- **Environmental Sustainability:** Aligning with EU regional policies, Serbia should place a strong emphasis on sustainable development and environmental protection. The nation can benefit from adopting green technologies, implementing eco-friendly practices, and formulating policies to combat climate change. For instance, investing in renewable energy projects such as solar farms or wind turbines can help reduce Serbia's reliance on fossil fuels and decrease greenhouse gas emissions. Prioritizing environmental sustainability not only meets EU standards but also ensures a resilient and ecologically conscious future for Serbia.

- **Administrative Capacity Building:** A crucial component of successful EU integration involves bolstering administrative capacity. Serbia should prioritize efforts to streamline bureaucracy, enhance public administration, and invest in training programs for officials. For example, developing specialized training initiatives for civil servants in fields like EU regulations and project management can fortify Serbia's administrative prowess. A strong administrative framework is essential for the effective implementation of EU policies at both national and regional levels (The World Bank Group, 2020).

- **Infrastructure Investment:** Serbia's regional development can be significantly accelerated through strategic investments in infrastructure. The EU should actively support projects that improve connectivity, including transportation networks and digital infrastructure. For example, funding the modernization of railway systems or expanding high-speed internet access in underserved areas can greatly enhance connectivity and stimulate economic growth. By bolstering its infrastructure, Serbia can not only spur economic growth but also solidify its position as a key player in the regional landscape.

- **Inclusive Social Policies:** Addressing social disparities is crucial for Serbia's successful integration into the EU. The nation should prioritize inclusive social policies that focus on education, healthcare, and social welfare. For instance, implementing programs to improve access to quality education for disadvantaged groups or enhancing healthcare services in rural areas can help bridge societal gaps. Collaborating with the EU on these policies will ensure alignment with European standards and contribute to the creation of a more equitable and prosperous society.

1.4.3. Conclusion

Montenegro and Serbia stand at a crucial juncture in their EU accession process, and a strategic approach to regional policy is vital to their success. By strengthening institutional capacity, aligning national strategies with EU priorities, promoting innovation and sustainability, fostering cross-border cooperation, embracing inclusive governance, and communicating effectively, both countries can maximize the impact of EU Regional Policy on their regional development. These recommendations not only serve as a guide for navigating the complexities of the accession.

The EU ought to intensify its integration with the region prior to full EU accession. It should progressively incorporate these countries into all economic sectors by providing them with complete access to the single market and its four freedoms (goods, people, services, and capital). Regional economic integration is vital for the Western Balkans to capitalize on broader markets and heightened competition, thereby encouraging cross-border production chains and leveraging regional comparative advantages (Atlantic Council, 2020).

To attract the interest of foreign severe investors, it is necessary to cooperate in a "pooled" competition for foreign direct investment. This will aid countries in enhancing the development of technological and industrial clusters, as well as help modernize their economies, facilitate innovation, and improve skills and productivity (Atlantic Council, 2020).

Despite being a frontrunner in the process, since it began negotiations for membership in 2012, Montenegro has managed to open all negotiation chapters but only temporarily closed three. There are significant changes needed in the "rule of law" area. Also, the remaining political and institutional crises must be appeased (perhaps in the next intergovernmental conference?) To realize its long-standing European ambitions, the country (Montenegro) needs a new government to prioritize EU reforms. There is also à need for compliance with Russian sanctions (Serbia did not comply with any package of sanctions introduced to the Russian Federation since the beginning of its aggression against Ukraine). "What prevented Serbia from being fully aligned with EU rules and standards and to wait for enlargement to return to the focus of the EU from that position?" The only answer is the lack of willingness to do it, and I don't see that this willingness suddenly appeared after nine years," underlined the vice-president of the European Movement in Serbia (European Union, 2023).

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2. The EU Regional Policy: experiences and recommendations from Hungary

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Abstract

The aim of this chapter is to share our experiences when it comes to Hungarian policy making during the 2004 European Union enlargement and beyond. At first glance, the accession challenges, procedures and background of the Central Eastern European candidates were very similar to those of the Western Balkans' countries today. However, when the particular integration solutions by the Visegrad countries are examined, the comparison of the applied institutional and legal instruments reveals an interestingly diverse collection of best practices to study, as well as suboptimal practices to refrain from.

Key words*: Hungary, the EU Regional policy, convergence, regions, the EU membership*

2.1 Pre-accession period and lessons learned

2.1.1 The initial steps toward accession

Hungary, similarly to other countries of the region, always had important economic and trade relations with the founding Member States of the European Communities and as well those Member States that were members of the EFTA until 1995. This was the case despite the fact, that the post-WW2 division of the continent had reduced these links as the Soviet Union, alongside other COMECON countries, did not recognize the European Economic Communities as an official entity (which is important, as the European Communities had a common trade policy managed by the common institutions). With the fall of the Iron Curtain, these trade relations quickly gained importance again.

On September 1988, Hungary signed a first generation commercial and economic cooperation agreement, as the initial step of the consolidation of the relations with the EC. This agreement already had the aim of eliminating discriminatory barriers within a specified time and the launching of the Hungarian adaptation to the rules of the internal market community (Hargita, 2018, str. 164). Beginning next year, the institutional changes of the political system and the economic structures started as well. Western European countries (and their overall structures) have become not only partners but models of transformation. That said, these developments in the CEE region needed strong political support by the EC and its Member States, too. The

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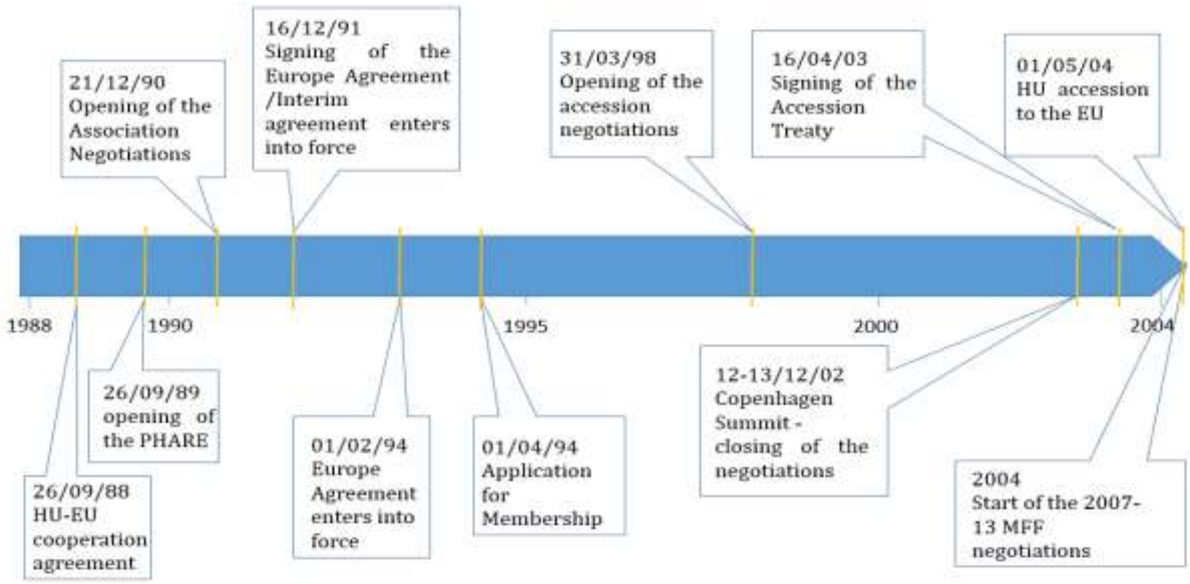
immediate removal of all discriminatory barriers and subsequent facilitation of access to the European market made economic and commercial cooperation more effective. One more year later Member States decided that an association could be established with the Central European countries (Poland, then Czechoslovakia and Hungary) to further help these countries transform into a liberal market economy. This had the double objective of recognizing their achievements in the political and economic transformation (European Council, 1989). In 1991, three years after the first commercial agreement, Hungary started the negotiations on the possible end goal of an association agreement, and after eleven rounds of negotiations, signed the so called 'European Agreement' at end of that year. The significance of the Agreement was to declare the full EU membership of Hungary as the agreement's final goal. The Agreement entered into force in two stages. The Interim Agreement, containing the issues under Common Trade Policy entered force in 1991, while the entire Agreement in 1994. Since that date, the amendment of the Act on Legislation (that time: Act XI of 1987) obliged the Hungarian legislators explain the reasons if a draft law deviates from Community law.

Figure 6. The Timeline of Hungarian EU Accession



While all this was ongoing, the administration adapted itself to the challenges of the integration. A central body of harmonization and management of further negotiation were established in 1992 (Hargita, 2018, str. 216). The Office of European Affairs was part of the ministry responsible for foreign trade (that time: Ministry .of International Economic Relations) as that time the Hungarian-EC relations were trade related issues. A new inter-ministry forum of coordination, the Inter-ministerial Committee for the European Coordination (EKTB), was established. This body has remained the main forum of the formation of the Hungarian Europe-policy until today.

2.1.2 State of the Hungarian economy in the 90s

Besides the political transition (i.e. making Hungary a democratic society from a single-party state under Soviet control) another huge challenge was successfully managing the economic transition from a centrally planned state-socialist economy to a well-performing market economy. The success of the economic transition was crucial to protect the public support for the transition to parliamentary democracy and market economy. The latter would in the end lead to higher welfare than under the previous regime, even if the first years led to the collapse of industry production (in line with disappearing eastern markets), mass unemployment (well over 10% at times) and inflation climbing into as high as 30% in certain years. Economic and trade agreements and opening the economy offered instant access to Western markets, yet shortage of capital, lack of efficient production technology and competitive products prevented Hungary, like other economies in transition, to actually make an instant use of this situation. A comprehensive fiscal and economic stabilization program were necessitated due to the heavy external indebtedness of the Hungarian economy (a particular legacy of the reform-communist regime that had relied on borrowing from Western banks and capital markets in the 1980s in order to prevent worsening living conditions). For this reason, a large-scale privatisation of whole industries (manufacturing, food industry, telecommunication, later energy, financial services) to mostly foreign investors were seen as necessary by the first two governments of the new era to earn currency as well as to accelerate structural modernization. Hungary, similarly to others in the region, suffered from deep transition recession with concomitant loss of employment, in exchange for impressive increase of productivity, export capacities and overall financial and trade performances that appeared in the 2nd half of the 1990s (together with real growth rate).

There was a relatively **high FDI absorption** of the Hungarian economy due to that fact that the cardinal market institutions were re-created already in the early phase of the socio-economic transition (banking law, bankruptcy law, and Western type accounting, restoring Budapest Stock Exchange in 1990, and recapitalizing commercial banks in early 1990s). Based on these steps already taken, establishing sufficient macroeconomic conditions such as competition law and price liberalisation was a precondition that could be relatively easily met in order to grow in a sustainable manner with domestic and, increasingly, with external funding. On this note, we should mention that an adequate size of fiscal capacity is crucial in a later stage when the issue of the absorption of EU funds emerged.

While the level of economic advancement (GDP per capita or real consumption per capita) was not explicitly mentioned among the entry conditions for candidate countries (unlike the existence of the previously mentioned democratic institutions and a functioning market economy, legal harmonisation and adequate state capacity), the issue lurked in the mind of the negotiating parties, with reasons. A too wide income gap between the incumbents and an applicant country adds to the worries of the EU institutions as it determines the size of the funds needed to finance the convergence path and, consequently, the burden on net contributor countries. Also, a low level of economic advancement of a candidate country, and the meagre wage level that goes with it, may increase the propensity to migrate to higher income member states, thus creating social problems and labour market disturbances in the receiving member states, and raising the spectre of brain-drain in the issuer society. But in this respect Hungary did enjoy an acceptable starting position at the time of the signing of the European agreement that stipulated free trade and the possibility of future membership.

In December 1991, the Hungarian GDP per capita was around 57% of the then EU average. That ratio, however, did not improve for some time because Hungary suffered, still like others in the region, a marked output contraction during the early transformation period (1990-1993). Thus, the relative national income level was not higher at the time when Hungary submitted its request to join the EU (31 March, 1994). This is important to note, as the present candidate countries are roughly at the same national income level as the then applicants at the time when they applied for membership.

Level of economic performance of EU13 for specific years and for candidate countries, measured by GDP per capita in PPP is presented in the following table.

Table 3. Level of economic performance of member and candidates measures by GDP per capita, PPP

GDP/per capita, PPS, (EU27, 2020, EU=100)	1998	2004	2013	2022	2023
European Union, 27	100.0	100.0	100.0	100.0	100
Bulgaria	30.9	35.2	46.0	62.0	64
Czechia	74.8	80.7	85.5	90.4	91
Estonia	42.0	55.9	76.1	85.0	81
Croatia	49.4	56.6	61.7	73.3	76
Cyprus	93.7	100.1	84.5	94.2	95
Latvia	35.3	47.4	62.8	71.7	71
Lithuania	38.8	50.3	74.1	89.3	87
Hungary	51.9	62.8	68.1	76.0	76
Malta	81.0	83.1	89.7	103.6	105
Poland	47.9	51.5	66.7	79.6	80
Romania	27.7	34.7	54.6	75.2	78
Slovenia	80.2	87.8	83.2	89.9	91
Slovakia	53.1	58.6	77.7	71.1	73
Bosnia and Herzegovina			31	35	
Montenegro			41	50	
North Macedonia			35	42	
Albania			29	34	
Serbia			41	44	
Kosovo			23	27	
Moldova				30*	
Ukraine				29*	

Source: https://ec.europa.eu/eurostat/databrowser/view/NAMA_10_PC__custom_11388667/default/table?lang=en

What is further noteworthy, is that former centrally planned economies did not receive grant or aid of very significant size from the West in the first decade. They did, like in the case of Hungary, receive subsidies through, for example, PHARE or SAPARD, which were intended more as model programs for future reference when it came to EU funds. These very much had their own merits as we will see in later subchapters, however, when it comes to material impact on the economy, they were of relatively small size. Significant external sources could instead be tapped via international financial institutions (IMF, WB, EBRD in the first place), that is, requesting reimbursable funds. Thus, loan conditions and advice, technical assistance from the IFIs were in reality at least as important as policy dialogue with European institutions at that early stage.

In the Hungarian case where FDI absorption was particularly intensive in the first decade of the transition, the legal and administrative environment had to be harmonized with that of the capital-exporting countries. However, the comparative success of the Hungarian economy to absorb FDI (particularly in automotive, electronics, food, construction material, and later in banking and insurance) contributed to the marked duality of the economy that consisted of a very productive, capital intensive and export-oriented foreign owned sector on the one hand, and mostly small and medium firms in domestic ownership, with much lower capital intensity, labour productivity, rather dependent on domestic purchasing power on the other hand[6].

2.1.3 The political and policy process of accession negotiations

The role of the Hungarian **Ministry of Foreign Affairs** (MFA) was decisive during the accession period. It had a horizontal coordinative role and the overall responsibility of the management of the accession negotiations. However, the capacity for this role had to be reached gradually. Before 1988, the Hungarian diplomatic service could not deal with European integration relations at all, since, as mentioned beforehand, Hungary did not officially recognize the European Communities. Early relations then with the EC were generally the responsibility of the Ministry of Foreign Trade

[6] While not an inherent topic of our text, it should be noted here that such sharp duality can result in domestic political frictions that often calls for corrective government actions. But the latter, in turn, carries a danger in itself that it may create discrepancies with EU-wide competition regulations down the line.

(under changing names). That said, as the goal of the association was the membership in the European Union and not just trade relations, the primacy of the Ministry of Foreign Affairs (MFA) started to appear in the internal structure of the administration dealing with the candidacy and preparation to the accession negotiation. The Inter-ministerial Committee for the European Coordination managed the dossiers of the accession procedure but under the shared responsibility of first the MFA and then the ministry responsible for foreign trade. After achieving association, new institutions were established (Associate Council, Associate Committee, Associate Parliamentary Committee) and Hungary in 1995 started to participate in structured foreign policy dialogue.

By the mid-1990 already ten new countries applied for membership and the Commission prepared a questionnaire for CEE applicants as a basis on which it assessed their readiness for membership (Bainbridge, 2012, str. 252). Preparing the answers to this questionnaire required yet another new level of cooperation and effectiveness from the Hungarian administration. This challenge led to institutional changes as well. On 1 May 1996 (exactly eight years before accession) the two parallel teams (team for political relations in the MFA and the team for economic issues of the Office of European Affairs), dealing together with EU affairs and coordination of the preparation for association and membership, were merged and started their common work as a new state secretariat of the MFA. The State Secretariat for Integration that was functioning as a centre of the Hungarian Europe politics until 2014 (with a short gap in 2005) was established. A state secretary and two deputies, one for political affairs, one for economic affairs led the new unit (Hargita, 2018, str. 296).

The MFA had a coordinative role during the accession negotiations and participated in all the working groups that conducted the negotiations of the different chapters of the acquis. The MFA also had the responsibility to ensure the necessary preparations of chapters, harmony of the parallel mandates, and the presentation of the Hungarian mandate during the negotiation and supervision of the implementation of the agreed harmonization measure. One of the departments of the State Secretariat was responsible for the chapter "Regional policy"[7] (Várkonyi, 2019, str. 59-73). Each working group contained the representatives of the responsible line ministry, MFA (coordination), Ministry of Justice (legal harmonization), Ministry of Finance (budgetary demands) and all other interested unit of the administration. In the case of regional policy, the chair of the working group was the Ministry of Agriculture and Regional development (Hargita, 2018, str. 581). The fulfilment of the conditions for the application of the **EU regional policy** required to implement several domestic measures:

1. *"To establish the regions of the country and set up the so-called regional map,*
2. *to define the benchmark year which would serve as a basis for the calculation of the indicators required to the application of the policy,*
3. *to elaborate the methodology of calculating the regional GDP data as in Hungary the GDP was only calculated at the national level without regional statistical records,*
4. *to coordinate the timetable for creation of institutions and legal regulations required for the application of the regional policy,*
5. *to prepare the National Development Plan required for use of the Community resources, serving as basis for the selection of concrete projects to be financed by EU resources*" (Hargita, 2018, str. 585-586)

[7] In the 2004 European Union enlargement, it was numbered as negotiating chapter 21, today it is number 22.

2.1.4 Pre-accession subsidies

Besides supporting pre-accession negotiations, many line ministries become more directly related to EU through gaining access to pre-accession EU funding. To utilize these financial resources, the ministries involved had to establish specialized units, and learn how to apply new procedures related to planning and implementing projects. As the Hungarian public administration lacked necessary skills and competence, many civil servants had to participate in trainings and learn more about financial assistance and project management through visiting EU member states' ministries, within the framework of twinning projects. Lack of proper language skills (Russian being the foreign language generally taught in schools before 1990) led to rather younger colleagues' participation both in exchange projects and trainings held in English by foreign experts. As a result, a new generation of civil servants grew up, with knowledge and skills that were unique in Hungarian public administration and which could be applied efficiently when it came to planning and implementation of the larger scale development programs right before, and after the accession.

PHARE

In the fall of 1989, a memorandum was sent by the Hungarian Government to the OECD countries requesting assistance for the recovery of the Hungarian economy and for undertaking reforms of the political and economic system. Hungary, alongside Poland, were of the earliest beneficiaries due to swift transition attempts, and thus the OECD countries accepted the idea, and entrusted the European Community with coordination. As a result, still in 1989, the EC announced the ”PHARE” (Poland and Hungary Assistance for the Reconstruction for the Economy) program for Poland and Hungary. The program also contained trade concession and financing instruments to support the transition of these countries. This was the first experience for the Hungarian administration and the beneficiaries (e.g. individuals, NGOs, companies) with the rules and procedures of the European funding. The national coordination of the funds took place in the Ministry of International Economic Relations and, after the establishment of the State Secretariat for Integration, moved into the MFA (Hargita, 2018, str. 172).

Line ministries receiving PHARE subsidies had to establish a program management unit (PMU) with significant autonomy and operating along the PHARE (and further pre-accession funds') procedures. The operation of PMUs had been coordinated and monitored by the PHARE Coordination Unit of the Prime Minister's Office (having the necessary power over line ministries to coordinate the very complex planning and implementation procedures of PHARE projects). Through these channels, pre-accession funds – even if low both in numbers and amount relatively to the total budget of ministries, or compared with further Operational Programs' budget – significantly contributed to making the Hungarian public administration able to prepare for and implement larger scale programs based on EU resources. Hungarian civil servants got familiar not only with relevant regulation and procedures of utilizing EU funds, but got insight into other EU member states' public administration practices, learned project planning, implementation and monitoring (knowledge and skill highly valuable when it was time later to prepare for larger scale ERDF and ESF funded programs implemented later from 2004 on). Managing authorities responsible for planning, implementing and monitoring the Operational Programs grew up on the basis of – knowledge and staff of – PMUs in line ministries.

SAPARD

Closely connected to agriculture, and thus expanded upon a later subchapter dealing with this topic, SAPARD has to be nevertheless mentioned here as the other important pre-accession subsidy program. As the PHARE program (which on this note supported agricultural development in various ways, too), was followed by so-called pre-accession assistance programs which were more focused on agriculture. The 'Support for Pre-Accession Measures for Agriculture and Rural

Development (SAPARD) Program', was approved at the 1999 Spring Summit of EU Heads of State in Berlin and supported the preparation of 10 Central and Eastern European countries for accession to the European Union in the fields of agriculture and rural development. SAPARD provided funds for preparation in order to accelerate accession. In other words, the aim of the SAPARD program was, similarly to the logics PHRARE, to help the candidate countries to adopt the *acquis Communautaire* when it come to the agricultural structural and rural development measures covered by the European Agricultural Guidance and Guarantee Fund (EAGGF), and to contribute to the development and transformation of a sustainable and competitive agricultural economy, and to help increase the attractiveness and the retention capacity of rural areas by strengthening the competitiveness of the agricultural economy, reducing environmental damage in agriculture, strengthening the adaptability of rural areas, and creating and maintaining jobs. Another key objective, which by this point comes as no surprise, was to prepare the candidate countries to receive the structural funds.

The closing of the Regional Policy negotiating chapter

Moving back to the current focus of the Regional Policy negotiating chapter, negotiations were concluded and the chapter closed in **July 2002** without setting up a precise amount of transfers from the EU after the accession. This was because a special EU negotiation proposal on budgetary questions needed to be presented during the final phase of the negotiations half a year later. This was special in the sense that the soon to be Member States were to enter a transitionary period, where, in the next three years (2004 – 2006), they would receive altogether 25,5 billion Euros until the next Multi Annual Financial Framework (MFF, 2007 – 2013) could set up the new budgetary norm with the new Member States in mind. In the end, all candidate countries accepted this proposal. In Hungary, however, the per capita amount of financing would remain lower than those in the older Member States, but the agreement would still lead to a sudden increase of regional support funds compared to the pre-accession period. On the other hand, the new **"n+2" rule** established a hard limitation for the candidates: under this "n+2" rule, funds received for a given pre-planned goal, that were not used by the candidates in achieving this goal, were simply lost 2 years after they received it (year "n"). This was a particularly uncomfortable new reality for the to-be member states, as they wanted to be entitled to the full possible amount of the resources of the given budgetary period, and furthermore, this deviated from domestic financing practices, where unused funds would be 'returned' to the state budget, to be used later. The results were initially harsh, as how one plans a budget had to be changed in order to always make sure, that every planned step can be funded in 2 years, lest there is a risk that a significant part of financing is lost. It is logical then, that preparing a sufficient absorption capacity was (and still is) one of the most important aspects for applicants.

2.1.5 The legal frameworks, planning and preparation to receive EU structural funds.

The threat of losing subsidies shed light on the importance of preparation and planning: activities in which the Hungarian public administration lacked the necessary quality and quantity skills that time (even after many civil servants participated in trainings). However, two endogenous processes led to easing this constraint by the time when the **National Development Plan** had to be prepared. One of them was the evolution of a complex territorial development system (with funding, regulation, organizations and professionals), the other one the Széchenyi Plan, assisting private and public development projects with economic relevance - both set up and financed by national budgetary resources. So, when it comes to analysing the factors behind Hungary's relative success in absorption, it might well be rooted in the above-mentioned processes. That is, why the organic development of territorial policy, and the conscious development of territorial policy is of exceptional importance. **The Territorial Development Fund** has been established in 1996 to provide predictable and continuous funding for local governments' development projects and larger scale programs with regional importance (Magyarország Kormánya, 1996). Even though this Fund has been set up within the framework of the central budget, its resources were dedicated to certain types of development projects, and a large part of subsidies have been distributed on the basis of project applications handed in by local governments. Even this system of support lacked many elements of a modern development policy (lack of clearly defined evaluation criteria and so missing transparency in the project selection process, too tight implementation periods linked to yearly budgetary planning, no systemic monitoring of implementation of the assisted projects and their results), it was a significant step towards a more professional policy making. Yearly resources were allocated to the Fund after a conscious and relatively comprehensive planning process, which was supported by a more and more developed regional planning system. Needs were identified, objectives have been set and implementation guidelines defined in the National Regional Development Concept (adopted by the Parliament in 1998), one of the most comprehensive policy documents the Hungarian public administration could create that time (Magyar Országgyűlés , 1998).

Besides stating a clear vision and setting objectives for territorial development activities, **7 regions** have been established through this document with statistical and regional planning relevance, with a clearly communicated intension to move towards a more decentralized implementation of territorial development policy, and to improve the Hungarian system of territorial planning and development in a more international context, considering neighbouring countries and putting the European integration into its focus. Institutions supporting regional planning have been further developed, regional development councils have been established with a role of fostering and coordinating regional planning, their work supported by regional development agencies – offices providing human resources, properly skilled professionals for the planning activities (Magyar Országgyűlés, 1996). This decentralized system of regional planning served a sound basis for planning and preparation to receiving larger scale ERDF support from 2004 onwards through providing the planning process with relevant expertise (professionals with skills and experience in planning, organizations integrating - networks of - relevant local, regional actors) and access to relevant information.

In 1998, coordinated by the Ministry of Economy and Business Affairs, another large-scale planning procedure started in order to end up in the **Comprehensive Development Plan**. Considering the Irish example, the ministry's intention was to have line ministries define clear objectives for developments in all relevant policy fields and draft a document that collects development needs and opportunities, sets objectives both at country and policy level and makes line ministries to plan the necessary institutions and resources as well. The idea was, that the National Development Plan for ERDF and ESF support could be easily derived from the Comprehensive Development Plan, and EU supported development activities could form integrative parts of the Comprehensive Development Plan. Even though a high-level coordination mechanism has been defined and interministerial working groups established to end up in a properly elaborated strategic document with objectives, targets, and without overlaps between line ministries' responsibilities, this task seemed to exceed the existing skills and capacities of the public administration.

After a new minister was named to manage Ministry of Economy and Business Affairs, this comprehensive planning process has been suspended and the ministry's efforts have been redirected to drafting a less complex economic development plan – called Széchenyi Terv, named from the famous Hungarian historic person playing a proactive role in Hungary's intensive economic development in the 19th century – has been drafted. Even though it was less comprehensive, focused only on a few relevant policy fields and subsectors of economy, the Széchenyi Plan had a significant impact on Hungarian development policy as its procedures and organisation created a sound basis able to be developed to the Managing Authority and Intermediate Bodies contributing to the utilisation of (the ERDF based) Economic Development Operational Program 2004-2006. And while the Széchenyi Plan is a topic to be more thoroughly discussed post-accession, its' success should nevertheless be mentioned in advance here, as conclusion to Hungary's pre-accession preparations for Regional Policy, as in the end, Hungary became one of the Member States with the best result in utilizing the regional policy transfers in the 2004-2006 period (Hargita, 2018, p. 590).

2.1.6 Towards a common agricultural policy

The sensitive issue of land ownership

In addition to the organisational and institutional evolution of regional policy making, it is important to underline the connection of foreign capital and asset prices in agriculture and food industry in Hungary in the decade and half before accession. Foreign investors expressed interest not just as a result of general Westernization of the country, but out of their rational business calculation: if Hungary were to join the EU, it would be cheaper to enter its market before the accession than right after, under the assumption that wages and asset prices (agricultural land, equity of food processing firms) would much increase after the entry. However, the asset price increase assumption turned out to be somewhat subdued, particularly concerning land prices, against expectations in the first years of EU membership. The long derogation period, as demanded by Hungary and elsewhere in the region, postponed the treatment of agricultural land as a capital asset to be sold and bought freely. Thus, the process of appreciation of land prices and increase of land rent was also delayed. Land ownership emerged as a sensitive political issue, emotions were high about restoration of land titles or foreigners' purchase of real estate. It took decades for the land issue to lose most of its sensitivities, particularly due to the retirement of the older owners. Yet back in the time of pre-entry negotiations, the land issue turned out to be one of the most controversial chapters, specifically regarding chapter 4, free movement of capital) The question of agriculture and the role of Ministry of Agriculture and Rural Development was thus yet another important aspect in negotiations and must be covered.

Rural life, as a scene of fateful processes

In order to examine the impact of EU accession on Hungarian agriculture, it is first necessary to understand the baseline situation, i.e. the state of Hungarian agriculture in the years preceding accession and at the time of accession. For centuries, Hungary was characterized as a traditional agricultural nation. As the sector with the longest established history and traditions, it held great significance, and maintaining its competitiveness remained a key focus. The country is abundant in natural resources, presenting both immense opportunities and substantial responsibilities for their management and utilization. But at the time of our accession to the EU, Hungary's agricultural economy was facing a period of weakness, primarily because of the previously discussed transition crisis. In that period, rural life became a scene of fateful processes.

The most pressing economic and socio-political issue was the **privatisation** of property that had been forcibly nationalized under socialism, with agriculture not being exception. At the end of the 1980s, 31.8% of Hungary's arable land was cultivated by state farms, 61% by collective farms and 7.2% by small farms. Of the land used, 3.8% was owned by the state, 61.1% by the cooperatives, and the rest was owned on paper by the members of the cooperative (Schlett, 2023). In general, privatisation has significantly fragmented the land tenure structure, leading to a growing disconnect between land ownership and use. One of the main consequences of the structural change that accompanied the change of ownership was the increasing separation of land ownership and use. The data shows that in the 1–5-hectare category, 76% of the land was owned, while in the 50 hectare and over category, this number dropped to a mere 23-26%. Furthermore, holdings of less than 10 hectares owned more than half of the land cultivated on individual farms. By 1995, 62.5% of arable land was being rented (Harcsa, Farmerek és mezőgazdasági vállalkozók, 1996). The 1990s saw a tripling of agricultural holdings, while the number of individual holdings decreased by 400,000. Many converted cooperatives were privatised by management and transformed into partnerships. Those who continued to cooperate also converted into some form of partnership, such as a limited liability company, joint stock company, or limited partnership Farms have experienced a polarisation in land use, resulting in a dual structure. The trend towards an increase in rented land was accompanied by a rise in production. At the time of EU the accession, a mere **0.32% of producers were utilising 56.7% of the arable land**. Farms that cultivated 50 hectares or more **(2% of all farms) were responsible for 78% of the arable land,** while farms using less than one hectare accounted for almost two-thirds of all farms (Kovách, 2012).

The problems of dual land ownership created by the privatisation and re-parcelling process were exacerbated by the privatisation of the food industry. After the change of regime, the government saw a solution in achieving modernisation and immediate revenue generation in rapid, sales-based privatisation. It was clearly in the interests of foreign investors that the buyer should not be allowed to impose conditions, such as employment, that would deter them from buying. It soon became clear that in this case, this was a serious technical and economic strategic mistake. The new agricultural structure was accompanied by an internal restructuring of agricultural production. The process of production specialisation continued, with the number of farms devoted exclusively to crop production rising by 30% and the number of mixed farms falling by a third by the turn of the century. Agriculture shifted increasingly towards intensive cereal production (Laczka, 2007). At the same time, indicators of rural economic inactivity increased dramatically, and labour-intensive crops declined. With the loss of rural jobs, the sustainability of the rural economy and population continued to deteriorate, and depopulation increased dramatically.

Traditional agricultural areas have become permanent territorial and occupational enclaves, areas of crisis, where unemployment and associated social problems have become permanent. The transformation of the decade following the change of regime has thus further fragmented and deformed local communities, their culture and the remaining institutional structures of belonging (Schlett, 2023). Another effect of the regime change was the separation of crop and livestock production and a sharp decline in livestock production (KSH, 2008). This is probably due to the fact that the income from livestock production is essentially realised over a longer period of time and also involves a number of costs which, due to a lack of capital, were unfavourable to farmers in the economic situation at the time and they were unable to finance and maintain livestock production and farming. The combined effects of these processes led to the crisis in the agricultural sector and the impact of the crisis on production was clearly negative. Agricultural production reached its lowest point in 1993, when output was well below the 1990 level. A slow recovery followed, especially in crop production (Laczka, 2007). From the mid-1990s (1995), production began to rise slowly. This positive change was mainly due to the improvement of the internal market and the fact that the Western markets became somewhat more accessible to Hungary. However, it was not until 2001 and 2004 that a more significant increase was observed, and it was still well below the levels recorded in 1990 (KSH, 2008). Hungary acceded to the European Union with the 'decline' in agriculture described above, which was so severe that it raised the question of whether Hungarian agriculture would be able to survive in the market.

Preparing Hungarian agriculture through SAPARD

As shown and will be shown with other issues, accession was influenced by macroeconomic, institutional, and social issues. In particular, the candidate countries had a lower level of economic development and significant structural setbacks, particularly in the agricultural sector. This was compounded by a larger share of agriculture in both employment and income generation (Vásáry, Az agrártámogatási rendszer adaptációja, 2008). It can therefore be concluded that the EU (the Community) had a major task in ensuring that the new Member States could and would comply with the regulatory environment and that the support system could be adapted (for example by setting up the appropriate institutional framework). It appears that Hungarian agricultural accession in 2004 encountered these two main issues or bottlenecks in the short-term (Halmai, 2004). Joining the European Union and **the CAP** required a long period of preparation on the part of the Hungarian State, while Hungarian farmers had to prepare themselves. Although accession to the European Union has brought many benefits, these benefits have not been "for free". Joining the CAP also meant that Hungarian agriculture, and in particular production, had to comply with EU rules and standards. Although Hungary was granted derogations and exemptions from some requirements during the accession process, farmers' production still had to meet a number of obligations.

It is at this point then, where we have to expand upon the importance of SAPARD, or, again, the so-called **Support for Pre-Accession Measures for Agriculture and Rural Development** (SAPARD) Program. As already mentioned, it was established in 1999 in order to prepare the CEE countries for accession to the European Union in the fields of agriculture and rural development by providing funds through ways that will later also help adopt EU regulations in this field. This, SAPARD (or more precisely, the EU through SAPARD) did, starting in 2000, until accession[8], by providing €38 million annually to support the Republic of Hungary's rural development objectives through this program. It provided tangible support for the preparation and implementation of projects that emerged after the change of regime, maintained the viability of an economy that had lost a significant part of its markets and contributed to the relatively rapid consolidation of the socio-economic situation. Furthermore, it implemented various measures in the field of agriculture, like: measures aimed at the development of agricultural structures; support for investment in agricultural enterprises; development of processing and marketing of agricultural and fishery products; vocational training; and the establishment and management of producer groups.

In order to implement the program, it was necessary to introduce institutional interventions to make the most of the available funding opportunities. Hungary and the EU held differing views on the design of the apparatus. The Hungarian side proposed using existing institutions to manage the funds, while the EU insisted on creating a separate organizational structure. However, the initial plan to restructure the Agricultural Research and Innovation Centre to create a new funding body was not acceptable to the EU. In May 2000, it was determined by the national ministry of agriculture management that the Agricultural Research and Innovation Centre would not be able to successfully carry out its extended tasks, including the role of a paying agency. As a result, a new organization was established, operating separately from the Agricultural Intervention Centre, under the name of the (Hungarian) SAPARD Agency (AGRICONSULTING EUROPE S.A., 2003). The implementation documents were published at the same time as the program by the Ministry, which acted as the Managing Authority and also issued the calls for proposals. Applications for support were accepted at the seven regional offices of the SAPARD Agency. Successful applications were also subject to a co-financing requirement. Additionally, the maximum amount of support, both in terms of amount and percentage that could be granted for each measure was established. The Office entered into grant contracts with successful applicants and issued invoices to cover project progress. Lastly, it should be noted, that the program was post-financed (AGRICONSULTING EUROPE S.A., 2003). The program closed on 31 December 2006, and financed 4005 projects, with a total of HUF 58.9 billion in community support, of which HUF 44.2 billion was provided from grants.

2.1.7 Lessons learned pre-accession

It should be established, that despite all their merits, academic research and expert opinions broadly agree that the significance of the pre-accession funds, such as PHARE or SAPARD, proved

[8] While the SAPARD program was only valid until the time of the accession, it is worth noting that Community aid for accepted applications could be paid continuously during the first three years of membership, at the pace of implementation.

to be secondary in terms of size for Hungary's economic modernization process in the early 1990s, certainly much less than funds received from **international financial institutions** (IMF, IBRD, BIS and later EBRD), financial markets, equity investors or simple FDI[9]. In order to truly judge the financial significance of (for example) PHARE funds, one should recall that its annual budget remained below the hundred million USD mark at a time when foreign currency interest costs of the crisis-ridden Hungary amounted to USD 1.5 billion annually (Bod, 2014).

But it would be wrong to consider that pre-accession funds are not that important in the grand scheme of things. The main, and very important significance of PHARE and other pre-accession programs like SAPARD was to be found in **institution building, training, and human capacity enhancement** as we have seen. Its management structure was rather top-down, i.e. Commission-led and the monitoring procedures were judged by Hungarian counterparts somewhat rigid.

Table 4. EU Pre-Accession Financial Assistance 1990 – 2006 (million EUR) % of available PHARE grants contracted (in 2009)

Beneficiary	1990-1996	1997-1999	2000-2003	2004-2006	TOTAL
Bulgaria	539.0	314.8	644.8	859.5 [1,5]	2358.1
Cyprus	— [3]	— [3]	43.1	18.6	61.7
Czech Republic	429.0 [2]	191.9	405.2	36.1	1062.2
Estonia	130.3	59.4	138.6	17.7	346.0
Hungary	683.8	283.6	475.6	35.9	1478.9
Latvia	132.0	116.7	154.5	19.5	422.7
Lithuania	179.0	156.2	437.6	35.7	808.5
Malta	— [3]	— [3]	36.0	21.0	57.0
Poland	1388.5	632.3	1856.4	114.9	3994.1
Romania	726.1	458.2	1105.8	1381.5 [1,5]	3671.6
Slovakia	218.5 [2]	225.2	332.1	29.4	805.2
Slovenia	91.0	101.4	148.5	17.5	358.4
Multi-Country / Horizontal	1446.8	586.5	874.8	340.6	3248.7
TOTAL [1][2][3][4][5][6]	**5964.0**	**3126.2**	**6655.0**	**2927.9**	**18673.1**

Data Source: EC (DG ELARG): Annual Reports on Assistance Programmes

Partner Country	EC Grant – Contracted (%) [7]	EC Grant – Disbursed (%) [8]
Bulgaria	79.4	76.3
Cyprus	90.1	88.3
Czech Republic	91.1	90.9
Estonia	90.1	90.1
Hungary	92.2	92.1
Latvia	90.9	90.6
Lithuania	92.9	92.8
Malta	85.4	82.1
Poland	91.0	90.5
Romania	87.8	80.6
Slovakia	91.1	88.2
Slovenia	92.6	
Multi-Beneficiary	82.8	78.7

Lessons learned in regional policy

The revamped PHARE program, after 1994, with a gradually increased budget, fortunately added certain investment financing components to its original institutional and capacity-building mandate. As Hungary and other prospective 'first round' applicants moved closer to the accession, the initial hands-on attitude had to be changed. That was eventually done in 1994 when the Commission issued a Decentralized Implementation System manual. But nevertheless, one of the lessons of that period is that **the sooner the host country authorities and local experts gain ownership of the project selection and execution process, the better it is for speed and efficiency**. It is not so much the project initiation and selection where the Commission's direct role is needed, rather in the supervision of the implementation process.

On the other hand, project preparation in the context of PHARE or other subsidy programs was a long and uneasy process often lasting years, where EU delegation's agreement or approval was needed to agree on major steps like project design, public procurement documentation, selection of contractors, or contracting. Beneficiaries had to prepare yearly plans for the implementation and meeting the milestones defined in these plans was regularly evaluated by external professionals. As the most comprehensive evaluation of PHARE highlights, the tight control and the significant role of foreign experts both in the preparation and implementation phases ended up in beneficiaries (line ministries) having less ownership of the assisted projects (Business and Strategies Europe, 2015). But aside from this, once again, PHARE significantly contributed to

[9] Gradual harmonization of domestic regulations and public sector ethics with those of the West increased the appeal of the country for investors,

establishing institutional and human capacities familiar with principles and practices of implementing EU funds assisted implementation of projects. Preparation of PHARE projects demanded clear justification of the – economic/social – need for the project/intervention, explaining how the project's activities will lead to the intended results which had to be defined in forms of measurable result/impact indicators with target value (while even larger scale government programs based on budgetary resources often lacked such a thorough preparation, clear definition of intervention logic, or setting measurable targets). And even if evaluators concluded that beneficiaries often made too ambitious expectations about their project's impact, the skills civil servants learned turned out to be very useful when it came to planning and preparation of larger-scale ERDF/ESF funded operational programs.

Besides developing the necessary skills to improve substantial elements of development measures, PHARE also had an even more significant influence on the institutions and organizational setting of the Cohesion Policy in Hungary. Managing Authorities developed on the basis of Project Management Units in line ministries, while the PHARE coordination unit within Prime Minister's Office became a new institution called the 'Office of National Development Plan and EU Grants' with a strengthened coordinative function both over implementation of the operational programs and the preparation for the next 7 years programming cycle.

Even though pre-accession funds contributed significantly in setting up the institutions and – through experience and trainings – developing human resources necessary to efficiently implement the OPs after accession, their implementation mechanisms differed significantly from those of the EU Structural Funds. **The project-based approach** and the strict supervision of project development and implementation carried out by foreign experts turned out to be inappropriate when it came to a significantly larger scale programming and implementation. After accession negotiations were closed with Hungary in 2002, the role of PHARE resources – meant to assist the preparation for the accession in order to meet the eligibility criteria – had to be reinterpreted[10]. Program management came to the idea that the remaining resources could best be utilized by contributing to a more comprehensive planning process and by drafting a preliminary national development plan. This was to be a document similar to those necessary to get access to Structural Fund subsidies, however significantly minor both in terms of the available resources and the period (2 years) when the resources could be utilized. This exercise turned out to be very useful as it clearly showed the inappropriateness of **PHARE procedures** when it came to change from project level to program planning and implementation. So, even if institutions were further developed based on PHARE management and coordination units, it was realized that neither the planning methodology, nor the selection mechanism of projects will be able to support the large-scale programming and implementation of Structural Fund support, considering that new member states face significant autonomy in the implementation of the assisted programs right after the accession.

Lessons learned in agriculture

On the agricultural side, in the context of post-transition issues, there were also several lessons learned. First, it was important to consider aligning support policy with international developments, as demonstrated by the valuable lesson learned from pre-accession programs. Additionally, it was crucial to take into account the reforms of the Common Agricultural Policy of the European Union and the approach to accession, in order to ensure a successful implementation of the system. Hungarian agriculture has faced some institutional and competitiveness disadvantages, as well as challenges in restructuring and environmental protection. It was to be important to implement a rationalized support policy in line with EU standards and regulations, due to the significant challenges of restructuring and environmental protection. Management and farmers had to manage with scarce financial resources. In this

[10] This was due to the fact that closing accession negotiations meant that eligibility criteria have been met

situation, the pre-accession funds and the SAPARD program in the field of agriculture played a mitigating role. It should be noted, however, that Hungarian farmers faced a challenge in contributing their own funds to successfully apply for SAPARD, due to the **weak capital base** of Hungarian agriculture (Antal, 2005). The importance of SAPARD is underlined by the fact that it was the first program in Hungary to be implemented according to the EU's general rules, i.e. according to a methodology that, opposite to PHARE's, remained valid after the accession. Participation in the SAPARD program from the micro-regional side, which was launched in preparation for the accession, was based on the decision schedule of the Ministry of Agriculture and Rural Development and the application procedure it had issued. Initially, the plan was to support only model areas, but it was decided that all suitable applicant regions would receive some support. The time available for submitting applications was very short, which posed a major challenge for the micro-regions. Rural communities, although unprepared for the program, responded strongly to the call for applications. An important experience was, however, that those SAPARD small regions which start their preparation and cooperation under the SAPARD program received more resources and earlier (Farkas, 2000).

During the accession negotiations, the EU's position prevailed in many respects. However, the **Hungarian negotiating party** managed to achieve concessions on certain points. Regarding direct payments, the EU payment rate for Hungarian farmers reached 100% in 2013 after a nine-year transition period, starting from a 25% rate. Additionally, a domestic top-up of up to 30% was provided, allowing for the individual/farm transition period to be shortened to six years. The EU maintained its position on quotas, but made a positive departure from the 1995-99 production baseline rule for beef cattle. Hungary obtained temporary exemptions from certain Community rules, including the 7+3 year ban on foreign buyers purchasing agricultural land and the exemption without time limit for Tokaj wines from certain wine-making practices. The change in circumstances due to EU accession (the competition on the larger markets) brought to light the significance of information and knowledge in enhancing efficiency, especially in rapidly changing market conditions. It was observed in the years following accession that agricultural actors were not adequately prepared for membership in the European Union and encountered competitiveness challenges due to insufficient organization, outdated technology, and logistics systems (Popp, 2018).

The spectre of 'brain drain'

Last but not least, another chapter during the pre-accession negotiations that became rather political was the **free movement of labour**. A rift emerged among the member states because of their asymmetric positions: some countries, with a tight labour market and many vacancies, were ready to open up the labour market to potential applicants. Such was the position represented and practiced by the UK, Ireland, and Sweden. Others member states, however, concerned about the reaction from their trade unions, insisted on the longest possible **derogation** from free flow of labour. In that second camp were Germany and Austria – the very targets of Hungarians intent to work and live abroad. That chapter necessitated direct discussion and bargaining between the incumbents involving some old members and the applicants, rather than simply negotiate the chapter with the Commission. What eventually mattered was the labour market demand and the political attitude of the given incumbent member state. The British government, for instance, welcomed Hungarian (and other CEE) job seekers immediately in 2004, while a **German and Austrian** labour markets were fully opened only in 2011, at the end of the 7-year derogation period. This was only one side of this coin, however, as it seems to be necessary to prepare for the danger of brain drain in countries joining the European Union. Well-trained professional civil servant managing large funds will receive great job offers by the civil sector that should be counterbalanced by the development of their career perspectives inside the civil service (or even by EU institutions) to preserve human capital. This is easier said than done, as brain drain is still a huge issue in the CEE region even today, but not preparing for this inevitability is one of the worst mistakes an applicant country could make.

2.2. Experiences of Hungary in the post-accession period

2.2.1. General Context

Accession to the European Union means a significant qualitative change for a country. On one hand, in the field of regional policy, said country has access to much more resources, but at the same time, it is necessary to strengthen the institutional framework in order to make use of these new EU funds and resources. On the other hand, Member States not only implement the EU's regional policy, but also participate in its further development. The outcome of these changes already predetermines that the institutional framework of a Member State will constantly need to adapt to new and shifting challenges of EU regional policy.

In practice, this meant that while Hungary already had a **National Development Plan** at the time of accession (which in the 2004-2006 period matched the cycle of the EU common budgetary period, and which was designed to already deal with the absorption of EU funds during this period, with the latter being potentially half of the then existing domestic development funding), this type of plan became outdated in the 2007 – 2013 budgetary period. In other words, in the EU, persistent optimization and fine tuning of national institutions is necessary to be able to absorb all the accessible resources, at all times and levels. Consequently, even for Hungary, which has only been part of the EU for close to 20 years, one may find ever changing institutional setups and solutions in regional policy, especially as the Union often allows Member States to define their approach as they will, within the framework of the broader EU legislation.

When it comes to the development of existing regional policy, Hungary became an active legislator of the common rules, and its preparedness was soon tested with the budgetary debate on the 2007-2013 financial perspective. To be able to successfully defend their national interest, a well-established **national position** (based on internal preparation and broad strategy setting) was needed. To achieve this, Hungary, alongside new member states, had regular consultations about their experiences on the implementations of their development programs (Juhász, 2014, str. 449). They also coordinated their negotiation strategies and goals in the budgetary debate as well, based on these consultations. With a relatively short period of accumulating experiences, the new Member States decided that their focus is best concentrated on a limited number of very important issues. Following up with the negotiation itself, the main responsibility was with the ministry responsible for the European policy of the Member State, and not with the ministry responsible for the budgetary issues. In the case of Hungary, this constituted extra challenges for the MFA that needed to be tackled. But with provident and inclusive preparations, active coordination and prudent coalition building, good results are possible on the first debate on a financial perspective for a new Member State, as was the case with Hungary.

2.2.2 The Situation of Regional Policy from 2004 in Hungary

After the accession negotiations finished successfully in 2002, Hungary started the preparation for receiving Structural and Cohesion Fund subsidies from 2004 on, and got access to Structural and Cohesion Fund resources for the remaining years of the 2000-2006 cycle (the amount of subsidies exceeded many times those of PHARE assistance, as previously noted). New member states had to draft complex **programming documents**, and set up **institutions** adopted by relevant Directorate Generals of the European Commission. Even if it was not a simple and straightforward way to set up the implementing institutions of Structural and Cohesion Fund resources on the basis of existing PMUs (Project Management Units), PHARE had a significant impact on the institutional design (Management Authorities were set up on the basis of central coordination and PMUs in line ministries) and on human capacities (as many civil servants gained relevant skills and experience through PHARE project implementation and twinning projects).

Program planning and implementation significantly differs from the project focused and strictly controlled approach applied by PHARE, and a pilot programming exercise called Preliminary National Development Plan showed why the project-based approach of PHARE was not appropriate for a more complex program planning, nor could it be used to select and implement projects in a significantly larger quantity. Fortunately, a more complex development program (Széchenyi Plan, based on Hungarian budgetary resources), relatively to PHARE, was prepared and implemented from 2000 on, offering a more reliable alternative for planning mechanism and implementation design (calls for proposals, project selection mechanism, contracting, monitoring). Its experiences have widely been utilized for drafting **the National Development Plan and Operational Programs for the 2004-2006 period**. The existence of well-functioning processes – like decisions about call for proposals and evaluation criteria, selection of assisted projects through preliminary evaluation and decisions made by a committee, contracting with use of contract forms, regular monitoring reports – might have played a key role in Hungary's relative success in terms of absorption in the first years. The project application, selection and monitoring were supported by an IT system (PIR) compelling thorough design of implementation processes. Existence of PIR and the related practices could contribute well to developing the Unified Monitoring and Information System (UMIS) – an IT system handling the whole lifecycle of assisted projects, from project applications through contracting to monitoring of the evolution of results even after physical outputs have been realized and project implementation has been finished. It was a unique development, as implementation of programs and projects was not supported by such a complex IT system in any other member state at that time. From today's perspective the necessity of such IT support is evident, but in the 2000's the development of such a complex IT system also created several unforeseen challenges. One of them was that the original idea of applying standardized selection and implementation protocols for all intervention types, irrespectively of remarkable differences in project size and project lifecycle, seemed to be inapplicable and aroused strong protest among MAs. Programming more types of processes (considering relevant differences and specificities of project implementation) took significantly more time and efforts, leading delays in program implementation, but further unintended halts slowed implementation, too (e.g. payment of subsidies was not possible before subsidy contracts were not saved in the system, but programming the contracting module took longer than expected). Having said that, despite these difficulties, the IT system compelled properly elaborated processes at all levels of program implementation which turned out to be an asset later, making it easier to plan the utilization of money with respect to "n+2" rule, and soon ensuring a leading position in absorption for Hungary among new member states.

Changing a country's status from Candidate to Member brings change in the utilisation of subsidies: instead of direct control on project selection and support, rather program level objectives, selection mechanisms and institutions/procedures are negotiated with and approved by the responsible Directorate General (**DG REGIO** instead of DG Enlargement / DG NEAR) and the new member state gains significant autonomy in implementing the programs. This brings change in politicians' attitude as well, because less strict control over project selection and subsidy transfer to beneficiaries is coupled with a higher emphasis on audit – meaning an unpredictable threat of "paying back" improperly decided/transferred money to the EU budget. Besides changing to a more **result focused attitude** instead of process orientation, **the n+2 rule** – fostering a predictable use of EU transfers throughout the multiannual programme period through exposing a threat of losing resources not utilised within a primarily planned 2 years period – created further challenges.

These threats had special importance because politics put the focus on absorption in the 1st years of utilizing EU subsidies already as a member state – the goal of using as much money as we can has a primacy over more substantial objectives like reaching the policy objectives, increasing the welfare of the society. The amount of EU support was far more emphasised than policy objectives and programs' expected results. Being **able to absorb the unusually high amount of funding** was a challenge in itself, as utilisation had to happen according to rules relatively new and uncommon in the candidate state's public administration. Hungary could meet this challenge and was one of the winners of the "competition in EU fund absorption" (Medve-Bálint, 2022).

Another great challenge is **the proper utilisation of funding**, with respect to reaching the objectives, and generating the expected impacts. Hungarian public administration lacked both the practice and human resources with necessary expertise in impact focused preparation of policy measures. PHARE had a limited contribution in setting up these capacities because of its project focused logic, while the limited relevant Hungarian budgetary funds' distribution mechanism (except the case of Széchenyi Plan) was rather means focused than impact oriented. Both Territorial Development Fund's and Economic Development Fund's implementation accommodated to the standard budgetary planning procedures, without exposing real threat on beneficiaries or on the government to lose that money (not utilising the planned amount in a certain year led rather to reallocating it to next year's budget). As projects were closed when implemented properly in financial terms, there was no follow-up on the results, nor the impacts.

Preparation of PHARE projects showed already in early years **the incapabilities of line ministries' human resources** and the **lack of mind-set and skills** to focus on intended impacts instead of details of physical realization of development activities. And PHARE assisted projects' experiences could hardly improve on that. Though the logical framework method – generally applied for PHARE project planning – induced experts to consider how assisted projects could contribute to development in the relevant policy field through generating results and impacts, projects size and magnitude was relatively small to reach impacts measurable at policy/macro level. And because project evaluations could not measure whether the impacts of single projects have been reached, less emphasis was put on properly assessing impacts during the preparation.

The need for proper planning, preparation of development measures, with regard to impact mechanism and effectiveness, was highlighted in **mid-term evaluations of Operational Programs**, too. Evaluators also emphasised that closer cooperation between policy makers and those working in implementation of the measures is necessary, as passing relevant experiences from implementation to policy makers could significantly improve effectiveness.

In line with this, **the National Development Office** set up an evaluation unit to proactively support the preparation and planning of **the new Operational Programs** (prepared the 2007-2013 period) with relevant experiences from previous development measures (no matter whether assisted by EU funds or Hungarian budget). Proactivity was a necessary attitude, as in many cases civil servants and responsible decision makers had to be persuaded first that evaluation is not an audit, its goal is not to check the regularity of implementation, but to formulate recommendations that could help experts in planning better, more effective interventions with similar objectives and/or means. This purpose was communicated first within formal and informal meetings with bureaucrats involved in implementation of measures that could be potential subjects of evaluation. As preparation for the next programming period (2007-2013) started already in 2004, growing intensity of planning led to growing interest in implementation experiences, best practices and mistakes to be avoided. Based on this need, the evaluation unit of NDO organized a series of workshops (called Development Policy Academy) to make existing knowledge, experiences a common knowledge among those involved in planning, implementation and evaluation in line ministries and MAs.

This workshop series become a great success. And it was only one part of the success, since they created a forum where evaluation results were presented and their findings, recommendations could honestly be discussed among experts involved in planning and implementation. Organisers reacted to the need of participants and soon it become a forum of topics that affected the planning, preparation of the next OPs. Thematic workshops addressed not only the more general strategic framework (interpreting the Community Strategic Guidelines and how Hungarian sectoral policies could meet the defined goals) and institutional requirements (ERDF/ESF/CF regulations), but more practical issues (like how to set reliable objectives, how to define good indicators, what can be done during the planning phase to ensure that impact evaluations could be properly performed with reliable data). This led to an (even today) living network of experts involved in program planning and preparation for the next budgetary period, who had a common interpretation and understanding of regulations and methodologies to be applied for program planning, target setting etc. This could largely contribute to making evaluation a respected and substantial element of the program cycle (instead of just being an obligatory exercise).

2007-2013 and after

Even though evaluations could not directly contribute to raising the quality of implementation and effectiveness of measures in the 2004-2006 period, it had a significant impact on programs and measures of the 2007-2013 period. Policy makers and experts involved in implementation were conscious of several weaknesses and deficiencies (e.g. improper definition of decision competencies led to passing too many decisions from lower to unduly higher levels, overloading management (especially heads) of MAs and slowed down implementation, continuously changing eligibility and evaluation criteria makes it impossible for applicants to prepare efficiently for next call for proposals, or risk-aversion at the political level makes bureaucrats become too cautious in selection of projects and beneficiaries which leads to lower impacts and crowding out financial market services, not to mention how non-refundable subsidies can distort competition), so new interventions could be planned with regard to them.

However, availability of better information from evaluations was not the only and not even the most important difference between the planning and implementation process of the National Development Plan 2004-2006 and the New Hungary Development Plan and its OPs defining the development policy framework for the 2007-2013 period.

In 2006, the newly elected government put **the comprehensive reform of public administration** and the substantial processes of policy making into the focus of its program. Structural Funds' resources were allocated to support this top-down reform, their implementation system was significantly reorganized. The managing authorities operating within the ministries' organization and the National Development Office with a coordinative role were merged into one single organization, so **the National Development Agency** was set up with extended competences over implementation. This way of organizing implementation was unique.

In other new member states **two models** could be identified:

- In smaller countries (Slovenia and the Baltic States), MAs were likely to be operating in one organization, but having only a coordinative role, allowing line ministries designing the substantive elements of policy measures. This model was followed by Poland as well.

- In the other new member states (Czech Republic, Slovakia, Bulgaria, Romania) MAs operated in line ministries, keeping decisions – about support schemes, selection criteria and other important peculiarities of support programs – close to policy makers to ensure that EU funds can contribute as much to sectoral policies as possible. (This model was applied that time in further member states, like Ireland or Portugal to mention a few.)

Table 5. MAs' role in implementation in the 2007-2013 period in new member states

MAs' function	MAs in a single organization	MAs in line ministries
coordinative function	Estonia, Latvia, Lithuania, Poland, Slovenia	-
extended decision-making competence over substantive elements of the development policy	Hungary	Bulgaria, Czech Republic, Slovakia, Romania

Source: Nagy, S. Gy and Heil, Péter (2013) A kohéziós politika elmélete és gyakorlata. Budapest: Akadémiai Kiadó.

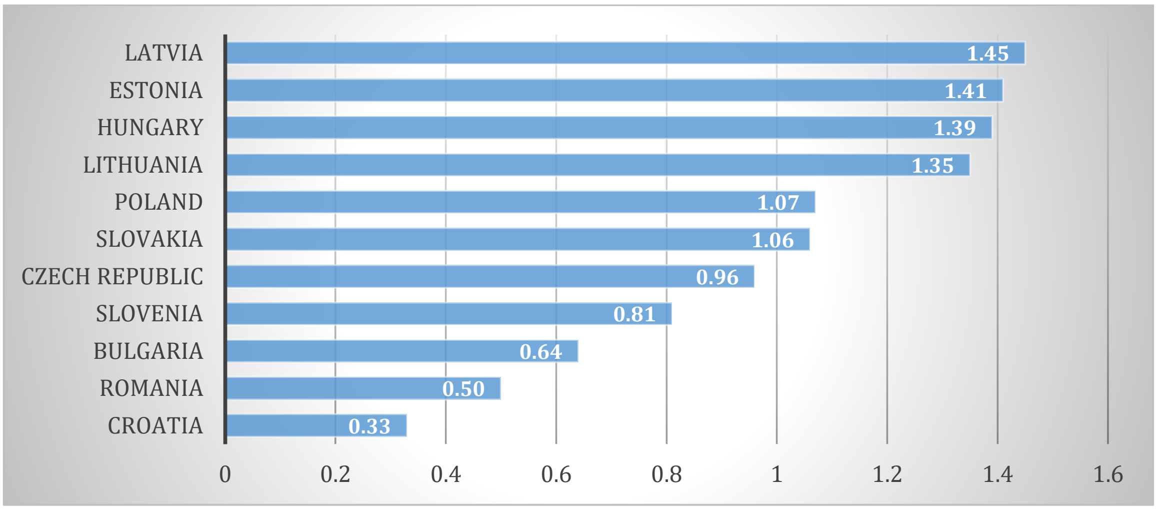
With setting up National Development Agency, the new government reshaped the „traditional" policy making process, endowed MAs (in NDA) with extended competences over planning and implementing policy measures. With integrating MAs in NDA, the responsibility of and control about planning OPs for the 2007-2013 budgetary period was transferred from line ministries to the new super organization of EU development funds. Through MAs' competences, NDA had a superior position over line ministries when it came to decisions about utilizing the EU money.

MAs drafted the Operational Programs and Action Plans providing frameworks for the given year's subsidy schemes and other interventions in intensive cooperation with line ministries. But MAs had a final decision role in crucial issues. MAs published (and decided about relevant details, eligibility conditions and evaluation criteria of) calls for applications, supervised the role of intermediate bodies, and approved the support decisions.

This led to many conflicts between line ministries and the NDA, mostly based on the contradiction that while ministers bear the political responsibility, heads of MAs control the resources necessary to implement – at least the development activities of – policies to reach the objectives. Ministries' losing the control over EU subsidies was with special importance because – considering the very limited national resources after realizing a huge budgetary deficit and government debt in the previous years – line ministries could not allocate further resources to policy implementation. This system of implementation had built-in conflicts. Line ministries had limited control over crucial elements of measures (like publishing call-for-proposals, setting eligibility criteria for potential beneficiaries and evaluation criteria of assisted projects) and limited autonomy in decisions (NDA gave the chairperson of project evaluation committees).

However, we find some smart organizational innovations in the 2007-2013 implementation system. A separate operational program was drafted to ensure that central coordination, MAs and Intermediate Bodies could be financed by Technical Assistance resources. A unique classification of NDA made it possible to pay higher wages compared to other organizations in the public administration, and apply incentive wage structure reflecting to differences in individual and unit level responsibilities and performance. MAs passed the majority of implementation tasks and responsibilities to Intermediate Bodies through service level agreements (SLA). IBs gained larger autonomy with larger responsibility which allowed them to search for and apply innovations that could raise quality and efficiency of their tasks related to evaluating project proposals, contracting, and transfer of subsidies, auditing implementation and following results in the monitoring period. Concentration of IB-s allowed a more balanced workload on employees while lead-times become significantly shorter at the same time.

Figure 7. Yearly average transfer from Structural and Cohesion Funds in % of the beneficiary states' GPD



Source: Medve-Bálint, G., Martin, J.P., and Nagy, G. (2022) 'Célellentétes következmények? Az uniós források hasznosulása Magyarországon', in Kolosi, T., Szelényi, I., and Tóth, I. Gy. (eds.) Társadalmi Riport. Budapest: TÁRKI, pp. 33-51.

The quality of this organizational reform has been justified by absorption. Despite that, there has been a delay in starting the implementation of the programs, and the OPs were reshaped after the financial crisis in 2008-2009 and significant changes in policy priorities after 2010, Hungary was able to use majority of the available resources by the end of 2013.

Changing priorities led to a transformation to another extreme when it came to preparation for the 2014-2020 period. Negative experiences brought **line ministries** to demanding a more intensive control over the complete implementation process, putting an end to the centralized implementation system, termination of intermediate bodies and organizing all decision making and implementation functions (incl. project evaluation, contracting and transfer of money) within line ministries, with a central coordination carried out by Prime Minister's Office. Even if intensity of absorption did not fall significantly over the implementation period, and conflicts between **policy and implementation** level could stay hidden in the decentralized organization, it is hard to identify the positive impacts of this transformation on effectiveness and impacts, as many of the imperfections and shortcomings of implementations can (again/still) be identified, that were highlighted in evaluations related to the first implementation period (unpredictable – eligibility and evaluation criteria in – calls for proposals, longer lead-times, absorption orientation and less emphasis on impacts).

2.2.3 The Situation of CAP and other relevant policies from 2004 in Hungary

The eastern enlargement of the EU brought major changes. The EU budget could (or wanted to?) only partially finance the costs of catching up the new member states, but the **agricultural and rural development support** increased significantly over the years. An important question is how the adoption of the new regulations and the development of subsidies have affected Hungary's agricultural economy. It should be mentioned that the former Hungarian support system was very different from the one after the accession, even though some methodologies could be 'saved' as previously mentioned (Vásáry, 2008).

Hungary's accession to the EU has had **positive effects** on various aspects, including the self-confidence of the Hungarian population, the economy, the balance of foreign trade, and the country's position. This is due to the fact that the EU countries remain our most important trading partners, with almost 75% of agricultural exports going to them. At the individual organisation and producer level, however, the picture is more complex. Among farmers, well-organised **crop producers** have been the winners of the accession. This also confirms that those regions that were already part of a more organised cooperation were able to submit more successful applications. It should be noted that, despite the initial administrative, procedural, and organisational challenges (which also hindered the uptake of funds), the structure has been established and is currently functioning well. However, there is still room for improvement in terms of simplification, transparency, and ease of operation for farmers. To fully realise its potential, successful export and marketing activities must be strengthened and professionally managed. As a **result of the accession**, similar to the EU15, the proportion of GDP derived from agriculture has decreased, the number of people employed in agriculture is declining, average income levels are rising, and the average size of farms is increasing. Low capitalisation and mechanization remains a problem, and there is a need to increase efficiency. The challenges posed by the digitalisation of agriculture and the GMO issue are significant.

Production

Gross agricultural production was the highest in the year of the EU accession. The gross output value of agriculture was HUF 1,650 billion in 2004, which was significantly higher than the gross output value in the years preceding the accession. In the years following the accession, there was a slight decline compared to 2004 until 2007, after which the gross output value of agriculture increased steadily, with some fluctuations (KSH, 2023a). However, production efficiency has lagged behind the EU-15, as the value of output per hectare of agricultural area is about half the average value of output of the previously acceded Member States. The main reason for this was the distorted production structure and the lack of technological development (Vásáry, A Közös Agrárpolitika átvétele az új tagállamokban, 2020). After the accession, the share of crop production increased sharply, so the distortion of the agricultural sector continued in favour of crop production. In contrast, the share of livestock farming continued to decline. This change is due to the favourable common market measures, mainly direct aids and intervention measures. However, the role of the sector in the national economy and the share of agriculture in GDP did not change significantly since the EU accession (Popp, 2018).

Arable crop production in Hungary has traditionally been dominated by **cereals**. After the accession, the production of cereals and industrial crops, including oilseeds further increased. This increase is linked to the obligation to grow arable crops, which is linked to area payments. It can be concluded that the ratio between cereals and industrial crops has not changed significantly since the EU accession. The area share of cereals is close to two thirds. Two changes in the structure of arable crop production were observed after the EU accession: one, the share of cereals in the crop structure decreased slightly, while that of oilseeds increased steadily; and two, among the cereals, the share of cereals in the crop structure decreased slightly, while that of maize increased. The increase in maize production may have been made possible by the CAP safety net (Vásáry, 2020). According to the 2022 statistics, 60% of the arable land was used for cereals and 24% for industrial crops ((KSH, 2022a); (KSH, 2023a)).[11]

Labour-intensive crops such as **fruit and vegetables** were drastically reduced. The main reason for this is that less efficient and more expensive production has been replaced by foreign agricultural producers able to take advantage of the EU's liberalized agricultural trade. Whole **sectors of production** have been lost, sectors for which domestic agro-climatic conditions are favourable, as well as the basic geographical conditions for market access. These negative trends are made more depressing by the fact that the largest job-creating sector in agriculture is the fruit

[11] However, it can be said that the yields of the two main crops dominating the Hungarian agricultural sector, wheat and maize, were higher after accession than in the years before the accession, but the quantities harvested fluctuated (Kapronczai, 2010). It is worth noting that Hungarian sugar beet production was strongly affected by the EU accession. After the EU sugar reform, only a minimal area of sugar beet was cultivated in Hungary (Kapronczai, 2010).

and vegetable sector, which plays a central role in rural development as they are labour intensive and can sustain rural areas. The main causes of the decline are **the lack of physical infrastructure** (warehouses, cold stores, sorting, grading, packaging, quality control points and processors) and the lack of commercial-financial infrastructure (buyers, creditors). For increased market access, it would be essential to concentrate on the processing sector.

Animal Husbandry

The livestock sector experienced several changes: the ownership structure changed after the change of regime, the structure of production and the market conditions changed, consumer behaviour and social attitudes also changed. Our main findings in relation to the sector are that the changes that followed the EU accession – e.g., the Common Agricultural Policy's practice of giving little preference to the **livestock sectors**, the boom in imports as a result of market opening - tended to strengthen the crop sector, while at the same time further reduced the number of livestock (Vásáry, 2020).

After the accession, the size of **the poultry** population has fluctuated moderately, but the number of laying hens shown a downward trend. The number of turkeys increased steadily until 2007, after which it fell sharply (Kapronczai, 2010). In Hungary, pig farming was one of the most important areas of livestock production until 1999, but after that it declined due to unpredictable market conditions. On the positive side, however, the quality of pigs has improved, which was the result of the EU's preference for quality commercial pig production (Kapronczai, 2010); (KSH, 2022a)). Cattle farming was a dominant sector before the change of regime and was largely an export-oriented activity. However, the change of regime had a negative impact on cattle farming, which declined due to inefficiency and profitability issues. The decline in the cattle population continued until 2006, when the number of cattle stabilised at around 700,000 head. The EU support scheme was instrumental in this stabilisation (Kapronczai, 2010); (KSH, 2022a).

As already mentioned, the number of animals gradually decreased in the post-accession period. However, the decline continued until 2013, after which the sector showed signs of stagnation and minimal growth (KSH, 2022a). The sector was affected by market conditions, but the strict and cost-intensive animal husbandry requirements imposed by the EU also contributed to the decline. The CAP market regime and the direct support system determine the decisions of crop producers and, in order to achieve a secure income, they either abandon livestock production, which is very costly and generates income in the long term, or they minimise their livestock production. The increasing price of feed and the cost of proper manure management also discourage livestock production. The combination of these factors and the lack of capital was forcing some farmers to abandon the sector (Vásáry, 2020). The continuing negative effects on the sector and the CAP policy have led to a specific separation between livestock and crop production in Hungary. This separation significantly contributed to the deterioration of the sector and exacerbated the distortion of the crop-livestock ratio.

Changes in Farmer's Income

One of the main objectives of the EU's Common Agricultural Policy is to ensure a fair standard of living for those working in agriculture. Following the EU accession in 2004, there were already signs of a change in farmers' incomes. Agricultural incomes in the new Member States increased significantly. In Hungary, for example, **agricultural income more than doubled in 2004** compared to 2003 (KSH, 2023b). In contrast, real agricultural income in the old Member States fell by a total of 4% in 2004 and 2005, indicating that the income of farmers in the new Member States changed significantly (mostly positively) as a result of the EU accession, while that of farmers in the old Member States stagnated (Szabó, 2007). In Hungary, as mentioned above, the increase in 2004 was more than double compared to 2003. After that, with some fluctuations in 2009, farmers' incomes stabilised (KSH, 2023b).

A most important factor influencing the income from agricultural production is agricultural **subsidies**. In the new Member States (including Hungary), between 1998 and 2005, the income of the factors of production realized by producers increasingly came from subsidies. In the old Member States the increase was much more moderate. Moreover, in 2005 the new Member States were already ahead of the old Member States with 43% of the income from factors of production coming from subsidies, although it should be noted that the level of income was much lower. An increase in the share of subsidies was already noticeable before the accession, at least partly due to the EU pre-accession aid (SAPARD). However, the increase became faster after the accession. The income indicators of the Member States fluctuated more before the accession than after the accession and more than the income indicators of the old EU Member States. This was probably due to the lack of higher agricultural subsidies. It can therefore be concluded that agricultural subsidies and a stable and predictable support system have reduced the uncertainty in the profitability of production, mainly due to a very important faction in agriculture, weather conditions (Szabó, 2007). The Farm Accountancy Data System shows that the share of subsidies in the income of agricultural holdings increased after 2004. Since agriculture is highly dependent on the weather, and since this factor has a strong influence on the output of the sector, it also has an impact on the income patterns. In 'good years', i.e. when yields are high, the role of subsidies in the income structure decreases, while in 'bad years', when farmers are unable to achieve high yields due to bad weather or market conditions, farm income decreases. In bad years, therefore, subsidies play an important role in the farm income (Popp, 2018), (KSH, 2023b).

Changes in Agricultural Trade

EU membership has enabled Hungarian agricultural producers to have **free access to the single market**. This has brought significant benefits to Hungarian agricultural exports, as the EU market is one of the largest and most in-demand in the world. With increased market opportunities, Hungary expected the EU accession to bring significant export growth for agriculture. Hungarian farmers were confident that the accession would bring a significant increase in agricultural production, as the increase in producer prices, catching up with EU levels and the production incentives of direct payments would increase the volume of goods that could be exported. The Hungarian agricultural community also hoped that market conditions would improve with access to the internal market. However, these expectations were not fully met (Hegedüs, 2015). The study, conducted by Hegedüs & Kiss (2015), looked at Hungarian trade in agricultural products between 2003 and 2013. Hungary's trade with the EU increased significantly since 2004. Their study shows that Hungarian exports to the EU-27 grew 1.9 times between 2003 and 2013. Imports from EU-27 increased by 1.6 times. It was found that the growth of trade with the EU was less dynamic than the total trade flows. This can be explained by the fact that the accession did not lead to a substantial market expansion, as the Association Agreement signed before the accession already made 92% of the EU market available to Hungary, therefore the accession did not have a strong export-generating effect.

For agricultural products, external trade with the EU has been much more dynamic, with both Hungarian agricultural exports to the EU and agricultural imports from the EU growing by 3.3% between 2003 and 2013. The implication of this trend is that the previously signed Association Agreement was not able to remove all the barriers to trade in agricultural products and could only be implemented through accession. The increasing importance of the internal market is shown by the fact that 83.3% of domestic agricultural exports went to member states in 2013, compared to 72.0 % before accession, while 91.6 % of Hungarian agricultural imports came from the EU, compared to 83.4% in 2003 (Hegedüs, 2015).

Rural Development Experiences

The rural development program is designed to complement other EU measures in agricultural areas. Its aim is to support the diversification of farmers' activities and improve access to local services, such as local markets, social enterprises, minor roads, and rural homes. Additionally, the program supports the development of basic services in small and very small settlements, such as helping to treat waste water and promoting the creation of multifunctional community spaces. In Hungary, the concept of sectoral (agricultural) rural development is still very strong. Regional initiatives are often blocked by agricultural interest groups. A sectoral approach to rural development, whatever the sector, is doomed to fail. A spatial approach to **rural development** is not well supported because (1) it requires much more financial resources than, for example, social farming, (2) it requires the reconciliation of different interests and may harm the interests of different sectors, (3) it requires a long-term vision which is not popular with those who think in election-to-election terms (Kulcsár, 2020). Another important experience shows that in Hungary, the lack of trust is most evident in the administrative over cautiousness and slowness, the delay of cases, and the upward push of decision-making (Kovács, 2020).

Unfortunately, rural development knowledge has largely been reduced to administrative knowledge, the knowledge of the law and regulations, and not how to **build trust in communities**, how to get from one point to another, how to innovate with community consent, and how to get things out of a deadlock. The focus is primarily on fundraising and the distribution of money. However, beyond program evaluation and reporting, there is no discussion of the institutional and organizational framework of rural development as the backbone of the system, and there is a lack of critical research and analysis (Kovács, 2020). The problem is illustrated by the way in which the LEADER concept[12] has remained an "extraneous object". It is external, i.e., not part of the public administration, 'foreign' to the general perception and everyday culture. The LEADER program has become an over-bureaucratized, fragmented, assembly-line fashion mechanism. The original principles and objectives and reality have become very far apart. The whole LEADER, with its bottom-up approach, local involvement, local decision-making, etc., is a pain in the neck for the decision-making hierarchies. The rural development hierarchy has created a plethora of rules that are not even known in detail by those who work professionally in rural development (Kovács, 2020). Overall, rural development is a complex task that can only be achieved over a long period of time and with a lot of commitment. EU funding for the renovation of village centers and local infrastructure, and the improvement of night-time lighting in rural areas, can only be partial elements of rural development. They cannot, however, bring about radical change on their own. The task is much more multifaceted and can only be achieved through development that meets the demands of today's competitive market (Buday-Sántha, 2009).

At the same time, in the case of EU-funded developments, the regional approach and the effort to solve a problem at a holistic level is not usually present. Instead, depending on the options available, the focus is only on solving local problems, which is why there are many parallel and often unjustified, low-quality developments that are equally unsustainable. The uncoordinated, fragmented developments cannot have synergistic effects at all. One of the reasons for this is that the requirement for **regional cooperation** is not a prominent criterion in the call for proposals. Rural policy in Hungary has also failed to play its role as a territorial leveler, i.e. the expected correlation of more EU support per capita for the most disadvantaged regions has not been achieved. This is mainly due to the fact that more developed regions with stronger social capital, cooperation and local activism have shown greater ambition in applying for funding and have

[12] LEADER is a local development method which has been used for 30 years to engage local actors in the design and delivery of strategies, decision-making and resource allocation for the development of their rural areas (European Commission, 2021). The idea, simply, is that people should work together, brainstorm and plan together, and make transparent who does what and how. Partners should be citizens, entrepreneurs and elected leaders.

been more successful in applying for funding. The latter is clearly due to their higher levels of own contribution, better infrastructure, higher quality human capital and greater capacity to apply for and absorb resources.

2.2.4 Economic governance and the question of the Euro

There is one more issue whose evolution did not follow a "pre-accession and post-accession logic," and became more sensitive as time went on: the common European currency. In the early 2000s, before the entry to EU, the issue seemed clear in the Hungarian case: being already well absorbed into the European production chains, in particular into the German automotive industry, and also with a sizable touristic sector, it looked rather obvious to enter the third phase of the Economic and Monetary Union (that is, the Euro Area) as soon as the entry conditions were met. History, however, took interesting directions. Initially, the first Orbán government (1998-2002) intended to enter the Euro Area (EA) at the earliest possible date, to be among the firsts. There was a rather general understanding about the merit of being in the EA. The Socialist-Liberal coalition, in office at the time of Hungary's accession in May 2004, in fact set an early entry date. Yet, in the fierce fight between the two political blocks, Left and Right, election considerations overwrote tentative fiscal plans to meet the Maastricht criteria. The budget slipped in the early years of the 2000s, as governments run very high deficits particularly in elections year (2002, 2006) up until the financial crisis of 2008. Worsening Hungarian macroeconomic data (systematic deficit, high debt, inflationary tendencies, high HUF interest rates) practically excluded the chances of an early entry. Then came the 2008 global financial crisis, followed by the Eurozone troubles. Viktor Orbán returned to power in 2010, soon after the 2008 financial crises, with a changed attitude to the common European currency, feeling the need to **retain monetary sovereignty for some time**. Also, relatively high public sector debt (70 to 90%of GDP), and above-entry rate of HUF inflation made it hard for the consecutive government until the present time to name an entry date. Hungary is obliged to adopt the euro, but is not fulfilling right now the Maastricht conditions, and other aspects of the deepening of the European Union. Thus, the termination of the national currency in not on the policy agenda.

From a business perspective, however, the euro issue is relative clear. For an open, trade dependent economy like Hungary, there would be overwhelming economic arguments to enter the EA as soon as entry conditions are met in a proper fashion, that is without doctoring data or applying non-transparent and not sustainable measures.

Economic research indicates that having the Euro is not a condition *sine que non* for successful convergence, but it can be accomplished with or without being in the EA. Yet, legal euroization helps economic advancement, reduces country risks and business costs. The case of those countries that are at present outside of the European currency zone, Hungary included, can be read as follows: the economy may grow by retaining the national currency, particularly if its exchange rate does not fluctuate too much. However, retaining a relative exchange rate stability of the domestic currency *vis-à-vis* EUR demands a rather cautious fiscal and monetary policy stance – similar to the criteria ("Maastricht") of euro accession. That also means that such country could relatively easily pass the entry test, if wished.

It is important to note that membership in the Euro Area has meanwhile become much more than being in a currency zone: the Euro-system also involves **a banking union**, a joint banking supervision and with monetary protection capacities, and soon a joint deposit protection scheme. Thus, accession to the Eurozone is in fact a **political decision** rather than a simpler monetary policy measure.

2.3 Recommendations for Montenegro and Serbia

In the case of the post-accession period, it would be hard to set up a definitive list of lessons learned from all the topics covered. We are now part of a continuously evolving European Union policy in many areas with open-ended issues, where the merits of the European, or domestic systems are constantly debated. As such, here, we can offer dilemmas, possible solutions, snippets of ongoing issues and recommendations in the present context, rather than concrete lessons learned.

2.3.1. A centralized or decentralized system?

One of the most important dilemmas is **the preferable organizational and decision-making structure of a host country to manage EU funds**. There are pro and con arguments. The advantages associated with the centralized resource allocation are speed and better focus. The practice, however, proves that when the size of EU funds starts to grow and gets channelled into numerous sectors and regions of the country, a single responsible organization to oversee the whole project preparation and funding allocation procedures in a top-down fashion becomes a 'behemoth'. This oversized organization may hurt the position of important stakeholders, and alienate lower-level participants. An obvious handicap of any overcentralized system is also the over-politicization of the processes, and a weak sense of ownership among the intended beneficiaries. Bottom-up project generation, the opposite approach, is associated with broader ownership feeling, better social participation. Yet, its success is contingent on the availability of planning and supervision resources. A decentralized process may turn to be too slow to generate and implement projects. The Hungarian history of the governance pattern has been a process of pendulum to and from. At present the system has become highly centralized – and not without its customary defects.

A similar dilemma is **the policy choice between high absorption and proven additionality**. When the present centralized resource allocation was devised in Hungary, one of the key motives was to speed up the process of disbursing EU funds and to maximize the amount the country can draw from the EU budget (high absorption). Concentration of decision rights into top cabinet levels has certainly accelerated the project generation, approval and drawing-down processes. Yet, one cannot but notice that absorption of EU funds, as a success indicator, can hurt efficiency in the longer term. Too large projects may emerge for the simple reason that if the speed of tapping the EU funds becomes the key political priority, then big investments and country-wide uniform schemes will absorb available funds, crowding out smaller but perhaps more useful, locally better appreciated, more additional projects. What may mislead decision makers is that whatever the merit of a largescale investment, its realization will immediately increase GDP: the mere spending of the fund would add to somebody's income and, as a result, increase demand in the economy, even if certain projects may turn out to be low-efficient or even loss-making in the long term. Typically, and unfortunately, launching too large projects may also add to inflationary pressures, in particular in the construction business, due to labour shortage or tensions in the supply chain. Oversized investments may leave behind bad legacies, such as costly maintenance. Thus, it is not recommended to define speedy drawdown of EU funds and maximum absorption as success indicators. It seems easier to plan, design, and approve **large scale projects** rather than generate multiple smaller ones in a bottom-up fashion; and the drawdown of EU funds is certainly faster in case of mega-projects. However, oversized projects are prone to cost overruns and delays, and concentration of limited funding on a few areas may distort the structure of the economy. A spatial and sectoral diversification may be a better approach on the condition that fragmentation of the scarce resources can be avoided through proper project overseeing.

Having suggested the way to go forward in general in these matters, there are many **concrete recommendations** or interesting observations from our side, which we would like to offer:

1. **Development policy measures** are more likely to be effective when they fit to existing sectoral / territorial policies, and line ministries have proper competence in defining crucial elements of the measures (like target group, eligibility and evaluation criteria, eligible costs and activities).
2. The more emphasis is put on **the impact mechanism of interventions** during their preparation, the more likely will intended impacts be realized. Lack of such preparation might lead to absorption being the only measurable result (without getting closer to the objectives, or even with opposite effects).
3. **Larger organizations** can better perform as intermediate bodies, as the periodically high workload generated by project applications can be better distributed among more employees and lead times can be significantly shorter.
4. The better elaborated **the project cycle processes**, the more efficient will be their implementation.
5. Evaluation of both **national policies and EU assisted programs** can significantly contribute to raising the effectiveness of development measures. Evaluations can contribute to better utilization of the funds not only through providing MAs with feedbacks on speed and efficiency of implementation procedures, but raise the effectiveness of measures through recommendations based on careful analysis of impact mechanisms. It is recommended to extensively evaluate policy measures before accession and channel findings into preparation process of planning EU funds (as finally these funds will contribute to the implementation of national policies).
6. Preparation for the implementation of **larger scale Structural Fund assisted programs** shall start years before the accession. A special emphasis should be placed on training professionals who could participate in both the program planning and setting the institutional design.
7. Having sound preferences related to **national policies and a skilled team of professionals** is essential to be successful not only in the pre-accession negotiation process, but also when it comes to preparation of own Operational Programs.
8. **Experts and civil servants** with relevant knowledge and skills in program planning and implementation are a scarce resource, especially a few years before and after accession when public administration is in highest need of this type of expertise. It is worth to elaborate a capacity building and development strategy to avoid scarcity (with regards to „brain drain" of EU institutions and private sector organizations).
9. Effectiveness starts with and is mainly rooted in **planning.** The better are the policies (i.e. measures are based on justified needs, clear intervention logic links the activities to expected results and impacts that are defined in form of measurable indicators) the easier to define effective measures to be implemented within the frameworks of EU assisted programs, and the more likely the development activities based on EU funding would contribute to – reaching the objectives of – sectoral policies. However, planning activities related to EU assisted programs can and will not replace conscious policy making, and will not lead to effective outcomes on their own.
10. **Evaluation** can provide very relevant and useful information both for program planning and implementation. Channelling the findings and recommendations of evaluators into the program development phase will help policy makers elaborate more effective interventions.

2.3.2 Efficient future participation in CAP

On matters of agriculture, international research clearly shows that higher institutional excellence and economic development are closely linked to a more efficient use of EU funds, with better long-term results (Rodríguez-Pose-Garcilazo 2015; Nyikos 2018). To make the **institutional system of grants** effective, a 'service approach' to governance is needed. This requires training, professionalization and improving the problem-solving skills of staff, but it is particularly important to speed up the decision-making process. This requires screening, transparency and simplification of institutional structures and improving the decision-making process (Nagy, 2006). Based on our experience from personal interviews, we propose to reduce bureaucratic complications. At the same time, the monitoring of CAP applications should be strengthened, taking into account compliance with approved and relevant CAP objectives and the development and application of related indicators.

The mechanism for allocating funds is the application system. However, centrally advertised tenders often do not meet the needs of local or individual farmers. This often results in investments that are not the most needed ones. This can have the negative consequence of creating both wastage and shortages, as unnecessary and often unfundable capacity is created while necessary improvements are not made. EU funding can often only be spent on very specific purposes. The need to get the most out of grants further reinforces the process whereby it becomes secondary that a grant is channelled into an investment that pays off. The short period for submitting applications also runs counter to the expectation that what is envisaged will actually happen. Rapid calls for proposals may not lead to sound professional and economic decisions. However, a poorly selected project can divert resources from other meaningful developments, not to mention the long-term operational costs of the resulting investments.

Development should be based on local or internal (endogenous) resources. The critical question is what is considered as such in a given locality. What is the quality of what is available? Can they be used successfully in an investment or development? A proper listing of local resources is often incomplete and mainly formulaic, and their valorisation is typically unsuccessful. In addition to 'created' resources (organized economy, ingenuity, coordination, etc.), the biggest problem is with resources that are commonly classified as elements of social capital: e.g., cooperativeness, trust, strong civic activity). The strategy-making process must be bottom-up. Identifying and using local resources requires creativity and activity. Among the elements in the list below are several that are created resources that would not exist or could not be exploited without activity and ingenuity. Typically, it requires activity (and some creativity) to organize the local economy and to develop synergies between activities, sectors and institutions (Póla, 2014). On this note, these recommendations are broadly useful outside the agricultural sector, too.

From the **farmer's point of view**, the process of obtaining funding is not a short and easy procedure, but it is worth the effort, and it is advisable to seek the help of a (trustworthy) expert. Substantial and well-chosen investments can ensure long-term stability of the holding, but the advantages and disadvantages of such support, both financial and otherwise, must be carefully assessed. This requires a thorough training of farmers in the implementation of investment support. The transfer of knowledge to farmers needs to be constantly improved in the face of rapid change. Regional Farmers' Advisory Centers should be set up, jointly funded by the state and farmers, to provide farmers with continuous advice and information. In the work of these advisory centers, a significant role would be played by well-trained and qualified village economists, who would act as advisers, holding information sessions and providing services. A priority would be to develop a well-functioning network of advisers, working closely with vocational training, higher education and agricultural research institutions. International experience shows that the integration of innovation is significantly influenced by a well-functioning advisory network and the level of farmers' qualifications. This reinforces the need to create farm-specific advice, which would certainly also significantly improve the knowledge transfer of digitalization and ecologisation.

In 2014, the Hungarian government declared the **food processing sector** a strategic sector, making it a priority area that receives special attention from the Ministry of Rural Development. The Ministry has developed a strategy to support the development of the food industry, and in the design of EU co-funded programs for 2014-2020, significant attention is paid to the food industry.

The strategic goal is to restore its competitiveness, therefore priority is given to promoting stable financing opportunities, increasing the efficiency of enterprises by promoting innovation, increasing the share of well-trained employees, strengthening the market position of the food chain and promoting a supportive business environment (Schlett, 2014). We agree with the objectives of the National Strategic Plan that food processing should play a role in the assessment of investment aid. We suggest that a key criterion to be taken into account is that priority should be given to improving competitiveness when accepting grant applications. However, we consider that the analysis of possible products and potential markets in the plan and the development of conditions for sustainable market presence and competitiveness are incomplete. These should be developed further.

The question of dominant retail chains

Finally, there is the very real abuse of economic dominance by retail chains, which is as much a problem in Hungary as in most Central and Eastern European countries. In recent decades, the national **food retail market** has undergone a significant transformation, with food chains, supermarkets, and hypermarkets representing 70% of the market share. In contrast, traditional groceries, small shops, and markets have experienced a notable decrease in their market share. Retail chains have established buying groups, which have enabled them to utilize their buyer power. However, there is noticeable information and power asymmetry between buyers and producers (Lisányi, 2018).

When it comes to agricultural products, prices are influenced by both supply and demand as well as the linkage between buyers and sellers in the market. It is worth noting that agricultural producers are usually considered price takers rather than price setters, as their prices are determined by the demand for their products. Small-scale farmers, who have limited access to alternative large buyers, may have less bargaining power (Lisányi, 2018). Already in 2013, the Food Chain Safety Strategy set out the objective to ensure that all farm businesses operating fairly have access to markets and the opportunity to participate in markets, minimizing the disadvantages due to differences in power. The Hungarian Competition Authority and the National Food Chain Safety Office currently have specific market and consumer protection tasks under a number of laws, in particular the Act on Trade, the Prohibition of Unfair Market Practices and Restrictions of Competition, the Act on Consumer Protection, the Act on the Food Chain and the Act on the Supervision of Authorities. A distinct group of these are the rules on the protection of suppliers to the agri-food industry and suppliers to undertakings with significant market power (Fehér et al., 2022).

With regard to **unfair market practices**, the Hungarian Competition Authority has closed a number of cases and imposed significant fines. Cooperatives, which help small producers to pool their resources, can play a key role in improving the situation (Lisányi, 2018). It is well documented in the literature that countries with an agricultural structure consisting of a relatively large number of small farms can position themselves well if producers are grouped in agricultural organizations or cooperatives. (Szabó & Barta, 2014). There are around 110 cooperatives in Hungarian agriculture, with over 30,000 members (Fehér et al., 2022). In recent years, it has been demonstrated that **cooperatives** have business potential even at an early stage. The beneficial effects of cooperation are self-evident. However, there is potential to further increase stakeholders' interest in forming cooperatives, as voluntary cooperation is a key to competitiveness on the global market (Lisányi, 2018). The strategic plan for domestic support measures for the period 2023-2027 sets as a priority objective the promotion of the creation, maintenance, joint development and investment in producer cooperatives, and we can only suggest taking inspiration from these measures.

2.3.3 Conclusion

There were several diverse topics analysed in this chapter of Hungary's experiences in European integration, from the concrete accession negotiations, fiscal and budgetary questions to agriculture and perhaps most importantly when it comes to the relevance of this text, regional policy. Conclusions could be made about many things, but we would like to highlight the most important ones, topic by topic.

On the experiences of the Hungarian accession procedure, to reach a good position during the budgetary debates before the closing of the negotiations (and later during the later MFF negotiations as well) **a strategic development of human capital** (negotiating and management team) and **institutional framework** were needed. The regional policy turned to be a field much more exposed to **brain drain** by the private sector than other negotiation chapters, so the establishment of proper incentives for the civil servants could be crucial.

Another component of the success was the **detailed knowledge and identification of local needs** and a good targeting of which aims to achieve. In this, the activity coalition building with the Member States could support the national efforts very much.

The question of **European economic governance,** and particularly entering the Eurozone, has never lost its relevance in Hungary. Since joining in 2004, there were periods when there was political will to join the Eurozone, but economic circumstances were not sufficient, but the opposite case also emerged. The two conditions (willingness and readiness) have not been achieved at the same time, even though the populace is overall on the side of the Euro. As such, it is hard to make objective conclusions about this topic, as the end goal, despite being officially mandated to adopt the Euro by the Union, may be as unclear to some from the inside as from the outside. Eurozone membership is a question that by now depends more on politics then economics.

Besides the access to Western European markets, capital and technology, EU Structural Funds' resources have become available to Hungary. **The utilisation of enormous amounts of development subsidies** put a huge challenge for the Hungarian policy makers and public administration. And this challenge has been met at least from the institutional perspective: Hungary was among the countries with highest absorption rates in all 3 budgetary period between 2004-2020. A conscious and long process of building up planning and implementation mechanisms of territorial policy, and experiences from a successful economic development program were essential besides the lessons learned from pre-accession grants to build up a well-performing institution system, that keeps practical elements of pre-accession funds' institutions and have the courage to recognise and replace/improve the non-practical ones. As the organizational design of implementation system was reshaped both for the 2007-2013 and for the 2014-2020 period, Hungary can serve with various experiences for those interested in. However, **absorption with proper use of the resources** – in which Hungarian institutions exceled – is not the only goal of development funds. When it comes to effectiveness, Hungarian experiences support that widely known fact, that impacts are more likely to be realised when the implemented measures fit into existing policies and are results of conscious planning.

But **the framework of the cohesion and structural policies** changed by each new multiannual financial framework. However, the future trends of these changes could be estimated by the amendments of the present-day financial support to the candidates like the comparison of **the new Growth Plan** [written in January 2024] and the existing IPA framework.

From the point of view of Hungary's agricultural economy and rural development, it is a fact that the accession to the European Union proved to be an **enormously positive development**, as it opened up **unprecedented agricultural prospects**, with a wealth of opportunities and support. But nothing is without its issues. In recent years, there has been increasing uncertainty due to the complex regulatory and skills requirements and the rapidly rising costs associated with them. Today, the issue cannot be separated from the unfortunate Russian **war against Ukraine** and its aftermath, e.g. political and sectoral difficulties, different scenarios depending on the outcome and duration of the war, the possibilities of resolving past and new conflicts of interest, Ukraine's candidacy for EU membership, etc., and, in the short term, the appearance on the market of large quantities of agricultural products from Ukraine, produced at low prices, under different regulatory frameworks and of a different quality than in the EU.

Accession to the EU is a very complex topic and even for a model applicant country after 1989, like Hungary, it took 10 years to finally join the community. Since then, joining is arguably even harder with the ever-expanding expectations of the European Union. Knowing this, it is no small feat even to steadily go step by step, as Montenegro and Serbia do. We sincerely hope that this chapter about our experiences, lessons learned and recommendations will be useful to policymakers or other interested readers alike in Podgorica and Belgrade, to continue to go forward in their steady ways.

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3. The EU Regional Policy: experiences and recommendations from Poland

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Abstract

Poland has been a significant beneficiary of the EU Regional Policy, which aims to reduce disparities in development between regions within the European Union. Overall, Poland's experience with the EU Regional Policy highlights the importance of strategic planning, efficient resource allocation, and stakeholder collaboration in driving sustainable and inclusive development at the regional level. By leveraging the EU funds effectively and implementing targeted interventions, Poland can continue to narrow development gaps and promote prosperity across its regions.

Key words: *Poland, the EU Regional policy, convergence, regions, the EU membership*

3.1. Introduction

Poland has been the member of the European Union since 2004, when it joined the EU alongside seven other Central and Eastern European countries, as well as Cyprus and Malta. It is the fifth largest member state when both in its surface area – 307 236 km^2 – and population size – around 37mln in January 2023 (European Union, n.d.). The Polish territory is divided into **sixteen administrative regions, voivodships**, of various sizes and economic structure ("Administrative division of Poland.," n.d.). According to the 2021 NUTS-3 urban-rural typology, Poland consists of 14 predominantly urban regions, 27 intermediate regions, and 32 predominantly rural regions (Eurostat, n.d.). Around 40% of the population lives in the rural regions (OECD, 2022).

Since its accession in 2004, Poland has noted a strong economic development, with its aggregated GDP growth amounting to 99,1% – that is **almost doubling** – in the period between 2004 and 2021, compared to an aggregated growth of 25,2% in the EU (Ministry of Development Funds and Regional Policy, 2023). Though the growth slowed down in the recent years due to the Covid pandemic, war in Ukraine, and the associated high inflation, is projected to continue in the years to come – in 2025 the overall GDP growth is estimated to equal 3,2% year over year (European Commission, 2023).

However, **disproportions** between Poland and the rest of the EU are still evident. In 2022, the Polish GDP per capita in Purchasing Power Standard (PPS) equalled 80% of the EU's average (Eurostat, 2023a). While this is an immense progress – at the beginning of the Polish transformation and integration Polish GDP was only at around 30% of the contemporary European Economic Community average (Błaszczyk, 2020) – it is still only 19th result among the 27 member states (Eurostat, 2023a). The income differences are also present at a **regional level**, the situation being the worst in Eastern Poland where the 2021 GDP ranged between 52 and 56% of the EU's average (Eurostat, 2023b). Additionally, while pressing issues, most notably demographic decline, affect rural and urban regions alike, the largest cities are still growing in population and income (OECD, 2022). This contributes to furthering the urban-rural divide and showcases a need for more instruments of fostering cohesion.

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One of such instruments is **the EU's cohesion policy**, of which **Poland has been the greatest beneficiary** ("O Funduszach Europejskich 2021-2027," n.d.). In between 2004 and 2021, the amount of the cohesion policy funds received yearly equalled on average 2% of the Polish GDP (Ministry of Development Funds and Regional Policy, 2023). It is estimated that this input accounted for **8.7%** of the yearly GDP growth in this period. Significant development has been observed over the past decade in all regions, yet the biggest urban centres, especially Warsaw, still note the most dynamic and highest growth (Spychała and Spychała, 2022).

In this **case study**, we discuss the ways in which Poland prepared for its EU accession, which enabled the country's effective participation in the community, and the subsequent programming of the cohesion policy funds, with a special focus on the funds devoted to regional policy development. In the first chapter, we outline Poland's relationship with the EU since the re-establishment of diplomatic relations in 1988 until the end of the first post-enlargement cohesion policy programming period in 2006. We discuss the pre-accession negotiations, with a special focus on negotiations concerning agriculture and Poland's joining of the Common Agricultural Policy (CAP). Crucial reforms in the areas of economy and administration, which influenced Poland's EU accession, are also mentioned. We conclude the chapter with an examination of Poland's first post-accession cohesion policy programming period. In the second chapter, we analyse the subsequent cohesion policy programming periods: 2007-2013, 2014-2020, and 2021-2027, with the focus on the shifts in the EU's rationale behind the policy, and Poland's preparing for and implementation of the funds. We end the paper with a set of recommendations for pre-accession preparations and efficient participation in the EU, fostering national and regional development, based on Polish pre- and post-accession experiences.

3.2. Pre-accession period and lessons learned

After the Second World War, Poland fell under the influence of the USSR and was governed by the Polish United Workers' Party until 1989. With limited sovereignty, it was politically and economically oriented towards the USSR and Comecon countries, and any efforts to seek greater integration with Western Europe were suppressed. Nevertheless, as soon as the fall of the real socialist regime begun, Poland commenced its efforts to re-join the European politics.

Discussing the changes that led to Poland's breaking away from the Soviet sphere of influence goes beyond the scope of this paper. For its path towards EU accession, the first crucial moment fell in **1988**, when diplomatic relations with the European Economic Community (EEC)[14] were established (Wallas, 2023). As this period marked the beginning of democratisation and systemic transition in Poland, further development of relations followed soon after. In **1989**, Poland held its first semi-democratic elections. The new government set out bringing Poland back to Europe as its primary goal. Accordingly, the negotiations on an economic cooperation treaty with the EEC were immediately started and a treaty was signed on 19th September 1989, making the EEC Poland's primary trade partner (Willa, 2007).

There were several motivations that guided this direction in Polish politics. First of all, Poland felt that it historically and ideologically belonged to **the European community of values**, and that its removal from this community was only temporary (Trzeciak, 2012). The foreseen integration was also regarded as a success in international relations (Wallas, 2023). For Poland, joining the EEC meant also adopting a pro-active strategy of development directed at avoiding further political and economic marginalisation in the face of advancing integration in Western Europe

[14] The EEC, together with the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom) constituted the European Communities. According to the Maastricht Treaty in 1993 the EEC was renamed European Community (EC) and combined with the other European Communities as pillars of the newly created European Union. In 2007, in line with the Treaty of Lisbon, the EC's institutions were directly absorbed by the EU and EC ceased to exist as a separate entity.

(Willa, 2007). The EEC was also seen as a guarantor of external stabilisation for the planned economic transformation (Pietras, 2020).

3.2.1. The economic transformation

The economic transformation of Poland was a part of a broader transformation towards independence and democracy. As such, it was not, at its core, a reform of the existing system, but a radical change of principles from dirigisme to a free market economy (Jarmołowicz and Piątek, 2013). Such definite political and economic transformation, and the rapid introduction of reforms were unprecedented in the country's recent history and had a profound impact on the Polish social landscape.

At the beginning of the economic transformation period, the most dire problem was the lack of macroeconomic stability, with hyperinflation of 251% in 1989, and large foreign debt threatening further destabilisation (Jarmołowicz and Piątek, 2013). Consequently, **the primary goal** of the reformers was reaching a sustainable macroeconomic equilibrium, followed by the goals of full liberalisation of prices and foreign trade, and restoration of Polish development capacity. The large scope of projected changes and their interrelatedness called for a quick introduction of comprehensive reforms in many areas of economy at the same time. **The transformation plan**, introduced in 1990, involved tightening of monetary policy and fiscal policy, aimed at reducing the budget deficit, price liberalization, partial convertibility of the zloty, and restrictive income policy.

While the scope of the changes itself presented an immense challenge, additional difficulties in properly planning and implementing the reforms stemmed from the fact that the public administration, inherited from the times of Polish People's Republic, was also in need of thorough reorganisation (Balcerowicz, 2022). Equally, the ongoing democratisation and frequent changes on the newly formed political scene – after the semi-democratic elections in 1989, in the years 1990 and 1991 Poland held presidential, local and parliamentary elections – made it more difficult to create a cohesive plan that would be supported and continued in the long-term.

The reformers were also faced with considerable criticism from the public, caused by **the initial transformation recession**, between 1990 and 1992, and the ensuing changes to the social fabric of the country. In the first years of the transformation, liberalisation of prices and privatisation of state-owned companies lead to collapse of many factories and agricultural enterprises which could not withstand loss of national subsidies and competition caused by the imported goods (Gorzelak, 2022). This led to massive lay-offs and soaring unemployment, as well as overall deterioration of living conditions, as in many smaller cities these industries were the only viable source of employment and provider of daily services. At the same time, the transformation leaders, especially cities characterised by good infrastructure and diversified economy, flourished thanks to new investments. What is more, some regions, in which investment potential has been previously overlooked, enjoyed interest from foreign investors. Tourist regions also developed, attracting new visitors. However, as the economic transformation was governed at a central level and concentrated on large-scope changes for the economy as a whole, it also resulted in deepening of interregional differences (Churski, 2008a).

The transition to the market economy was, nevertheless, absolutely necessary for the following European integration and, ultimately, Poland's EU accession. After a brief period of transformational recession the reforms, however radical and quick-paced, brought about a period of **fast economic growth that lasted uninterrupted until the COVID pandemic** (Gorzelak, 2022). Even so, the rapid economic transformation had also negative impacts on the country's social structure, which draw criticism up to this day.

3.2.2. Preparations for the pre-accession negotiations

The changes to the economic and political landscape in Poland permitted its accession to the EU, but they also represented a considerable difficulty for the Polish negotiators during the pre-accession period since **many of the issues raised during the negotiation process have only recently been introduced in the Polish state** (Błaszczyk, 2020). Additionally, both negotiating sides lacked **experience** in preparing programmes of such magnitude since the eventual enlargement was the biggest one in all EU history and the candidate countries were, at the time, far less developed than the Member States (Trzeciak, 2012). What is more, the negotiations were prolonged by the lack of consensus on the EU's part when it came to the very idea of an enlargement, which was strongly supported by Germany and the UK but somewhat rejected by France and some Mediterranean countries. Thus, despite Poland's efforts, it was not initially certain what the ending result of the negotiations would be.

In **December 1991**, the "Agreement Establishing an Association between the Republic of Poland and the European Communities and their Member States", also called **the Europe Agreement**, was signed. It was a framework for further political and economic cooperation between Poland and the European Communities (EC), aimed at fostering the economic relationships between the two as well as Polish development and its gradual integration into the Communities (Wallas, 2023). Poland's final objective was, as stated in the preamble of the document, to become a member of the EC. Notably, it was, at this point, only a one-sided declaration. While the Europe Agreement was an important step towards accession, due to the issues mentioned above, its ratification only came about in 1994.

Even if the association was not formally established, the talks around full integration continued, and, in 1993, during the Copenhagen Summit, three general conditions regulating the eventual accession were established. It is worth noting, that the criteria were not, in their nature, solely economic but also political, which reinforced the EU's identity of a community of values (Turczyński, 2014). The three conditions were, as follows:

1. stability of institutions guaranteeing democracy, the rule of law, human rights, and respect and protection of minorities;
2. the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
3. the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union (Trzeciak, 2012).

Based on **the Copenhagen criteria**, as they came to be known, the European Commission could later on give its opinion on the candidate countries' readiness to join the EU, and prepare accession strategies guiding applicants towards this goal (Błaszczyk, 2020). Their introduction was a turning point in the relationships between the EU and the Central and Eastern European countries.

On the **8th of April 1994**, the Polish Minister of Foreign Affairs submitted an official **"Application concerning Poland's Accession to the EU"**. The following years were devoted to analysing the current discrepancies between the accession criteria and the situation in the candidate states. At the request of the European Council, the European Commission prepared annual reports on the implementation of the pre-accession strategy, strategy reports of CAP and structural policy, and the "**White Paper** concerning integration of the Associated Central and Eastern European countries into the internal market of the European Union" – a non-binding, yet exhaustive document guiding the CEE countries towards legislative approximation with the EU (Trzeciak, 2012). In April 1996, the Commission proposed **a questionnaire** to be filled by applicant states as a basis for forming an opinion on their accession. The questionnaire was filled by Poland with great diligence by June of the same year.

While the process of preparing for the accession was demanding for the Polish side, it is worth noting that the EU also undertook considerable measures to facilitate the enlargement. The White Paper itself can be counted among such efforts, as it provided a comprehensive outline of the possible integration strategy (Trzeciak, 2012). Most importantly, though, in **July 1997**, the Commission prepared a document presenting its view of the challenges facing the EU in the process of enlargement – **Agenda 2000: For a stronger and wider Union**. The document included a proposed **Financial Framework for 2000–2006**, a plan for a reform of the structural funds and cohesion policy, and CAP reform strengthening the hybrid nature of a policy which included market price support, direct aids, and quantitative restrictions on production (Cunha and Swinbank, 2011).

3.2.3. Pre-accession negotiations

Finally, the official accession negotiations began on **31 March 1998** that is four years after the official application. Like other candidate states, Poland committed itself to adopting the legal order of the EU (*acquis communautarie*). This meant that it could not apply for any amendments of perpetual exemption from any of the EU laws (Wallas, 2023). The next step was, therefore, a gradual screening of Polish laws in terms of their accordance with the *acquis* and creating a list of incompatibilities (Trzeciak, 2012).

In line with previous enlargement practice, the European body of law was divided into **31 thematic areas** concerning institutional, financial, trade, social, environmental and other domains (Wallas, 2023). The point that caused considerable difficulties was agriculture, and this was the area was discussed the longest in the negotiation process (Rdzanek, 2020). **Agriculture** was of particular interest to Poland, as a large rate of its population was employed in farming. While this rate fell in Poland throughout the '90s, even in 2002, it still constituted **15,6%** of all employed people – a very high share by the European standards (Poczta, 2020). Concurrently, farming produced only **4%** of Polish GDP. This unfavourable ratio of employed to GDP signals low efficiency of Polish farming; thus, this large number of people (and a considerable political force) worked in an inefficient and low-paid sector, which was also particularly challenged by the economic transformation.

The agricultural structure in Poland was also different than that in other countries of the former USSR. Even at the beginning of the transformation, many **farms** were already private (Poczta, 2020). These were usually very small – in 2000, 80% of farms were smaller than 10 ha and only 5% were bigger than 20 ha (Rdzanek, 2020). Partially due to their size, they were also largely inefficient and thus struggled in the competitive free market (Trzeciak, 2012). Therefore, while there was no need for a large-scale privatisation, the agricultural sector needed modernisation, increasing farming efficiency and addressing the rising unemployment (Poczta, 2020).

The negotiations concerning agriculture were a long and complex process. In September 1998, the accession countries started mutual legislation compatibility screening in agriculture (Trzeciak, 2012). The report from this screening in Poland was rather complementary, though it emphasised the need for upgrading veterinary and phytosanitary facilities to comply with EU standards. The introduction of the new regulations and adapting Polish farms to these standards was a gradual process and a demanding one, especially since the expected quality of the products is very high in the EU (Rowiński, 2020). This complex process lasted even until 2007, continuing after accession.

Since 1999, Poland declared it would be ready to join **the EU CAP** in 2003. It did not ask for any transition periods, but also expected full subsidies with regard to prices, income, and structural development immediately after accession. From the EU side, according to Agenda 2000, such support was not envisioned until 2006 (Trzeciak, 2012). The enlargement plan was a considerable challenge to the stability of the existing agricultural market. The full direct payments to the farmers, which Poland demanded, would cause a strain on the CAP budget, especially with the high rates of farmers in the population of the candidate countries (Giuliani and Baron, 2023). What is more, while **the productivity of farms** was, in general, considerably lower in CEE countries than in the Member States, their produce still amounted to around **30%** of the agricultural produce of the EU-15. This, in turn, raised concerns about the rise of production surpluses.

From the EU's point of view, Poland also had to make **concessions** that would help to integrate it into the European Single Market. The main subject of negotiations became liberalisation and gradual lowering of duties on agro-food products (Trzeciak, 2012). It was argued that abandoning tariffs during the pre-accession period would be beneficial for Poland, since the Single European Market would not include any tariffs, and it would be too much of a shock to push for their rapid abandonment only upon joining it. Concurrently, Poland was criticised for failing to achieve this principle, as in 1999 it decided to raise tariffs on grain in order to protect domestic produce. Notwithstanding, the EU itself also limited the import from Poland through duties and import quotas on duty-free products, and opened its market visibly more slowly for the agro-food products than for industrial ones (Rowiński, 2018).

As a result of the continued pressure from the EU, in September 2000, Poland signed **the food trade liberalisation agreement** (Trzeciak, 2012). According to its terms, Poland and the EU revoked their income duties on most agro-food products, with **the exclusion of chosen most vulnerable products**, such as pork, beef, poultry, veal, milk and wheat. The regulations on these specific products were dropped gradually, with a **10% increase in duty-free import quotas** each year. In turn, the **EU resigned from subsidising its exports**, which was supposed to help grant Polish products a fairer chance in the competitive free market.

The accession negotiations concluded on 13 December 2002. When it came to the issue of the direct payments to the farmers, it was agreed that they would be introduced **gradually** after the accession but could be enlarged through national means, which meant considerable savings for the EU (Kundera, 2020). Additionally, the EU's limitations when it came to import of Polish products were further lifted, and in 2003, Poland achieved **a surplus** in the agro-food trade (Rowiński, 2018). As for achieving compliance with the EU standards of production, Polish agricultural enterprises were given an additional **transition period** that lasted until 31 December 2007 (Rowiński, 2020). The businesses that failed to adapt to these standards by that time were dissolved.

The finalisation of the negotiations meant that Poland was finally ready to join the EU. The Polish side signed **the Accession Treaty in December 2002**. Secondly, in early 2003, it was ratified by the EU and then confirmed by the referendum in Poland on 7 and 8 June 2003, in which **77,45%** of Poles voted in favour of the accession (Trzeciak, 2012).

It is worth noting that **the public support for joining the EU** has wavered significantly over the years. In the political spheres it was generally agreed that accession was needed and would be beneficial for Poland, though differences in attitudes emerged when it came to negotiation of specific terms (Prażuch, 2015). In the society, opinions differed. In April 1994, when the official "Application concerning Poland's Accession to the EU" was signed, the support for Poland's integration was at **79%** (CBOS, 1996). Over the negotiations period, it gradually fell to achieve its lowest point in 2001 **- 51%-** due to the growing fear of negative consequences of the accession (CBOS, 2019). The most Eurosceptic group were the farmers, which largely feared the liberalisation of the agricultural market – **in 2002, only 37% of farmers** were supportive of the accession (Trzeciak, 2012), compared to around **60%** of the general population (CBOS, 2019). Nevertheless, these fears proved to be largely unfounded, and after the accession the growth of public support for the Polish presence in the EU quickly followed. Since 2014 until 2023, it remained above **80%,** with an all-time high in 2022, when it reached **92%** (CBOS, 2023).

3.2.4. Preparations for participation in the cohesion policy funds

A very important benefit of the accession was gaining access to **the EU's Structural and Cohesion Funds.** Poland's participation in them from 2007 onwards will be discussed in more detail in the second part of this case study. First, it is, however, important to note the ways in which Poland prepared for the first programming period, especially with regard to the regional policy funds.

Importantly, prior to 1999, the capacity to implement regional policy was largely limited due to the highly fragmented administrative division, which did not envisage any elective administration. In 1999, **an administrative reform** introduced a three-level administrative division into the commune (gmina), the district (powiat) and the voivodship (województwo) (Churski, 2008b) along with previously non-existent elective government on the first and second level (Chaczko, 2020). As one of the goals of the reform was decentralisation, **regional governments** were given more control over regional policy and assigned additional funds. It was also an important step that needed to be taken in order to introduce reforms that would follow over the next few years, such as the reforms of education, transport, and healthcare. However, the reform was also introduced with the EU cohesion policy in mind (Sługocki, 2019).

At the time, the organisation of the cohesion funds within the EU was being changed as well, to allow for the upcoming enlargement. The main goal was to increase their effectiveness ("Agenda 2000: for a stronger and wider Union," n.d.). This was supposed to be achieved via a greater concentration of community initiatives, the number of which were reduced, and through the introduction of a more decentralised management of the funds. In **the Agenda 2000**, three objectives were deemed priorities for the Structural Funds:

1. the development and adjustment of regions whose development is lagging behind (Objective 1),
2. the economic and social conversion of regions experiencing structural difficulties (Objective 2),
3. the adjustment and modernisation of education, training and employment policies and systems (Objective 3).

The goal of **the Cohesion Fund** – to fund environmental and trans-European transport projects in those Member States with a gross national product below 90% of the Community average – remained the same. The start of transferring structural funds to the future members was planned for 2002 at the earliest, as it was the earliest proposed date of the accession (Klimowicz, 2014).

The financial support began even before the accession. Since, as already discussed, preparing for joining the EU required considerable effort from the candidate states, such as aligning the national legal frameworks with *acquis communautaire*, several programmes were launched in **the pre-accession** period to help the CEE countries achieve compliance with EU standards. As previously mentioned, the first programme – **PHARE** – was introduced as early as **1989** and was initially meant to facilitate the economic and political transition in Poland and Hungary ("Phare Programme," n.d.). Later on, it was transformed into a pre-accession financial instrument. From 2000, 70% of the Phare budget of 1,56 billion euros was devoted to investment support, helping to develop infrastructure of a European standard ("The challenge of enlargement," n.d.). The remaining funds were spent towards enhancing the administrative and institutional capacities of applicant countries. **In 2000, the pre-accession support was doubled and two additional instruments were created**: the pre-accession aid to agriculture programme (**SAPARD**), with a budget of 520 million euros a year, and the pre-accession structural instrument (**ISPA**), with a budget of 1.04 billion, aimed at infrastructure investments in the environment and transport sectors. Nevertheless, while in 2000, after the administrative reform of 1999, Poland also introduced its first **regional development strategy**, it failed to gain EC's permission to combine the pre-accession programmes with this plan (Churski, 2023).

Apart from providing a much needed financial support for the infrastructural and administrative development, the pre-accession programmes had an additional advantage for the candidate states – they provided them with much-needed knowledge on administering EU's funds. In the process of applying for financial support, municipalities, districts and provinces gained practical skills in creating projects and drafting grant applications (Sługocki, 2019).

3.2.5. Cohesion policy in the 2004-2006 period

After its accession in 2004, Poland joined the 2000-2006 EU programming period. One of the last parts of the preparations for the formal accession was the construction of a **National Development Programme**, a strategic document according to which the cohesion policy funds would be administered. The objective of the NDP was to "develop competitiveness of the Polish economy based on knowledge and entrepreneurship, and capable of harmonious growth to ensure an increase in employment and improvement of social, economic and space cohesion between Poland and the EU on the regional and national levels" (Churski, 2008b). It was ratified by the Polish government in early **2003** and was the basis for creation of a corresponding EU document, the Community Support Framework, which defined priorities of the actions to be taken and specifies the extent of support coming from the cohesion policy funds.

Under the cohesion policy, in the years 2004-2006, Poland received 12,8 billion euros – 8,6 billion from the structural funds and 4,2 billion from the Cohesion Fund (Charyło and Wolfram, 2009). Under the latter programme, certain projects from the pre-accession instrument ISPA were continued, which meant that the total amount of funds allocated to this programme reached 5 600 million euros.

The regional development was an important objective of the candidate countries. It is worth noting, however, that in the years before the accession, with growing uncertainty of its final effects, it was **difficult to plan a long-term strategy** for the use of the cohesion policy funds (Churski, 2023). When it comes to programmes administered at the regional level, in this first programming period, Poland devoted 20% of the total funds received to **the Integrated Regional Operational Programme** (Charyło and Wolfram, 2009). Organised on a central level, this programme was, nevertheless, only partially governed by the regional officials (Churski, 2008a). The local governments were responsible for the implementation of selected projects, while **the voivods** (appointed by the central government) were in charge of monitoring the process.

However, such a structure was only temporary. Given that the short programming period 2004–2006 was only a part of the EU's 2000–2006 perspective, it was understood that the proposed system of implementation – in particular with regard to the measures to be implemented under the regional development programme – was of a **transitional nature** (Sługocki, 2019). The experience gained by all parties involved in the implementation of cohesion policy in this first period was later used to create strategies for EU cohesion policy implementation for the subsequent periods.

3.3. Experiences of Poland in today's EU regional policy and recommendations for Montenegro and Serbia

3.3.1. Period 2007-2013

Polish regional policy after the EU accession was heavily dependent on the programming period and funding associated with it. The EU programming periods were divided into years 2000-2006, 2007-2013, 2014-2020, and 2021-2027.

The 2000-2006 and the 2007-2013 programming period were governed by strategic goals as defined in **the 2000 Lisbon Strategy** (Klimowicz, 2014). This document set a new objective for the EU to transform the European economy into the world's most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion (Bongardt and Torres, 2012). As the Strategy was renewed in 2005, questions arose in relation to the ways of its implementation through the cohesion policy (Klimowicz, 2014). **New objectives** for the cohesion policy funds were introduced in 2006:

1. The convergence of the Member States and the regions;
2. Regional competitiveness and employment;
3. European territorial cooperation.

The first goal – convergence – directed at fostering the development of the least developed regions, did not really change from the previous perspectives. It was the foremost objective of the new programming period, using up around 82% of the funds.

Poland's preparations for the 2007-2013 programming period prompted the development of an all-encompassing **National Development Strategy for 2007-2015**, adopted in 2006, which was the framework for subsequent implementation of EU's cohesion policy funds, but also for various other programmes (Tkaczyński et al., 2008). The National Development Strategy included plans for the use of domestic funds and other external funding (not governed by the EU), as well as strategies for integration of the cohesion policy funds with other EU financial instruments, such as the CAP. Additionally, new regulations concerning creation of national development plans were introduced in 2006 and elaborated in a 2008 amendment, leading to balancing out domestic and communal regional development policies and allowed for successful programming in a long-term perspective (Churski, 2023).

In this period, the regional development strategy was based on the principle of polarisation and diffusion. **The polarisation-diffusion model** suggests investing in growth-leaders in order to increase their competitiveness on a global scale, in contrast to the compensation model which champions investments in underdeveloped areas in order to help the achieve convergence with the more-developed regions (Churski, 2014). According to the polarisation-diffusion model, rapid and efficient growth in the more developed regions should lead to spillover effects, disseminating growth to the surrounding, peripheral areas.

The adoption of the polarisation-diffusion principle is visible in the National Development Strategy for 2007-2015, which stated that while the regional development policy should support both the development leaders i.e. cities and lesser-developed rural areas, it should prioritize the "diffusion of growth from the large urban centres, which are the centres of growth for the surrounding areas, especially rural ones"[15] (Ministry of Regional Development, 2006). The National Development Strategy outlined also key development objectives that needed financial support from the Structural Funds and the Cohesion Fund: increasing the competitiveness and innovativeness of the economy, improving the state of basic infrastructure, increasing employment and its quality, building an integrated community, security system and cooperation rules, and fostering regional development and improving territorial cooperation (Sługocki, 2019). This document was the basis for the Community Support Framework for the 2007-2013 period.

The funds received in this period equalled to roughly 67.3 billion euros divided between four national operational programmes:

1. 'Infrastructure and Environment' – which was the biggest programme and used around 42% of the funds,
2. 'Innovative Economy',

[15] own translation

3. 'Development of Eastern Poland',
4. 'Technical Assistance',

Moreover, **16 Regional Operational Programmes** were introduced, which accounted for around 25% of funds (European Commission, 2019).

The new strategy offered regions **more autonomy** in governing the regional programmes. Instead of a single integrated regional programme, 16 regional programmes were created, which were governed **by voivods**, the regional State representatives (Bachtler and Mendez, 2021a). In this programming period the '**Development of Eastern Poland'** programme was first introduced. This initiative was meant to "inhibit stagnation trends, which cause marginalization and peripherality of Eastern Poland's voivodeships, and to stimulate growth factors in these [five] voivodeships"[16] (Ministry of Infrastructure and Development, 2014).

3.3.2. Period 2014-2020

After the 2008 economic crisis, the EU put forward the **"Europe 2020" Strategy**, outlining three mutually reinforcing priorities of smart, sustainable and inclusive growth, which were supposed to help it rebuilt itself after the crisis and become stronger than ever (European Commission, 2010). The cohesion policy funds were seen as a crucial part of implementing this new strategy. Moreover, this period saw a renewed focus on efficacy, which was to be achieved through a more rigid thematic concentration (Bachtler and Mendez, 2021a). Consequently, **11 thematic objectives** were introduced:

1. strengthening research, technological development and innovation;
2. enhancing access to, and use and quality of, information and communication technologies;
3. enhancing the competitiveness of SMEs,
4. supporting the shift towards a low-carbon economy;
5. promoting climate change adaptation, risk prevention and management;
6. preserving and protecting the environment and promoting resource efficiency;
7. promoting sustainable transport and improving network infrastructures;
8. promoting sustainable and quality employment and supporting labour mobility;
9. promoting social inclusion, combating poverty and any discrimination;
10. investing in education, training and lifelong learning;
11. improving the efficiency of public administration.

The objectives were horizontal in character, meaning that they were to be implemented across all regions (Klimowicz, 2014). In line with an emerging idea of a place-based approach, the cohesion policy funds were to be distributed more evenly, across less-developed, more-developed and the newly introduced 'transition' regions (Mendez, 2013). This new concept for the cohesion policy was centred around the ideas of **innovations and investments** (Klimowicz, 2014), shifting the focus from reducing development barriers in less developed regions to fostering potential opportunities of all individual territories (Słupińska, 2013). This turn also highlights the importance of pro-investment policies, as opposed to relying solely on development of basic infrastructure.

In Poland, this programming perspective was initially a continuation of the previous approach. A screening of the existing documents concerning regional development was conducted (Churski, 2023) and new all-encompassing strategies were drafted, most importantly, **the National Spatial Planning Concept – 2030**, adopted in 2011, and **the National Development Strategy 2020**, adopted in 2012 (Sługocki, 2019). Based on these documents, a Partnership Agreement with the EU was drafted, specifying the following priorities: promoting business environment and facilitating entrepreneurship and innovation, fostering social cohesion

[16] Own translation;

and active labour market participation, developing network infrastructure for growth and jobs, and increasing environment and resource efficiency (European Commission, 2014).

In the 2014-2020 perspective, Poland received 77,6 billion euros, which were divided between **six national operational programmes** (European Commission, 2014):

1. 'Infrastructure and Environment',
2. 'Smart Growth',
3. 'Knowledge, Education, Development',
4. 'Digital Poland',
5. 'Development of Eastern Poland'
6. 'Technical Assistance'

As in the previous perspective, 16 Regional Operational Programmes were also created. However, their importance increased even further, as this time they accounted for 40% of the funds (Wajda, 2022). When it came to the governance of these funds, **decentralisation** progressed even further, as they were now managed by **regional self-governments** (Bachtler and Mendez, 2021a).

An important shift in planning Polish regional development occurred in 2015, when the parliamentary elections resulted in a, first in 8 years, change of government. **The Law and Justice (PiS) party** came into power, combining right-wing conservatism with ideas of redistribution of wealth realised via direct payments[17]. Consequently, the polarisation-diffusion paradigm was superseded by **the priority of compensation**, driven by the party's declared pursuit of social justice.

In 2020, the new government decided to adopt new regulations, by overriding the National Spatial Planning Concept – 2030 with a **National Development Strategy 2050** (Churski, 2023). Yet, as for 2024, this strategy has not yet been adopted. The remaining development framework constituted of a Strategy for Responsible Development for the period up to 2020 (including the perspective up to 2030), adopted in 2017. Its provisions were elaborated on in a **National Strategy of Regional Development 2030 (NSRD)**, adopted in 2019 (Ministry of Development Funds and Regional Policy, 2019). The goals set out in this document included: adapting to climate change, counteracting the negative effects of demographic processes, developing and supporting human and social capital, increasing the productivity and innovativeness of regional economies as well as the effectiveness of development management and cooperation between local governments, developing infrastructure, and counteracting territorial disparities. Regardless of the NSRD, experts from the Polish Academy of Sciences pointed to a **lack of horizontal, long-term national strategy**, which is also needed for a cohesive planning of future investments (Duszyński, 2022).

3.3.3. Period 2021-2027

The 2021-2027 perspective brought once again significant changes to the implementation of cohesion policy funds. The key challenges for this period are the growing need for **a just, and fast transition to a green and digital society**, but also its relationship to **the Recovery and Resilience Facility (RRF)**, managing recovery from the 2020 COVID-19 pandemic, and the Just Transition Fund (JTF), meant to facilitate green transition in carbon-intensive regions (Bachtler and Mendez, 2021b). These instruments partially overlap territorially and thematically with the cohesion policy funds.

To ensure the realisation of EU's priorities, the 11 thematic objectives were repackaged into **5 policy objectives** (Bachtler and Mendez, 2021a):

[17] One notable example of this policy is the 'Family 500+' Programme, offering in its first edition a monthly payment of 500 PLN per child to all families.

1. a smarter Europe by promoting innovative and smart economic transformation;
2. a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management;
3. a more connected Europe by enhancing mobility and regional ICT connectivity;
4. a more social Europe implementing the European Pillar of Social Rights;
5. a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.

Another change, especially important for Poland's reception of the funds, is a further turn towards **a conditionality principle** of the funds, which was first introduced in the 2014-2020 perspective (Bachtler and Mendez, 2021a).

After the government change in 2015, some activities of the Polish government were assessed by the EU as breaching **the rule of law**, which was one of the reasons for new and controversial proposals from the EC **to increase conditionality of cohesion policy payments** (Bachtler and Mendez, 2021a). The suggestion, first raised in 2018, eventually resulted in signing of a 2020 regulation, allowing for suspension of funding to Member States if breaches of the rule of law affecting the financial management of the EU budget occurred (Baraggia and Bonelli, 2022). This new regulation was contested by Poland and Hungary, which requested its annulment before the Court of Justice of the European Union. While work towards signing the new Partnership Agreement for the years 2021-2027 continued, questions arose regarding Poland's eligibility to receive funds ("EU withholds all funds from Poland," 2023).

In this programming perspective, Poland is to receive 75,5 billion euros, divided between **8 national operational programmes** ("O Funduszach Europejskich 2021-2027," n.d.):
1. 'Infrastructure, Climate, Environment', which remains the biggest programme,[18]
2. 'Modern Economy'
3. 'Digital Development'
4. 'Social Development'
5. 'Technical Assistance for European Funds'
6. 'Fisheries'
7. 'Food Aid'
8. 'Development of Eastern Poland.'

16 Regional Operational Programmes are also continued, which, as in the previous perspective, comprise 40% of the total funds (Wajda, 2022). It is worth noting at this point that the nominal value of the cohesion policy funds has diminished in comparison to the 2014-2020 perspective (Wajda, 2022). However, if we consider additional funds that Poland will receive from the RRF and JTF, the total amount of funds can come to more than **100 billion euros**.

Under the Law and Justice (Prawo i Sprawiedliwość) governance, the funding from the RRF has been withheld according to the conditionality principle mentioned above. The year 2023, however, brought about another governmental change after the parliamentary elections in October 2023. **The new government** was formed by a coalition of three parties, formerly belonging to opposition: centrist Civic Coalition (Koalicja Obywatelska), centre-right Third Way (Trzecia Droga) and The Left (Lewica), led by the former president of the European Council, Donald Tusk. The government has set out restoring a good relationship with the EU as its primary goal, and ensuring that Poland receives the RRF funds has been deemed a priority (Ministry of Development Funds and Regional Policy, 2024). The first payment application was lodged by the

[18] Two programmes entitled 'Infrastructure and Environment' were the ones that received by far the most funds during the two previous programming periods. In the whole 2004-2021 period, the cohesion policy funds, including the regional funds, were spent primarily on infrastructure development in the areas of transportation, energy technology, social infrastructure and protection of the environment (Ministry of Development Funds and Regional Policy, 2023).

new Polish government in December 2023 and on February 29th 2024, the European Commission issued a positive recommendation for release of the funds. The first RRF funds payment (6.3 billion euros out of 34.5 billion allocated) have been transferred in April 2024.

3.4. Recommendations

This section will provide a series of suggestions based on Poland's experiences with EU membership, both before and after joining the Union. The recommendations will cover broad EU membership issues, as well as regional development specifically. The sections will discuss pre-accession preparations, reforms, standards and strategies, evidence-based policymaking, and political sensitivity.

Prior to joining the European Union, states undergo pre-accession arrangements to prepare for membership. By learning and utilising these arrangements, states can expedite the process of meeting necessary requirements. As such**, it is essential for each stage of the integration process to build upon previous relationships and agreements between the country and the EU**. These arrangements serve to prepare for full integration and union. Additionally, **pre-accession funds** can be used towards developing and implementing reforms and standards, further facilitating the process.

The key aspect of joining the EU in the Polish case was establishing **many reforms, especially in the administration**. In Poland, this coincided with the political transformation, which, by itself, was a period of many political, economic and social changes. This factor has supported many reforms that were necessary for joining the EU; however, **the rapid and numerous changes have not always been favourably welcomed by the public**. The introduction of necessary reforms and administrative restructuring is required prior to accession to ensure administrative and institutional capabilities. The administrative reforms in Poland allowed **decentralisation and better allocation and management of regional funds**. Decentralisation itself is important to facilitate the structure for including regional governments in decision-making when it comes to regional funds.

Many of the reforms can be established prior to joining to facilitate a smoother transition and avoid introducing too many changes at once. Joining the negotiations with established reforms that align with general EU laws, values, and recent programme focus can help in accession negotiations and also public support. Current **priorities in cohesion policy** include a place-based approach, small- and medium-business support, climate objectives, just transition, digital and transport connectivity infrastructure, and a skill-based economy. Associated policies also need to maintain a balance between allocating funds for infrastructure and innovation. **National policies** can be implemented in a way that would avoid the sense of the EU 'imposing' regulations on new Member States.

As with aspects more related to the regional policies, introducing similar **agricultural standards** to the current EU regulations prior to accession can also ease the transition and give the farmers more time for adjustment. Some farmer groups have expressed concern that the EU's new priorities are at odds with long-standing practices and that the implementation timeline is too short. **Knowing the EU regional policy priorities** is a solid foundation for the establishment of standards prior to accession. Moreover, **stakeholder consultations** can ensure better collaboration and inputs to align local standards and practices with EU regulations.

Finally, **the knowledge-based approach to reforms is essential**. While in Poland, the accession caused a lot of fear among the public due to projected unforeseen consequences, the post-accession experiences of the CEE countries show **very positive effects of joining the EU**. Effective public campaigning is necessary to establish a link between the evidence and the public support, with a clear and persuasive message highlighting the benefits of EU membership and drawing from current Member States' experiences. Additionally, promoting social inclusion and avoiding the marginalisation of vulnerable populations, who may be at risk of higher Euroscepticism, can facilitate equal access to the benefits of EU membership.

One of the main tasks for implementing EU standards is to **prepare a comprehensive national and regional development strategies**, which plans an allocation of central-level funds and regional funds and their management system to support EU funding schemes. Preparing long-term strategies that integrate EU funds with domestic strategies and programmes will ensure that the domestic and EU programmes are cohesive and complement each other. The national strategies' drafts may also be useful in the negotiations.

Much of the abovementioned policymaking requires an **evidence-based approach**. This includes assessing the current agricultural and regional situation for fair accession negotiations to balance protecting own interests with the alignment of EU priorities. **Identifying potential tensions** can help prepare for their mitigation and set up their own agenda for the negotiation phase. Moreover, the EU place-based approach requires **identifying regions that demand additional funding and maybe separate operational programmes**. In Poland, this has been closely related to the new administrative division of regions, and the identification of these regions resulted in a separate European Funds for Eastern Poland programme.

During the 2015-2023 Law and Order's government rule, the relationship between Poland and the EU was strained due to political disagreements over funding. To avoid any potential suspension of EU funds, it is advisable to **garner domestic support for consistent accession and development strategies that transcend political affiliations**. Such a move would guarantee that negotiation policies remain unchanged, even in the event of future government changes. Additionally, it is critical to **uphold EU standards** during the post-accession phase, irrespective of political interests.

This case study has described in detail the experiences of Poland since its accession procedure begun, up until the 2021-2027 financial programme. Drawing upon Poland's learnings, the above recommendations can aid candidate states in their accession process.

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4. The EU Regional Policy: experiences and recommendations from Slovakia

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Abstract

The chapter presents Slovakia's experience in programming and implementing EU cohesion policy. The main focus after depicting briefly the pre-accession period is on the membership experience. It is examined through the lens of cohesion policy's mission and objectives, governance and institutional architecture, partnership principle, and integrated territorial development as building attributes of EU cohesion policy. Evolution of programming and implementation of cohesion policy in Slovakia is closely aligned with the development at EU level. Thus Slovakia mirrors ups and downs of EU cohesion policy.

Key words*: Slovakia, the EU Regional policy, convergence, regions, the EU membership*

4.1. Introduction

The EU cohesion policy represents a powerful investment instrument with substantial financial resources. Its development is shaped by the reforms aligned closely with the EU's internal and external integration processes. There have been no easy times in the history of cohesion policy. The period between last two reforms of 2013 and 2021 however denotes particularly turbulent times. The financial and economic crises from more than a decade ago followed by immigration tides, Euroscepticism peaking in the Brexit, and most recently the Covid-19 pandemic along with Russian aggression against Ukraine, crucially affected a political, economic, and social development in the EU. Cohesion reforms and initiatives address these challenges raising anticipations while also exposing its own shortcomings thus providing invaluable lessons learnt. These developments are equally mirroring in Slovakia's EU membership experience with programming and implementation of the cohesion policy. The aim of the chapter is to provide thorough information on the experience of the Slovak Republic with the EU regional policy or as expressed in the contemporary vocabulary, the EU cohesion policy, in order to offer the targeted policy recommendations for the candidate countries. The chapter unfolds with the pre- accession period followed by the membership experience. The latter closely examines following attributes relevant for characterizing the development path of EU cohesion policy and its programming and implementation in Slovakia:

- mission and objectives,
- governance and institutional architecture,
- partnership principle,
- contribution to territorial development through integrated instruments.

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Unfolding development trajectories of these attributes sets the ground for providing informed policy recommendations in the next chapter.

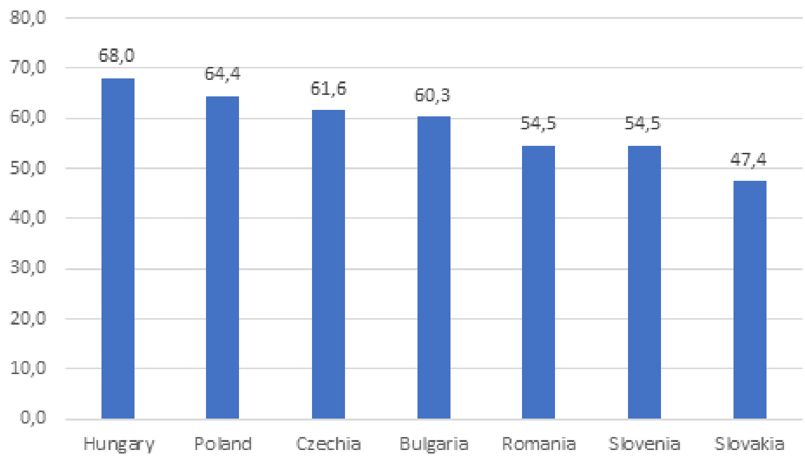
4.2. Pre-accession period

Along with the rest of the of the EU candidate countries (Czechia, Poland, Hungary, Slovenia, Romania, and Bulgaria), Slovakia could enjoy EU funding as a way to prepare for the future EU membership. In this way, candidate countries could benefit from the opportunity of implementing these EU pre-accession financial instruments:

- Poland and Hungary: Assistance for Restructuring their Economies (PHARE) – initially designed to assist the two countries in the title, assistance programme eventually covered also the remaining countries listed above which joined the EU in the two waves of 2004 and 2007. Programme pursued primarily the two objectives (Council Regulation, 1989):
  - helping the administrations of the candidate countries to acquire the capacity to implement the Community acquis. PHARE also helps the national and regional administrations, as well as regulatory and supervisory bodies, in the candidate countries to familiarise themselves with Community objectives and procedures;
  - helping the candidate countries to bring their industries and basic infrastructure up to Community standards by mobilising the investment required, particularly in areas where Community rules are increasingly demanding: environment, transport, industry, product quality, working conditions etc.

Implementing the EU financial instruments tested candidate countries' capacity to absorb grants. Slovakia ended at the bottom as Figure 1 shows.

Figure 8. PHARE absorption in the candidate countries



Source: *Own calculations based on Benč a Brzica, 2004.*

There are different reasons for **rather poorer performance** relative to the rest of the candidate countries, namely (Benč a Brzica, 2004):

- the complexity of the overall process of obtaining pre-accession assistance and the unpreparedness of the institutions
- weak synergies between the individual sectoral coordinators
- low awareness and insufficient knowledge of programming, project submission and project writing
- low transparency of the process (which led to the temporary suspension of payments and tenders for projects in 2001)
- last-minute contracting and postponement of project implementation

- unsettled land ownership relations, unissued land-use and building permits
- lack of project documentation, insufficient co-financing
- monitoring and evaluation system incomplete.

The list above reveals Slovakia's maladies in implementing funds as an EU member. Some of them have already improved, such as monitoring, partial evaluation, and policy preparedness. Similarly, growing experience has helped to build programming and implementation knowledge.

4.3. Experience with the membership

As explained in the Introduction to this chapter, EU cohesion policy and its programming and implementation in Slovakia as EU member are examined following these policy's attributes:

- mission and objectives,
- governance and institutional architecture,
- partnership principle, and
- integrated territorial development.

4.3.1. Mission and objectives

The EU cohesion policy traditionally represents approximately a third of the EU budget underlying its investment significance and being a driver of pursuing EU level objectives. As an engine of the EU integration, it affects both of its avenues, internal and external. In case of the former, candidate countries perceive the EU as a realm of welfare through investment opportunities offered by cohesion policy. This incentivises candidate countries to meet economic, social and political accession requirements. Such circumstances are well-known to most of the Balkan candidate countries. In internal integration, cohesion policy propels dynamics of building EU's institutional and governance architecture. The process initiated by establishing **the Single European Market** (SEM) which gave birth also to **cohesion policy in 1988**. It marked the transformation of rather marginal redistributive regional policy into the full-fledged development policy with substantial budgetary coverage. Policy was from its inception defined by fundamental principles of concentration of resources, programming, additionality (priority of national resources over EU budget), and partnership. Evolution of cohesion policy thus reflects EU developments (Baun and Marek, 2014: 7).

Being closely aligned with the EU's institutional and political development, cohesion policy introduced a great variety of reforms as part of preparing for each of the seven-year programming periods. Therefore, cohesion policy has undergone more radical changes than any other EU policy (Manzella and Mendez, 2009: 20). This is true since its beginnings in 1988. SEM was on one hand an opportunity for economic frontrunners to increase their wealth. On the other, SEM denoted a challenge of widening development gaps between frontrunners and then economically underdeveloped newcomers of Greece, Spain, and Portugal counterbalanced by initiating cohesion policy promoting economic and social cohesion through reducing regional disparities (Single European Act, 1987: art. 130).

In the following almost twenty years, the EU cohesion policy introduced a large number of its programming, implementation and controlling innovations while ensuring **the subsidiarity principle** (national and subnational policymaking, gets priority in areas outside the EU authority) (Brunazzo, 2016). To name but few of the most essential such as setting up program authorities e. g. managing authority and single programming documents, the decommitment rule (offering an extra period for funds absorption beyond the seven-year framework). For more on cohesion reforms see Brunazzo, 2016, Manzella and Mendez, 2009. Over the years, Cohesion policy gradually transformed into a key driver of pursuing the long-term EU development goals directly aligned with key EU development strategies. The trend reinforced with the Lisbon strategy of 2000 and later with Europe 2020 (for more details see Jašurek a Šipikal, 2021; Jašurek 2021b). Thus, evolution of cohesion policy markedly exceeds the original mission of pursuing regional development transforming also policy's operational mechanisms.

The 2006 cohesion package introduced the selection of the EU level shared objectives implemented by means of national strategies approved by the Commission along with the earmarking (requirement on a fixed percentage pre-allocated on selected thematic objectives). The reform introduced three objectives (European Union, 2006):

1. **the Convergence objective** aimed at improving economic and social performance of less developed regions and member states,
2. **the Regional competitiveness and employment objective** aimed among others at improving investments in human capital, innovation, as well as knowledge society, entrepreneurship, the protection and improvement of the environment,
3. **the European territorial cooperation objective** aimed at improving cross-border cooperation.

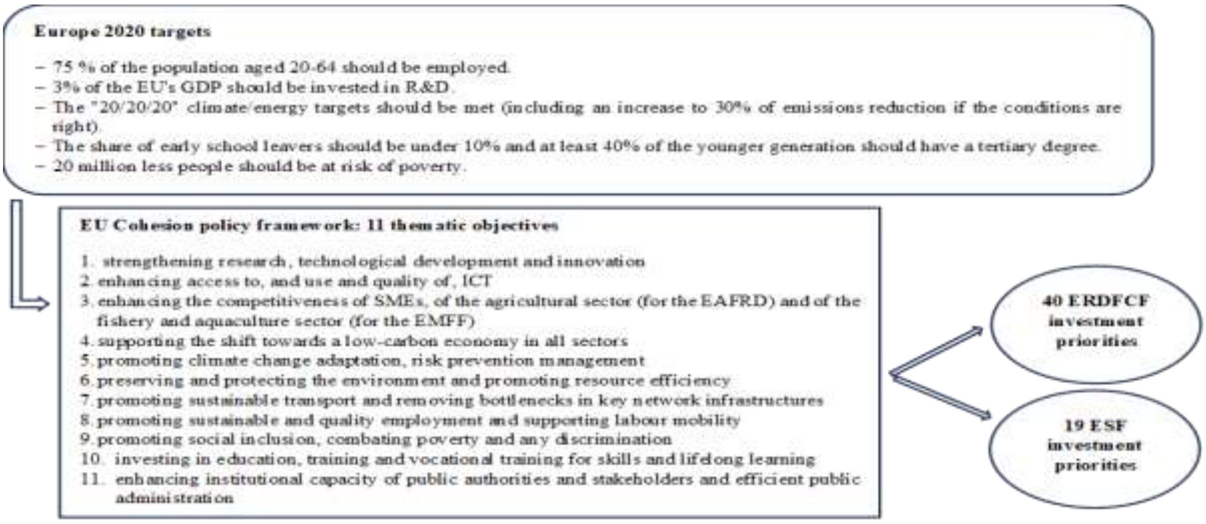
Commission also issued the Community Strategic Guideline for Cohesion to ensure that the Lisbon's strategic objectives would be properly translated into the cohesion policy's mission through earmarking. Specifically, 30% of the cohesion envelope was dedicated to environmental infrastructure and combating climate change, 25% on research and innovation. However, there were no EU-level enforced deadlines and targets (Mendez, 2011:523). As a result, shortcomings in the thematic focus and earmarking led to freestyle prioritization of the implementation objectives. Commission eventually admitted that the outcome was rather 'a shopping list of actions' (Mendez, 2011).

Inability to meet the Lisbon objectives corresponded with ambiguous performance in meeting the cohesion goals. As a result, the thematic focus post 2013 in cohesion policy demanded a stronger alignment and better articulation of development needs at European level. **Barca Report** (2009) addressed key shortcomings of the 2007-2013 implementation such as inadequate strategic focus, lacking clear-cut policy objectives, strategic planning and a mandatory implementation mandate. Barca Report signalled then the major cohesion reform transforming cohesion policy as an instrument to achieve economic and social cohesion through reducing regional inequalities to the major joint EU investment vehicle aimed at addressing major strategic EU economic priorities (Baun and Marek, 2014: 69). Additionally, preparations for the 2014-2020 programming period were marked by the global financial and economic crisis. It exposed the weaknesses of the EU economic model suffering of absence of measures against anticyclical shocks. Lacking liquidity was partially resolved by the cohesion envelope providing a necessary financial dose against flames of the crisis. Importantly, the Lisbon Treaty came into force in December 2009 introducing the European Parliament as co-legislator. Parliament's new powers were tested in negotiating cohesion governance as mentioned in the next section.

The EU was missing a common tangible development vision shared across the entire EU as the Lisbon strategy has not met this expectation. Europe 2020 strategy was meant to show the promised development path. It presented the five development policy areas (employment, education, research and development, climate change and energy and poverty and social inclusion) with the measurable quantitative targets (European Commission, 2010:3). EU level strategy's targets required a proper translation into legislation to meet these objectives. The policy architecture was thus characterized as top-down articulation of the thematic focus with the five **Europe 2020** policy umbrella targets translated into **the 11 thematic cohesion objectives** then detailed into investment priorities under individual cohesion policy funds. Complexity of the policy architecture further increased with earmarking particularly when compared to the 2006 package. In the European Regional and Development Fund (ERDF), the two-tier earmarking was introduced. The first tier required a specific allocation percentage to be reserved for the selected thematic objectives. The second tier then pinpointed one of those selected thematic objectives for extra allocation. The European social fund's (ESF) earmarking was less complex with the first-tier earmarking set up also here. The cohesion objectives were mutually loosely linked to promote mutual synergies. For instance, investments into ecological investments aimed to contribute to combating climate change generating new trade and employment opportunities or progress in education shall contribute to decreasing poverty (Jašurek, 2013:5). Cohesion Fund (CF) remained unchanged.

Furthermore, to avoid member states' freestyle selection from 'shopping lists' as in the previous programming period, the Commission introduced '**position document'** addressed individually to every member state identifying its national priorities. This way, the Commission aimed to secure the Europe 2020 targets and their recognition in programming was further safeguarded during the bilateral bargaining between member states and the Commission. Therefore, the document could be regarded as a managerial tool for the Commission for setting the tone of bargaining towards mainstreaming the Europe 2020 headline targets through the 11 thematic objectives broken down to the corresponding investment priorities under the ERDF/CF and ESF**.** Figure 10 depicts the EU-orchestrated policy architecture during the programming period 2014-2020.

Figure 9. Top-down policy architecture 2014-2020



Source: Own elaboration

Already prior the Covid-19 pandemic following the post financial crisis period, the EU underwent turbulent times notably the Euro and immigration crises along with the rise of Euroscepticism peaking in Brexit. They formed the narrative of EU development as expressed in the Commission's White Paper on **the Future of Europe** outlining the five development scenarios for the EU-27 by 2025 (European Commission, 2017a). Its message for cohesion policy was quite gloomy doubting the delivery capacity in regional development under the EU level coordination (European Commission, 2017a: 22). On the other hand, **DG REGIO's Seventh Cohesion Report** (European Commission, 2017b) demonstrated continuously growing GDP per capita reflected in decreasing regional disparities and unemployment rate. Admittedly, disparities between the capitals and peripheral regions remained virtually unchanged. Furthermore, the Seventh Cohesion Report put forward that the policy's mission would align with the Paris Agreement on climate change and the UN Sustainable Development Goals for 2030 (European Commission, 2017b: XXV) as the new EU level strategic umbrella frameworks (alike to the Europe 2020 strategy).

The 2018 reform (European Commission, 2018) narrowed the thematic focus from the 11 thematic objectives down to the five condensed currently labelled as policy objectives (European

Commission, 2018) broken down to equally more condensed specific objectives under the ERDF/CF and ESF. The Commission's position document was substituted by the more acceptable and well-established **the Commission's annual Country reports** directly linked to the Council's country specific recommendations. The 2019 country reports offered the first ever assessment of cohesion policy. Thus, the Commission entered bargaining over the upcoming post 2020 programming period with increased legitimacy due to linking its bargaining position to **the European Semester**. Additionally, bringing more flexibility into programming and policy planning, the Reform make elaboration of the Partnership Agreement voluntary, a step welcomed particularly by the members states with smaller national envelope and fewer implementation programmes such as the Baltic states.

While the EU was already focusing on preparing programming period **2021-2027** including bargaining the seven-year budget, it had to face the sudden overwhelming challenge of the COVID-19 pandemic. Similarly to the economic and financial crisis from a decade ago, the EU had to bear with insufficient liquidity. Again, cohesion financial resources acted as the last resort for the entire EU. Consequently, the Commission introduced a new crisis legislative measure called the Coronavirus Response Investment Initiative reshuffling the 2014-2020 cohesion mission ad existing priorities. In two phases, the Commission introduced for example these measures (European Union, 2020a; 2020b):

- to strengthen liquidity, member states could get 8 bn. EUR under pre-financing,
- ERDF research and innovations investment priority dedicated also to public health investments related to combat against the pandemic,
- extended eligibility period,
- working capital for small and medium enterprises,
- supporting employment through short-term labour contracts,
- temporary EU 100% co-financing (otherwise EU grants denotes 85% on overall investments),
- de-facto abolishing of earmarking,
- financial support also to large enterprises.

Breadth and depth of the Covid-19 pandemic also impacted the ongoing preparations of the post 2020 period. In the search for crisis management with long-term development needs adequately resourced, the EU introduced the robust initiative **the Next Generation EU (NEXTGEN)** with 750 bn. EUR allocated for the period of 2021- 2023 as part of the 2021-2027 EU budget. It included among others notably the Recovery and Resilience Facility (RRF) consisting of grants and loans. For the NEXTGEN architecture and its comparison with the EU budget see Table 6.

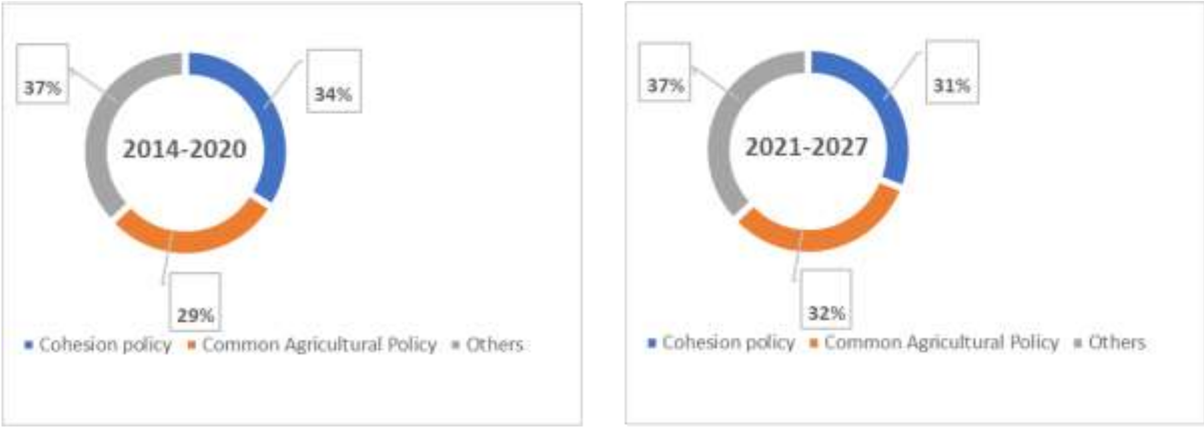
Table 6. EU budget and Next Generation allocations

EU Budget		**Next Generation EU**		
1 074.3		750	390 (grants)	
			360 (loans)	
Cohesion policy (ERDF/KF, ESF+)	330.235	Recovery and Resilience Facility	Cohesion policy (ERDF/KF, ESF+) Recovery and Resilience Facility	330.235
Recovery and Resilience Facility	767			767
		React-EU	47.5	
76.400		Horizon Europe	5	
2.800		Program InvestEU	5.6	
77.850		Rural development	7.5	
7.500		Just Transition Fund	10	
1.106		Capacity rescEU	1.9	
		TOTAL	750 bn. EUR	

Source: Jašurek a Šipikal, 2021

As shows Table 6, cohesion policy is not the major EU budgetary chapter as of 2021 though maintaining its third share. It is clear also from the Figure 3 comparing EU budget in the two programming periods, 2014-2020 and 2021-2027. This is particularly important having in mind its mission is shared with the RRF. Importantly, as the EU budget rules out deficit, NEXTGEN's share borrowed on markets had to be guaranteed by introducing new EU level own budgetary resources or by revenues from the EU Emissions Trading Scheme. This is even more important in the light of implementation. Even if money is not spent, the borrowings on the market must be paid. This further increases pressures on efficient implementation.

Figure 10. Comparing EU budget in the two programming periods, 2014-20 and 2021-27



Source: Own elaboration based on the European Commission's data

Major responsibility for implementing the NEXTGEN lies with the RRF allocating 672, 5 bn. EUR. Combing grants and loans. It aims at promoting reform endeavours to mitigate shocks from the pandemic crisis while increasing member states' future readiness and resilience to unforeseen crises and to green and digital transformation. This way, the RRF addresses the existing gap as 'currently, no instrument foresees direct financial support linked to the achievement of results and to the implementation of reforms and public investments of the Member States in response to challenges identified in the context of the European Semester (European Union, 2021: preamble 17). Specifically, the RRF promotes **six pillars of future EU's economic and social resilience and growth**:

1. green transition,
2. digital transformation,
3. smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs,
4. social and territorial cohesion,
5. health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity,
6. policies for the next generation, children and the youth, such as education and skills.

The RRF's implementation shall be accomplished until August 2026, while absorption is possible until the end of 2025. Another noteworthy channel under the NEXTGEN is **REACT-EU** with 55bn. EUR which feeds in additional resources into both programming periods, 2014-2020 and 2021-2027 notably under the ERDF and the ESF. It serves as a crisis response mechanism offering the option of **100% co-financing from the EU** and following the example of both Coronavirus Response Investment Initiatives. The aim is to 'support job maintenance, including through short-time work schemes and support for the self-employed…support job creation and youth employment measures, to health care systems and the provision of working capital and investment support for small and medium-sized enterprises' (European Commission, 2020: 1).

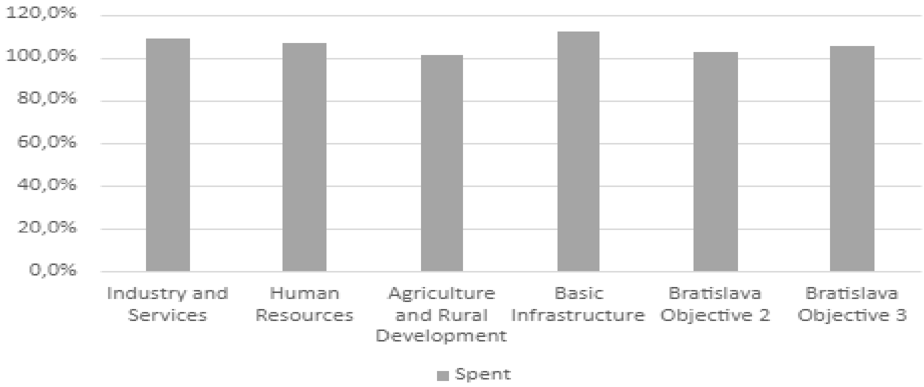
Beyond the Covis-19 pandemic, EU had to respond also to **the Russia's aggression against Ukraine**. Specifically, cohesion policy 2014-2020 and 2021-2027 regulatory frameworks included three major legislative amendments:

a) **Cohesion's Action for Refugees in Europe** (CARE) enabling emergency support to Ukrainians fleeing from Russia's invasion of Ukraine.
b) **Flexible Assistance to Territories'** ('FAST-CARE') providing additional support for integration of displaced people.
c) **Supporting Affordable Energy** (SAFE) as part of the RRF's Repower initiative tackling energy sector, allows the use of the unspent 2014-2020 allocation towards supporting vulnerable households and small and medium-sized businesses facing increased energy costs. It allowed for 100 EU co-financing while reserving aside at maximum 10% of the 2014-2020 national envelopes.

These regulatory measures were an outcome of orchestrated member states' initiatives towards the European Commission to initiate changes in regulatory frameworks adapting to the newly emerging circumstances resulting from the Russia's war against Ukraine.

During 2004-2006, the first membership though very short programming period, Slovakia had **the best absorption**. As Figure 4 shows, none of the operational programmes performed below 100%. Slovakia implemented ERDF, ESF along with European Agricultural Fund for Rural Development (EAFRD).

Figure 11. Absorption rate 2004-2006



Source: Ministry of Finance of the SR;

In Slovakia, the programming period 2007-2013 was the first full implementation period. Figure 13 depicts the list of the operational programmes.

It can be concluded with confidence that **implementation during the 2007-2013 'had a statistically significant and positive impact on the Slovak economy'** (Slovak Republic 2015: 99) notably in mitigating negative consequences of the financial and economic crisis. Thus, cohesion investments from ERDF, CF and ESF generated the additional cumulative GDP growth at 5.6 % in 2014, and in 2015 at 8.3 % while during the 2007-2015 period these investments cumulatively accounted approximately for 30 % of GDP (Slovak Republic 2015: 99-100). This resulted in convergence of Slovakia's region towards the EU average.

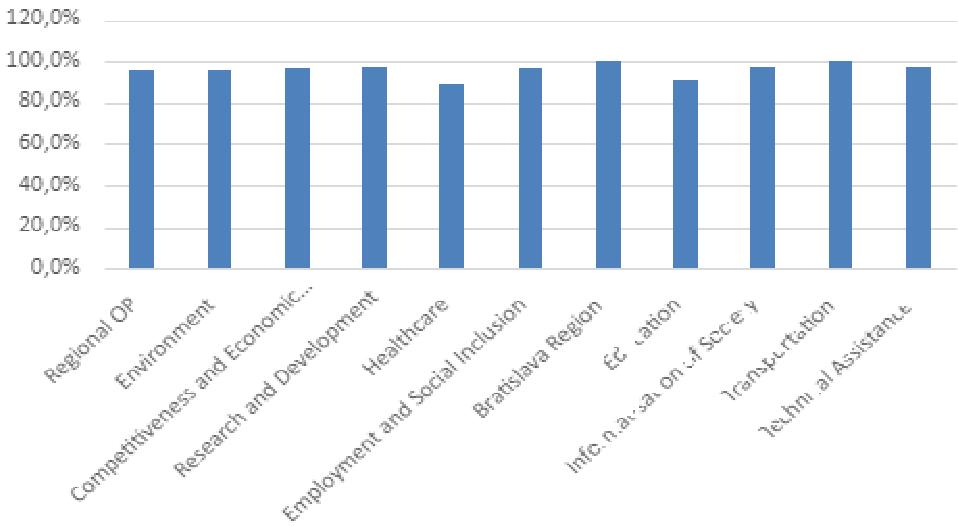
Table 7. Operational programmes and allocations

Financial allocations 2007 – 2013 to operational programs (ESF and CF) in EUR in current prices		
NSRF – National strategic reference framework		**ES Contribution**
Operational program	**Fund**	**(EUR, current prices)**
Regional OP	ERDF	1 445 000 000
OP Environment	ERDF+CF	1 800 000 000
	ERDF	230 756 935
	CF	1 569 243 065
OP Transportation	ERDF+CF	3 206 904 595
	ERDF	877 409 097
	CF	2 329 495 498
OP Informatisation of Society	ERDF	993 095 405
OP Research and development including transfer to research and development)	ERDF	1 209 415 373
OP Competitiveness and economic growth	ERDF	772 000 000
OP Healthcare	ERDF	250 000 000
OP Technical assistance	ERDF	97 601 421
OP Bratislava region	ERDF	87 000 000
ESF		
OP Employment and social inclusion	ESF	881 801 578
OP Education	ESF	617 801 578
All the NSRF funds 2007 - 2013 together		**11 360 619 950**
Total ERDF		**5 962 278 231**
Total CF		**3 898 738 563**
Total ESF		**1 499 603 156**
EAFRD (European Agricultural Fund for Rural Development)		**1 969 418 078**
EFF (European Fisheries Fund)		**13 688 528**

Source: https://nsrr.sk/en/narodny-strategicky-referencny-ramec-2007-2013/

Equally positive at V4 level, cohesion policy contributed to growth measured by the GDP almost by **6%** up until the end of 2015 while allowing to benefit also the companies either located or owned by capital groups from Western Europe referred as EU-15.

Figure 12. Absorption in the programming period 2007-2013



Source: own elaboration;

Thus, direct export benefits to EU-15 during the period of 2007-2015 amounted to 11.7 bn EUR translating to 12% of total economic benefits from contracts awarded to EU-15-based companies and direct capital benefits reached 8.0 bn EUR translating to 8% of total economic benefits on the basis of contracts awarded to local V4 companies held by EU-15-based capital groups (Polish Ministry of Economic Development, 2016).

As depicted in Figure 14, **average funds absorption was above 95%**, the best absorption exceeding 100% as was the case of the OP Bratislava Region while the lowest was in case of the OP Research and Development (overall absorption rate was even lower when including technical assistance). As shown in Table 8 exemplifying both OPs, the lowest absorption under the OP Research and Development concerned, alarmingly enough, investments under the priority axes dedicated to promoting research and development as well as infrastructure for universities while in the OP Bratislava Region both priority axes performed well above 100%. Interestingly enough, the OP Bratislava Region excelled in the top agenda of knowledge economy which is otherwise a very wobbling agenda at national level.

Table 8. Absorption in the OP Research& Development and the OP Bratislava Region

OP Research & Development	**Absorption 2007 - 2013**		**Allocations 2007 - 2013**		**Structural funds share on absorption**	
	EU source	**State budget**	**EU source**	**State budget**	**EU source**	**State budget**
Priority axis 1 Infrastructure for research and development	149 423 783	24 593 915	146 528 354	25 857 945	101.98%	9511%
Priority axis 2 Promoting research and development	507 512 070	71 565 896	483 916 780	85 397 079	104.88%	83.80%
Priority axis 3 Infrastructure for research and development in the Bratislava region	42 248 562	7 455 629	40 558 010	7 157 296	104.17%	104.17%
Priority axis 4 Promoting research and development in the Bratislava region	273 487 797	41 713 924	275 408 014	48 601 415	99.30%	85.83%
Priority axis 5 Infrastructure for universities	213 425 720	26 406 584	230 350 000	40 650 000	92.65%	64.96%
Total						**86.77**
OP Bratislava Region	**Absorption 2007 – 2013**		**Allocations 2007 - 2013**		**Structural funds share on absorption**	
	EU source	**State budget**	**EU source**	**State budget**	**EU source**	**State budget**
Priority axis 1 Infrastructure	55 525 708	7 567 761	56 100 038	6 698 327	98.98%	112.98%
Priority axis 2 Knowledge economy	35 714 172	6 018 092	35 627 569	5 797 903	100.24%	103.80%
Priority axis 3 Technical assistance	3 287 758	543 108	3 480 000	597 82	94.48%	90.88%
Total	**94 527 639.92**	**14 128 962.88**	**95 207 607.00**	**13 093 812.0**	**99.29%**	**107.91%**

Source: Ministry of Finance of the SR;

Differences in funds absorption also showed different level of preparedness for implementation. Simply, policy planning in some areas revealed lacking prioritisation and diversity of investments without synergies to other funding instruments. Thus, some investments appeared rather random without building a coherent system of systematic advancements towards economic growth. Thus for example, OP Research and Development was also subject to reallocations directed to enforce other OPs. Such step faced the opposition of the science community which pointed at the alarming state of national-sponsored science in Slovakia. On one hand, underfinanced science urgently needed backing from EU sources. On the other hand, distribution of these sources for science lacked thorough planning. Newly equipped research facilities financed from EU sources faced inadequately trained staff whose financing was stopped from national grants. (Slovak Academy of Sciences, 2011; Euractive 2011). Lacking policy prioritisation and coordination was not a challenge solely for Slovakia. As depicted earlier in this section, it was symptomatic for the EU level design of the programming period 2007-2013.

As already depicted, **the 2014-2020 mission and objectives** were built on the top-down logic where the strategy Europe 2020 sets the targets translated into the cohesion reform and member states aim to properly align their priorities with the EU level. The Commission orchestrates bilateral bargaining between the EU and member states by means of position documents. Such is also the case of Slovakia. The Commission's position document identified **5 key priorities** for funding (European Commission, 2012):

1. Innovation-friendly business environment
2. Infrastructure for economic growth and jobs
3. Human capital growth and improved labour market participation
4. Sustainable and efficient use of natural resources
5. A modern and professional administration

Commission links the position document to the support of implementing **Country Specific Recommendations** as well as to the need for strong prioritisation and results moving away from a culture of entitlement (European Commission, 2012: 3). However, the Commission's initiative was rather entrepreneurial. First, the position document was ungrounded in existing **interinstitutional procedures** thus lacking legitimacy. Secondly, Commission's views were subjective and individualistic as the document was **not prepared** in cooperation with stakeholders. Nevertheless, it provided the Commission with enough leverage to set the tone of bargaining and minimise discretionary behaviour of national authorities already in negotiations.

Additionally, the Commission openly articulates also **negative priorities**, areas of intervention where the Commission recognizes national preferences, yet they do not see them viable for EU financing or only after specific justification. These areas are general education infrastructure, health infrastructure, local roads and public lighting systems, and commercial tourism facilities. On one hand the Commission regards these areas as unproductive investments on the other hand, they represent a major part of the thematic focus of the Regional Operational Programme (IROP). Eventually, the Commission conceded in return for introducing integrated territorial investments in the future regional operational programme.

The new approach is also reflected in the new title of the only territorially grounded OP – **Integrated Regional Operational Programme**. Table 8 presents the overall programming architecture. Slovakia has not however fully employed opportunities to pursue integrated territorial development during 2014-2020. First of all, the IROP denotes top-down approach to implementation. Selection of objectives, monitoring and evaluation are fully under control of the state-level Managing Authority. Subnational policy choices are subject to approval of the national level.

Table 9. Programming period 2014-2020

Operational Programme	Allocation
Integrated infrastructure	3 966 645 373 €
Human Resources	2 204 983 517 €
Research and Innovations	2 266 776 537 €
Quality of Environment	3 137 900 110 €
Integrated Regional Operational Programme	1 754 490 415 €
Effective Public Administration	278 449 284 €
Technical Assistance	159 071 912 €
Total	**13 768 317 148 €**

Source: https://www.partnerskadohoda.gov.sk/operacne-programy/

Ex-ante assessment suggested that cohesion investments had potential to generate additional GDP and jobs while sustainability of potential achievements were subjected to balanced implementation over time. Additionally, assessment showed that it would be necessary to tackle unevenly distributed allocations across regions which would significantly put economically stronger regions such as Trnava at a disadvantage (Radvanský et al., 2016). However, implementation of **the 2014-2020 programming period** was far from being balanced over time and it produced mixed results in meeting the objectives. On one hand, strengthening analytical capacities in the public administration under **the OP Effective Public Administration** contributed to continuous improvement towards informed data-driven policymaking. On the other hand, the recognized relevance of innovations and digitalisation for the national economy has not brought substantial results and our international ranking continues to drop. In the EU's **DESI Index** Slovakia maintains to score significantly below the EU average (European Commission, 2022). Unsurprisingly, the de-commitment rule has become a painful issue showing funds absorption notably in the flagship agendas crucial for economic growth such as research and innovation and digitalisation on average below 74%. In the final implementation stage in September overall funds absorption was below 74%, perfectly mirroring the lacking absorption capacity in the flagship agendas. Admittedly, within remaining 3 months Slovakia speeded absorption to achieve **90.42%** (Slovak Republic, 2024). The remaining unspent commitments still demonstrate Slovakia's struggling with meeting national cohesion objectives. On the other hand, an exceptionally increased resulted in mitigating insufficient absorption capacity show an important supervisory role of the Central Coordination Body whose involvement already back in 2018, 2018, 2019 prevented in more substantial financial loses (Radvanský et al., 2022).

Additionally, Slovakia implemented **the REACT-EU** in the 4 OPs under the programming period 2014-2020 (Human Resources, Effective Public Administration, Food and Basic Material Ai, and Integrated Regional Operational Programme). The main objectives are:

- increasing the availability of distance education
- expanding the capacities of primary schools in the Bratislava region
- increasing the quality of vocational education in the Banská Bystrica region
- continuation of the successful project of local civil order services.

Table 10 shows distribution of cohesion allocations and absorption which is rather average. The REACT-EU targeted notably (Slovak Republic, 2023c: 25-26):

- maintaining and creating jobs,
- guaranteeing social services to citizens including field work and community care,
- increasing the resilience of the healthcare system
- financing green activities (cycling routes, green infrastructure) as well as insulating apartment buildings,
- increasing the capacity of primary schools along with the quality of vocational education.
- Financing emergency services of paramedics, policemen, or firefighters.

Table 10. REACT-EU allocations under cohesion OPs

Human Resources	383.29	67%
Effective Public Administration	103.18	90.3%
Integrated Regional OP	235.78	66.4%
Total	**772.25**	**74.2%**
Human Resources	383.29	67%

Source: Ministry of Investments, Regional Development and Informatization of the SR

The other crisis response instrument of **the FAST-CARE** also showed rather average performance as depicted in Table 11. The instrument supported investments such as (Slovak Republic, 2023c: 25-26):

- financing the expenses of cities and municipalities related to the initial reception of refugees,
- reimbursement/financing of the state administration's expenditures related to aiding refugees,

- supporting activities aimed at the integration of refugees into the labour market and providing them with social services,
- supporting employees of the Ministry of the Interior of the SR deployed on the front line mitigating negative effects of the migration crisis.
- providing a digital contribution for Ukrainian pupils aimed to purchase IT equipment.

Table 11. FAST-CARE allocations, under cohesion OPs

OP	Allocation (in mil. EUR)	Absorption rate
Human Resources	66.55	21.33%
Integrated Infrastructure	30	70.16%
Integrated Regional OP	244.01	99.26%
Total	**340.56**	**63.58%**

Source: Ministry of Investments, Regional Development and Informatization of the SR

The second instrument containing the negative impacts of the war in Ukraine, **the SAFE initiative** related to securing affordable energy prices for households. Quite thorough policy planning is behind implementing the SAFE initiative. It is embodied in the Government approved document envisioning measures, methodology including conceptualisation of vulnerable households, allocations, and timetable for implementation. (Slovak Republic, 2022d). In total, Slovakia reserved 1 055 887 576 from the 2014-2020 envelope. There are limited information on the state of implementation as the final account reports shall be submitted until 15 February 2026 (Slovak Republic, 2023c: 33).

With traditionally slower take-up of implementation in the ongoing programming period 2021-2027, it is difficult to assess cohesion policy's impacts on economic growth. Estimations however show that cohesion investments will have rather negligible impacts on intra-country disparities across the V4 region due to structural differences among economies (Mogila et al., 2022).

In summary, the cohesion mission and objectives evolved into **strongly centralized top-down policy approach**. The 2006 'lisbonizing' reform already introduced central EU level strategy while leaving much room for member states' discretion in interpreting the Lisbon Strategy in the national contexts. The 2013 reform made the linkage to the strategy Europe 2020 even more EU level orchestrated through the stringent thematic focus and Commission's position papers navigating bargaining over translating EU level priorities into national contexts. This trend continuous also as of 2021 strengthened with introduction of the RRF and the entire framework of the NextGen. At national level, Slovakia has experienced rather **mixed results in absorption rate** which became symptomatic already in the pre-accession period. Many of the programming and implementation maladies reflect alike trends at the EU level. This translated into insufficient performance in meeting crucial national priorities such as research and innovations or digital economy. On the other hand, Slovakia has been continuously improving **policy planning**, **monitoring and quality of bilateral negotiations** with the European Commission.

4.3.2. Governance and institutional architecture

Traditionally owing the share of the third of the common EU budget along with a direct policy link to the major EU strategies namely Lisbon strategy, Europe 2020, and currently UN Sustainable Development Goals for 2030 are two essential features for building governance and institutional architecture. This positioning shows an increasing importance of tackling properly governance. In our context, building **the EU cohesion governance** practically means collective mechanisms to frame policy making through collective decisions and actions (Majone, 2001) seeking to determine the right directions in fostering economic and political integration (Peterson and Pierre, 2009: 91). Such understanding of governance stems from the idea of the EU as a new and emerging system of 'governance without government' (Pollack, 2005: 380). Moreover, governance in EU cohesion policy has been a field for testing different EU reforms and governance modes.

After experimenting with the open method of coordination in the 2006 reform providing member states with significant leverage and discretion over programming and implementation, EU cohesion policy shifted towards hard modes of governance. This particularly represented an inclination towards legal regulation through treaties or legal acts emphasising uniformity of treatment, difficulties to change it or raising demands for fixed conditions (Trubek et al., 2005). A regulatory approach determines also coordination a division of responsibilities as is the example of **shared management of the EU funds** as of 2014 splitting responsibility between the European Commission handling control and member states being in charge of implementation.

Major testing of finding a suitable governance mode for the EU cohesion policy begun with the process called '**Lisbonisation**' (Mendez, 2011), aligning cohesion policy with the Lisbon agenda. Lisbon strategy aimed at making the EU 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion' (European Council, 2000). Provided with enough operational flexibility in programming and implementation, member states were seen as key enablers in meeting the Lisbon objectives. The 2006 cohesion reform brought then the major innovations namely the thematic focus determined at EU level along with earmarking (requirement on a fixed percentage pre-allocated on selected thematic objectives) and political ownership of implementation exercised through reporting to the Council of Ministers. Additionally, the 2006 reform introduced also **audit authority** (Manzella and Mendez, 2009: 20) as a distinguished national control body. Open method of coordination as a soft mode of governance however typically lacks features such as obligation, uniformity, justifiability, sanctions, and/or an enforcement staff (Trubek et al., 2005). These general governance limitations showed to reveal major shortcomings in the 2006 reform of governance due to **loose EU level coordination, insufficient policy planning and absence of control mechanisms**. On top of that, member states' ownership over implementation manifested in their excessive discretion due to e.g. voluntary nature of Commission's indicators. Unsurprisingly, its governance was perceived back then as the major drawback to meet cohesion policy's objectives (Radulova, 2007, Mendez, 2011; Telle, 2017). Hence, a major change in designing cohesion governance for the post 2013 programming period was anticipated.

Lisbon Treaty of 2009 already signalled modifications in the post 2013 EU cohesion governance. Under the Lisbon Treaty, EU cohesion policy introduced already mentioned shared management into cohesion policy as **the joint responsibility of the Commission and member states** (European Union, 2012: art. 4). The financial and economic crisis was also an important driver of changes in EU cohesion governance. In this respect, the Commission's response strategy was to EU reconnect cohesion policy with "the broader economic policy framework of the European Union" (Berkowitz et al., 2015:2). Likewise, the Barca Report also advocated a bold introduction of **conditionalities** in EU cohesion policy, regulatory control mechanisms to strengthen the **supervision over policy planning and conduct**. The 2013 reform took the opportunity of building a post crisis EU economic governance and introduced novel conditionalities, ex ante and macroeconomic conditionalities into an already complex framework of conditionalities (for more details on different types of cohesion conditionalities see Vita, 2018; Bachtler and Mendez, 2020a; Jašurek, 2020a; Jašurek a Šipikal, 2021b). The major distinctive feature of the two novelties from the rest of cohesion conditionalities was the direct link to **EU economic governance**. They constituted 'a part of wider EU endeavours to rebuild economic governance after 2009 as a response to aftermaths of the financial and economic crisis… built notably on the two pillars' (Jašurek and Šipikal, 2021a: 5). The first pillar, **ex-ante conditionalities**, a growth inducing instrument through the EU level recommendations under the European Semester, 'a framework to improve EU economic policy coordination' (Hallerberg et al., 2012: 2). They **linked national reforms to EU level requirements**. Ex-ante conditionalities acted as prerequisites of implementation to be met through sector specific or horizontal concepts, strategies or other policy actions. As a prior implementation enforcement mechanism, ex-ante conditionalities aimed to improve policy planning in the programming phase as an essential precondition for future funds absorption. Thus, ex-ante conditionalities could be perceived as a barometer of readiness for implementation (Jašurek, 2014: 5). The second pillar, **macroeconomic conditionalities** aimed at mending economic imbalances through the EU level macroeconomic surveillance under the framework of the Stability and Growth Pact. Macroeconomic conditionalities initially introduced in 2007 for Cohesion Fund only. As of 2014, they applied for the European Structural and Investment Funds (ESIF). For our purpose, this means Cohesion Fund, European Regional and Development Fund (ERDF) and European Social Fund (ESF). Both EU level conditionalities involved **suspension mechanism** marking their restrictive nature. However, no suspensions were eventually imposed against member states in any of the two EU level conditionalities. However, from the EU institutional perspective, bargaining macroeconomic conditionalities was a particularly interesting exercise due to the Parliaments' newly Treaty-based co-legislator powers. Parliament's resistance against adopting macroeconomic conditionalities due to their excessive suspension mechanism caused significant delays in bargaining and concessions over the final deal were achieved and the reform package was published only in the very end of 2013. This was just days before the new programming period started in 2014. For more details on **bargaining and implementing macroeconomic and ex-ante conditionalities** see Vita, 2017; Coman, 2018; Sacher 2019, and Jašurek and Šipikal 2021a. Ironically, endeavours to strengthen EU level regulatory control mechanisms in fact caused delays hampering the idea of efficient EU level control mechanisms. The 2013 reform introduced also performance conditionalities denoting performance framework which composed of selected milestones as intermediate targets whose accomplishment by the end of 2018 was awarded by performance reserve of 6% of the ERDF, CF and ESF allocation set aside in the beginning of the programming period 2014-2020. Second component of the performance framework were targets to be achieved by the end of 2023 (European Commission, 2014a: 4).

The cohesion reform introduced in 2018 and 2020 with regard to the upcoming programming period 2021-2027 largely signalled continuity with the 2013 reform (European Union, 2021a). This translated into transformation of ex-ante conditionalities into enabling conditions. They had an improved linkage to the European Semester tying them to the Council's recommendations. Additionally, their fulfilment maintained throughout the whole programming period unlike the 'ex ante' nature of the enabling conditions' predecessor. Suspensions of payments were replaced by softer **postponed reimbursements in case of non-fulfilment**. Likewise, macroeconomic conditionalities' suspensions were watered down by limiting them to commitments rather than payments. However, suspension instruments were not altogether abandoned by the Commission. Introducing **the Rule of Law Financial Conditionality** in 2021 (RoLFC) (European Union, 2020c) due to the rule of law crisis known also as democratic backsliding notably related to Hungary and Poland. Unlike, the other the two crises referred in this chapter, the rule of law crisis characterises an unremitting process of undermining rule of law principles**.** The suspension mechanism under the RoLFC was already triggered against **Hungary** freezing substantial amounts of its cohesion and RRF envelopes. Like the rest of the conditionalities introduced in the previous programming period, performance framework also underwent modifications resulting to abolishing performance reserve. All indicators are part of performance framework along with the introduction of common result indicators. The shift towards applying performance on the entire **pool of indicators** instead of making a selection as in the previous programming period aimed at providing more authoritative and complex monitoring results in implementation.

With introduction of **the RRF** (European Union, 2021b) as a lesson learnt from the COVID 19 pandemic, macroeconomic conditionalities applied also in this new Fund. Most importantly taken the governance lens, while cohesion policy is subject to the shared management as of the Lisbon Treaty, the RRF is the sole managerial responsibility of the Commission over implementation. There are two reasons for the Commission's different treatment of the RRF. First, the RRF is to be implemented within the much shorter timeline compared to the cohesion seven-year cycle.

Hence, the Commission takes much more active role in RRF's implementation. Second, Commission's enhanced authority over the RRF could be also a result of the Commission's top levels criticism targeted against cohesion policy due to its unconvincing result delivery as expressed e.g. in the White paper. Distaste towards cohesion policy particularly emphasized when compared to the Juncker Plan, Commission's directly managed initiative named after its then President. Juncker in his State of the Union Reports either avoided any reference of cohesion policy as the major EU budgetary chapter or subject it to rather unfair comparisons with the Plan (European Commission, 2016) showing its limited results. In any case, having the two funding streams sharing the same mission but very different governance was quite problematic.

Building cohesion governance in Slovakia in its beginnings took the lesson from the pre-accession period notably the need to establish a single coordinating body. Over the years, institutional architecture has taken over all elements ensuring coordination, programming, implementation, and control. Introducing **the single cohesion Programme Slovakia** as of the programming period 2021-2027 replacing a complex architecture of manifold operational programmes, eventually led also to dissolution of the central coordination body. This step was rather logical. Having only the single Programme Slovakia, the need for umbrella coordination was much less urgent than in the previous programming period with the complex architecture.

As for newly emerging conditionalities in 2014, the central state administration set the conditions for successful accomplishment as well as for receiving approval with the proposed implementation mechanisms during the negotiations with the European Commission over programming. Concerning ex-ante conditionalities, the Government approved their implementation mechanism already back in 2012 meaning before the cohesion reform introducing them was approved (Slovak Republic, 2012). **The implementation mechanism** linked ex-conditionalities with actors responsible for their fulfilment who were required to set up fulfilment working groups, set fulfilment conditions and deadlines, monitoring and evaluation as well as set the coordination mechanism. Central Coordination Body was responsible for providing the Government with the regular fulfilment monitoring reports. Having the implementation mechanism in place contributed to ex-ante conditionalities' successful fulfilment in Slovakia. Though the final outcome was unquestionably positive, there were some shortcomings as well. While **sector specific conditionalities** such as those related to energy efficiency and renewable energy resources were fulfilled relatively easy due to the existing conceptual framework, other sector specific ex-ante conditionalities related notably to smart specialisation were much more difficult to tackle. Difficulties with fulfilment exposed our lacking experience in the field as well as inadequate policy planning and coordination. Likewise, horizontal ex-ante conditionalities notably public procurement were fulfilled only very close to deadline due to differing views on transposition of the EU rules into the national regulatory framework. Fulfilment was only achieved after the Commission offered its expertise. Concerning performance framework, Slovakia has equally provided the Commission with the implementation mechanism as part of bargaining of the Partnership Agreement 2014-2020 (Slovak Republic, 2014). Again, the designed implementation mechanism contributed to approval of the Partnership Agreement by the Commission. However, implementation mechanism was not enough to make performance framework function well. As a result, **implementation of performance framework did not produce positive results**. None of the operational programmes met its milestones. Consequently, none of them received performance reserve. As regards macroeconomic conditionalities, they are not a responsibility of cohesion national authorities. However, as part of the European Semester, cohesion authorities are involved in overall coordination.

Implementation of enabling conditions as a successor of ex-ante conditionalities as of 2021 benefited from the previous experience which was employed also in case of a new implementation mechanism (Slovak Republic, 2023b). The implementation mechanism is applied throughout the entire current programming period including the regular fulfilment reports to the Government. However, accomplishment of implementing the mechanisms can be judged only later in funds implementation as enabling conditions shall be implemented during the entire current programming period. Overall, implementing conditionalities in Slovakia on one hand shows improved policy preparation and planning, recognition of the needs and rights of vulnerable groups such as people with handicap at policy level and strengthening of reform endeavours. On the other hand, their implementation requires significant **administrative capacities** and processes with no benefits in the end, as shows performance framework. These findings cannot be however considered shortcomings. Instead, they are an important lesson learnt which can be transformed into experience with building governance under our national conditions. It is still open how the RoLFC will be used in future. So far its sanctioning mechanisms were activated only in the blatant case of Hungary. However, countries such as Slovakia with complex administrative process concerning notably public procurement may potentially face difficulties in future.

In summary, the EU cohesion governance evolved into dominating **hard modes** after a brief experimentation with the open method coordination under the 2006 cohesion reform. Newly emerging conditionalities after 2013 are strong control mechanisms including suspension mechanisms. Due to improved policy planning notably developing implementation mechanisms, **Slovakia does not have broadly negative experience with new conditionalities** tough our experience with performance framework was not successful either. With the slower absorption curve in beginning, it is necessary to wait to see whether a more inclusive approach to designing the performance framework will bring also better results after 2021. On the other hand, RoLFC's offers rather limited experience. However, the message is clear. The Commission has at disposal a strongly punitive instrument which was already tested in case of Hungary.

4.3.3. Partnership principle

Partnership is one of the organizing principles defining cohesion policy since its creation in 1988. It is operationalized by means of **multilevel governance** with an aim to engage variety of stakeholders in programming and implementation. Thus, partnership is at the heart of cohesion policy. Therefore, for example, Fabrizio Barca in his Report for the European Commission (Barca, 2009) regarded partnership a vehicle for mobilisation of public and private actors' expertise and experience (Barca, 2009: 100). Partnership principle has been gradually recognized in the cohesion legislation since 90s extending it from public administration also to economic and social partners designated by the member states (CEC 1993). Existence of **the European Committee of Regions** as a consultative and information sharing EU institution reinforces the argument on broadening the scope and the meaning of partnership in pursuing EU policy goals.

Though much faith has been put to partnership as "an idea whose time has come" (Bache, 2010: 58), its practical application has produced mixed results. On one hand, partnership increases its importance over decades and strengthens its institutionalisation (Bachtler and McMaster 2009), while at the same time, it suffers of 'mistrust and misgivings among the involved actors about the perceived strategies of the administrative and societal partners' (Bauer, 2002: 783). This is a consequence of **the undeveloped accountability of non-state actors** for implementation as well as the Commission's refrained regulatory role towards a bolder pursuit of partnership (Polverari and Michie, 2009). As a result, control over implementation is left at discretion of member states excelling in their gatekeeping role (Bache, 1999). First regulatory provisions in the EU cohesion policy were introduced no earlier than in 2006 yet without any binding commitment on organizing partnership (European Union, 2006). The regulatory approach has further developed with the 2013 cohesion reform. The reform brings substantial reinforcement of partnership as a requirement for the programming exercise including preparations of **operational programmes and partnership agreements** (European Union, 2013). Furthermore, partnership is additionally regulated through the Commission regulation (European Commission, 2014b). Yet, the Commission still leaves enough room for member states' discretion to pursuit partnership on their own without the Commission's regulatory supervision. On the other hand, as depicted in the following chapter, combination of the strengthened regulatory provisions along with driving regional development by employing the integrated instruments helped partnership to gain new significance.

Slovakia's approach to partnership reflects the EU level trends depicted above. **Implementation of cohesion policy goals demonstrates its multilevel nature**, (Baun and Marek, 2014: 108) **and cooperation of a variety of stakeholders**. In practical terms however, policymaking under cohesion policy in Slovakia has not been always unequivocally straightforward towards partnership cooperation. Instead, policymaking was traditional state-centric with a dominating role of central state bodies propelled by state-level policy mechanisms. Thus, for example, A **National Plan of Regional Development in the SR** of 2001 was introduced by the Government as the 'major midterm programming document for conducting regional policy in Slovakia' being at same time 'one of the major objectives in efforts to join the EU' (Slovak Republic, 2001: 4). In such state-orchestrated exercise, the most intensive cooperation in policy cycle was among central-level state actors particularly in the early drafting stages. Socioeconomic partners were at their closest to the Government in the Tripartite (social dialogue between the state, trade unions and private sector employers) came actively to the fore in the late stages. A great variety of stakeholders from among non-governmental organizations (NGOs) or academia did not have a tangible chance to participate at all. Early membership experience reflected EU level trends particularly a full government control over the conduct of partnership demonstrating centralisation of partnership processes. Thus, the preparations of the programming period **2007-2013** was in hands of government-led formations namely Working Group of Ministers, Inter-departmental Working Group, Council of Government for Regional Policy and Supervision over Structural Operations, and Committee for the Structural Funds and the Cohesion Fund (Slovak Republic 2007: 9-10). The core strategic document states that it was prepared 'on the basis of conceptual, analytical, and supporting documents prepared by the involved departments and institutions' (Slovak Republic 2007: 9). These framework documents were however typically prepared by the central state administration with limited participation of non-state actors.

Preparations of the programming period **2014-2020** showed some improvement in broader employment of the principle of partnership. The newly introduced act on regional development introduced strategic policy planning at regional and local levels by a commitment to prepare strategies envisioning territorial development under their authority (Slovak Republic, 2008). Moreover, **the Partnership Agreement** concludes that 'the intensity and quality of cooperation between the public sector and social and economic partners, the civil society and partners at the local level in ensuring effective performance of public services in selected areas is inadequate (Slovak Republic, 2014: 66). Central Coordination Body also issued guidelines on involving NGOs' partners in the preparation of operational programmes disseminated electronically to individual Managing Authorities.

However, partnership is not only coordinated but even orchestrated from the central state level. The top-down policy approach remains pivotal in programming and implementation during the 2014-2020 period. The list of groups shows key programming and implementation formations:

- **Government Council for Partnership Agreement** 2014 – 2020 – coordination, advisory and initiative body of the Government on the issues related to the PA SR preparation (list of members in Annex),
- **Partnership for Cohesion Policy working group** – a platform for exchanging experience and views of experts on the EU Cohesion Policy beyond 2013 (list of members in Annex),
- **Working groups for the fulfilment of ex ante conditionalities** - established at individual central government authorities responsible for EAC fulfilment in accordance with Government Resolution No 305/2012,

- **Working groups for the preparation of future programmes** – established at individual responsible authorities in accordance with the CCA guideline for the preparation of OPs for 2014 – 2020,
- **Working group for the drafting of the Territorial Agreement** between the SR Government, regional self-government and local self-government for 2014 – 2020 (list of members in Annex).

None of these or other relevant institutional formations were headed by other than central state administration. This demonstrated the top-down policy approach. Admittedly, the state was doing a lot to ensure a balanced composition of membership.

Partnership gained much more significance in Slovakia during preparations of the programming period **2021- 2027** with outreach to territorial development as discussed in the next section. A glimpse at the Partnership Agreement shows a strong focus on result delivery and meticulous evidencing of partners involvement to demonstrate functioning partnership of great variety of involved stakeholders. Thus, a key platform for expert exchanges, **Partnership for cohesion policy 2020+**, details its membership composition where the share is distributed as follows: central state organisations (31), NGOs (23) municipalities (16), business and sector associations (10), academia (6) and others (6) along with Ministry of Regional Development in charge of preparations and negotiations with the European Commission (14). Additionally, there were six national rounds of consultations on EU funds 2021-27 (Slovak Republic, 2022: 45). At political level, **the Council of the Government of the SR for Cohesion Policy 2021-2027** acted as the supreme body for coordinating preparations of the Partnership Agreement and for overseeing future implementation. Additionally, **methodology on applying the partnership principle** is introduced aiming at (Slovak Republic (2021):

- effective and efficient implementation of EU funds using external feedback
- legitimacy of policymaking of responsible institutions by informing the public
- effective control from the external environment
- general public awareness of EU funds implementation.

The methodology shows a drive towards involving partners in different phases of a policy lifecycle. It is not only implementation and programming but also their individual periods such as **information and awareness raising campaigns or participation in control**. Furthermore, the major change in designing and implementing the partnership principle in Slovakia comes with the new approach towards territorial development empowered with the integrated instruments as we will see in the following last section. A combination of the partnership principle and integrated **territorial instruments** as of 2021 is in the end beneficial for both.

In summary, the partnership principle evolved in the EU cohesion policy from holistic guidance with a perceived importance rather felt than followed. Thus, the partnership has faced Commission's limited regulatory enforcement authority combined with member states' discretion in implementing partnership. Strengthening its regulatory role along with regional development heading towards employing integrated territorial instruments mark substantial enfacement of the partnership principle at the EU level. Likewise in Slovakia, the centralized top-down policy approach is constrained after the partnership principle is combined with the integrated territorial instruments. We will see in the next section that it gives rise to a grass-rooted institutional framework translated into the bottom-up policy approach.

4.3.4. Integrated territorial development

The topic of integrated territorial development is closely associated with our previous elaboration of partnership. It translates **multilevel governance into territory**. Rather surprisingly, having in mind decades long history of regional policy in the EU, territorial development was for most of its existence rather an ambiguous principle loosely followed rather rhetorically missing a tangible political significance. The substantive change came more than twenty years after the birth of cohesion policy with the Lisbon Treaty of 2010. The definition of cohesion policy received a new constitutional attribute along the two already existing **(social and economic cohesion) by including also territorial cohesion**. EU cohesion legislation of 2013 responded with introducing the concept of integrated territorial development. This provided momentum for a systemic approach to territorial development by means of these regulatory integrated instruments (European Union, 2013):

- integrated territorial investments aimed at promoting territorial development of regions,
- community-led local development targeting local communities (CLLD),
- sustainable urban development addressing cities.

It was also a tangible evidence that social and economic coherence was hard to achieve without recognizing a territorial component. Territory thus embodied citizens' needs (Ahner, 2009: 4). The 2013 reform introduced different instruments representing a balance in the search for a desirable solution on designing territorial development (Jašurek, 2020: 326-328). The common integrating attribute of all instruments was strategic policy planning of regional development in cooperation with territorial stakeholders embodied in the bottom-up policy approach.

However, the architecture of the three instruments faces inconsistency captured elsewhere (Jašurek, 2020). Notably, the pursuit of achieving development through recognizing the role of different territories lacked a binding commitment. Apart of reserving at least 5% to development of cities, there were no binding regulatory provisions promoting the employment of the remaining integrated territorial instruments.

In Slovakia symptomatically enough, even the OP Bratislava region in the programming period of 2007-2013 was managed by the central state level, the Ministry of Construction and Regional Development of the SR. Though admittedly, its absorption was the best, well above the 100% as show in the section on the mission and objectives. Then, the inconsistencies of integrated territorial instruments in the EU level policy design of the 2013 reform fully mirror Slovakia's experience during the 2014-2020 programming period. Slovakia has not fully employed opportunities to pursue integrated territorial development during 2014-2020. First of all, the IROP denotes top-down approach to implementation. Selection of objectives, monitoring and evaluation are fully under control of the state-level Managing Authority. Subnational policy choices are subject to approval of the national level. Thus importantly, Slovakia has not made a step to overcome demand-driven calls by means of integrated territorial mechanisms. **Central level calls responding to sectoral needs** are thus the leading operational mechanism to conduct implementation. In other words, demand-driven calls do not directly respond to territorial needs. This could be considered a missed opportunity for establishing integrated mechanisms for territorial development. In reality, regional and local strategic policy planning is also a legislative requirement (Slovak Republic, 2008) which is however not appropriately reflected in demand driven calls. Lastly, **accountability for implementation** is solely in the hands of national authorities. Apart of reserving a binding 5% for sustainable urban development and continuing with the already well-established Leader programme since 2007 under the CLLD (Community-Led Local Development), territorial instruments have not found an unequivocal expression in the IROP (Integrated Regional Operational Programme). Partnership Agreement declares the intention to shift from demand-orientated projects of the past towards integrated approach and better strategic planning and decision-making directly involving stakeholders in territorial development (Slovak Republic. 2014).

Failure to promote integrated mechanisms at all territorial levels along with the IROP's slower absorption rate is behind the fundamental change in preparations of the post 2020 programming period. The shift towards employing **integrated approach** is of conceptual and organisational nature. It represents the major reform of territorial affairs since the beginning of implementation of EU financial assistance in 1990s. The major organisational change is the creation of the single Programme Slovakia responsible for implementing EU Funds (ERDF/CF and ESF+). Even though the unprecedented step of having no dedicated regional programme looks as yet another state-level orchestration towards strengthening top-down policy mechanisms, it is in fact the contrary. It is a major decentralisation step in the history of EU funding implementation in Slovakia. The territorially rooted EU Policy Objective 5 **Europe closer to citizens** aims to be implemented through integrated territorial mechanisms. For the first time, integrated instruments replace demand driven calls in the pursuit of territorial development.

Integrated territorial mechanism denotes eight integrated regional strategies (NUTS3 level) and 18 integrated urban strategies. Both territorial levels have distinguished institutionalized mechanisms. Eight regional strategies are coordinated through the Council of Partnership, while Cooperation Councils organize activities of 18 urban strategies. Both institutionalized formations have their own statutes and rules of procedures. Their **key responsibilities** include:

a. preparation and approval of their respective territorial strategies
b. preparation of project pipelines
c. approval of project intents implementing territorial strategies
d. coordination of implementing of territorial strategies,
e. monitoring and evaluation of territorial strategies.

Even though the state's involvement is diminishing relative to the centralizing top-down model of policymaking, its coordination role is crucial. Newly introduced **Act on contributions from the EU Funds** along with **the methodology and minimum criteria for functioning regional and urban strategies** were prepared by the line ministry (Slovak Republic, 2022b, 2022c and 2023a). Overall, the central state administration should subject to its resources provide expert, logistic, material, and financial support without interfering. Additionally, the line ministry provides specific consultancy services. It established so called **Regional Centres** which are state agencies based in regions to provide assistance with project preparations and applications for funds to smooth administrative processes. These processes showed to be burdensome and painstaking exercises in the previous programming periods oftentimes hampering funds absorption. Regional Centres follow upon activities carried out by the Information and Consultancy Centres during the previous programming period. They showed some positive results though their impact was limited due to the dominating role of the central Government (Jašurek, 2020b).

In summary, prior to the current programming period of 2021-2027, the centralized top-down policy approach pursuing territorial development prevailed with the dominating role of the state administration setting strategies and objectives for subnational levels. This has not change much with the programming period 2014-2020 which introduced integrated territorial instruments in line with the Lisbon Treaty's novelty of territorial cohesion. Breakthrough comes with the systemic employment and **penetration of integrated territorial instrument into regional and local policymaking**. The bottom-up policy approach underpinned by relevant institutional design with the coordination and consultation role of the central state administration raise new expectations concerning the pursuit of territorial objectives. This is particularly promising concerning the introduction of the policy objective 5 Europe closer to citizens in the 2018 cohesion reform.

4.4. Policy recommendations

<u>Pre-accession period</u>

- There is no better time and opportunity for testing and learning than the pre-accession period.

- Utilize your pre-accession experience as much as possible as it is a valuable source of learning providing room for improvements and advancements.
- If possible, transform your pre-accession institutional programming and implementation architecture into designing EU funds management.
- Continuity of key programming and implementation processes saves your administrative capacities' time otherwise dedicated to coming up frequently with inventing new processes. Instead, they should rather focus on updating or upgrading existing processes based on the experience gained already during the pre-accession period. Time saved translates in money saved.

Mission and objectives

- The better articulated national priorities and aligned with the Country Specific Recommendations, the more successful negotiations with the Commission over programming priorities.
- Align your territorial development needs with the EU level flagship priorities as much as possible while providing reasonable justifications for specific needs which may not fully reflect EU level priorities.
- Set your priorities and targets clearly as possible and communicate them in the transparent manner among your stakeholders. Get their support so negotiating priorities and targets with the Commission is with their backing.
- Align your priorities with the thorough process of policy planning as efficient programming address 'what' as much as 'how' to implement.
- Regardless how much top-down the EU level mission and objectives are orchestrated, gather as much analytics and domestic support as possible by providing rationale for your policy choices and room for wider national and subnational discussions over your own national mission.
- Make sure efficient monitoring and evaluation mechanisms are in place. It is critical to distinguish between absorption and investments. Build analytical capacities and analytical expertise among your partners.
- In case of global challenging circumstances and their aftermath, be ready to join forces with other member states to initiate towards the European Commission or act your own in order to reflect present challenging circumstances in amendments of implementation rules.
- In the course of global challenging circumstances, ensure that all eligible segments of the society receive EU funding notably as other public sources are rather limited.

Governance and institutions

- Establishing a set of institutions with distinguished roles and responsibilities (coordination, programming and implementation, control) is a precondition for sufficient funds absorption and efficient communication with the European Commission.
- Shall the two-track approach to pursue cohesion mission remain, meaning having to separate budgetary envelopes, one for cohesion policy, the other for the RRF, make sure that on the national level any competition between the two instruments is avoided. Either, provide a single institutional umbrella for both or, make sure that there is not only a division of responsibilities but also cooperative mechanism ensuring functionable synergies between them.
- There is mixed experience with the conditionalities. On one hand, some of the most criticised such ex-ante conditionalities and their successor of enabling conditions strengthen the control role of the Commission, on the other, Slovakia has benefited with improved preparation for implementation through policy planning, introduction of reforms, improved administrative processes for example in state aid or public procurement. At the same time, through horizontal conditionalities dedicated to marginal and vulnerable societal groups, policymaking becomes to some extent more sensitive to

their needs. On the other hand, in our experience, performance framework of 2014-2020 was not a driver for better funds absorption. In fact, performance reserve has not been rewarded and the entire mechanism has little effect on the de-commitment rule.

- Having implementation mechanisms in place contributed to timely fulfilment of ex-ante conditionalities and approval of fulfilment conditions in case of performance framework by the Commission during the bargaining of the Partnership Agreement in 2013.
- Solid programming and implementation shall be underpinned by respecting the rule of law. As shows the case of Hungary, the EU currently shows to possess the sanctioning mechanism which the Commission does not hesitate much to employ against democratic backsliding.

Partnership principle

- Central state administration is a key enabler in coordination. This however does not mean that the top-down policy approach is a universal solution. On the contrary, non-state actor shall be encouraged to act on their own will. They shall have room for initiation and leadership while being offered guidance, consultancy and coordination from the state.
- Although, or precisely due to its holistic nature and susceptibility to be easily overlooked and thus taken for granted, partnership as a cornerstone principle of the multilevel governance shall be harboured in the national legislative framework.
- It is convenient to devise methodologies to demonstrate systemic approach in organizing partnership towards engaging stakeholders in programming, implementing, and monitoring national and EU resources promoting regional development.
- Vital partnerships with a wide range of stakeholders not only contribute to better policy planning or implementation. It shows a clear commitment towards transparent use of EU financial resources e.g. by engaging experts from civil society to take part in project selection and evaluation.
- Use EU financing to building expert capacity among your social partners and other stakeholders from among civil society notably non-governmental organizations.
- Encourage stakeholders' active engagement through setting public fora, consultations and expert-level platforms.
- Institutionalise public consultations in policymaking related to cohesion policy. Working groups should reflect variety of stakeholders and should represent different levels of policymaking (expert and political level). Though formally set up and organized by the central level, they shall be by no means centralized. Equal participation of non-state and non-public actors shall be formally enshrined.
- Partnership shall be encouraged in different policy lifecycle phases during programming and implementation. Partners may contribute to a great variety of activities such as dissemination and public awareness raising campaigns or into control. The more room for participation the better identification of stakeholders with the mission of cohesion policy.
- Partnership greatly benefit when combined with thorough employment of the integrated territorial instruments.

Integrated territorial development

- Territorial development is closely aligned with employing territorial instruments. Pursuing goals of territorial development is hard to achieve without specifically designed territorial instruments. Demand-driven calls are not a suitable implementation instrument to address territorial needs.
- Territorial instruments require a strong territorial policy planning underpinned by institutionalized territorial policymaking and decision-making mechanisms and procedures. This means establishing organisational platforms at all territorial levels.
- These platforms need to possess necessary expert authority, political legitimacy and need to pursue bottom-up practices of enforcing the partnership dialogue with all relevant

stakeholders in processes of drafting and approving territorial strategies as well as in prioritisation of projects for implementation, their monitoring and evaluation.

- Where relevant, the central state level should provide all territorially embedded platforms with necessary expert, logistic, material and financial support while maintaining impartiality and fairness between national and subnational levels.
- Empowerment of territorial institutions and actors shall go hand in hand with accountability while there is a transparent division of implementation responsibilities between central state bodies and territorial levels. This is notably important in dealings with the European Commission.
- For the purpose of discussions with the Commission, it is highly convenient to have develop conceptual and methodological frameworks for employing integrated territorial instruments. These frameworks shall demonstrate bottom-up policy approaches underpinned by relevant institutional arrangements.
- Thorough employment of the integrated territorial instruments signals well-functioning partnerships as participating stakeholders is essential for the vital bottom-up policy approach. Therefore, engage with a variety of partners promising a diverse expertise and experience.

4.5. Conclusions

Slovakia's experience with the EU cohesion policy reflects developments at the EU level. This particularly reflected continuous alignment of the Slovakia's cohesion mission, priorities, and objectives with the EU level strategies such as the Europe 2020 or currently the UN Sustainable Development Goals for 2030. On the other hand, some of the maladies from the pre-accession period notably the absorption has been present through the entire membership as of 2004.

Wavering use of EU funds is behind weaker development of such crucial policy areas as innovations, digitalisation or research and development. Slovakia however progressively improved its processes of policy planning or governance building. It took a while to make use of opportunities offered by partnership and the integrated instruments of territorial development. However, nowadays, both of these areas look rather very promising raising anticipations regarding improvements in funds absorption pursuing Slovakia's development goals during the programming period 2021-2027. Ups and downs shall by no means be attributed solely to national shortcomings. Instead, Slovakia's programming and implementation mirror pros and cons at EU level, be it an evolving implementation of priorities or employment of the partnership principle and the integrated instruments of territorial development. Complexity of Slovakia's experience offers interesting learning experience which Slovakia shares through the targeted policy recommendations.

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III THE EU REGIONAL POLICY: PREPARATION FOR THE MEMBERSHIP

5. The accession negotiations in the area of EU Regional Policy: a view from Montenegro[20]

Abstract

Accession negotiations in the area of EU Regional Policy represent a crucial aspect of Montenegro's path towards EU membership. Montenegro, like other candidate countries, must align its regional policies with EU standards and objectives to ensure smooth integration into the Union. This chapter analyses the perspective on the accession negotiations from Montenegro's standpoint including policy alignment, financial assistance, capacity building, territorial cooperation, monitoring and evaluation, and stakeholder engagement. In summary, accession negotiations in the area of EU Regional Policy are a multifaceted process for Montenegro, requiring comprehensive reforms, strategic investments, and active engagement with EU institutions and stakeholders at all levels. Successfully meeting these challenges will not only advance Montenegro's EU integration but also contribute to its long-term prosperity and stability. The chapter also includes a part related to Montenegro's path from the Economic reform program towards the EU economic governance. Finally, this chapter includes two groups of surveys, related to both beneficiaries and institutions, in the area of infrastructure and regional development, as well as in the area of agriculture.

Keywords: *Montenegro, EU regional policy, accession negotiation, economic governance, surveys*

5.1. Revised action plan for fulfilment of the closing benchmarks in chapter 22. Regional policy and coordination of structural funds

Irena BOŠKOVIĆ[21]

Under the overall umbrella of benefits which are deriving from the EU accession process, regional policy and related structural instruments for its implementation are perceived as core tools for planning and implementing the overall development policy of Montenegro, once the country become an EU member state. Montenegro, with its small and open economy and quite uneven level of development of different regions (which are conditionally classified as northern, central and coastal for the sake of implementation of internal regional development policy) is fully aware and intends to align its policy with the core intention of the EU contained in Article 174 of the Treaty on functioning of the EU - reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density and island, cross-border and mountain regions.

During years of functioning of the EU it became clear that reducing or deepening regional differences in development is not only influenced by the market, but also by the implementation of common EU policies. Generally speaking, the existence of regional policy at the supranational

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level is justified by the fact that differences in the level of development of different regions of the European Union must be reduced through joint efforts. Although at the beginning of the creation of the European economic community thought that the creation of a single market would spontaneously reduce inequalities between different regions, it turned out not to be possible (Đurić, D, 2009, p9).

Potentials of the cohesion policy to improve economic and social cohesion by investing in infrastructure, education, employment, and innovation, particularly in less-developed areas become more important at the current momentum of accelerated integration, where for the first time after almost a decade, there is a visible accession date on the horizon. With intention of the Government to complete internally the negotiations by end of 2027, fast and decisive activities related to preparation for implementation of structural instruments after membership are core priority of the negotiations under **Chapter 22 – Regional Policy and Coordination of Structural Instruments.**

This is the reason why Government should look at Cohesion Policy as the tool which is needed to tackle economic problems and intensify growth rate. The EU cannot solely rely on the dynamism of its large agglomerations. It needs thriving large cities, but almost four-fifths of the EU's growth is produced outside them. By promoting cohesion, the EU enhances its capacity to fully tap into its pool of talent. This talent is found in dynamic regions and also in many smaller cities, towns and rural areas, as well as in industrial and remote regions with fewer opportunities. **The success of future enlargements will also depend on Cohesion Policy helping to integrate and develop candidate countries.** Cohesion Policy is vital to address the economic and development challenges faced by potential new Member States from the Western Balkans and Eastern Europe. The policy should be tailored to the specific needs and challenges of each Candidate Country, ensuring integration and development in line with EU standards and objectives. This concerns financial support as well as administrative capacity and institution building (Report of the High-level Group on the Future of Cohesion Policy, February 2024, p6).

Challenge in this regard is related also to the fact that negotiations under Chapter 22 involves discussions on aligning the candidate country's policies and practices with the EU's cohesion policy framework. Negotiating this chapter requires the candidate country to demonstrate its commitment to implementing EU principles of regional development and ensuring effective use of structural funds to address socio-economic disparities within its territory. Successful negotiation of Chapter 22 signifies the candidate country's readiness to participate fully in the EU's cohesion efforts upon accession.

The acquis under this chapter consists mostly of framework and implementing regulations, which **do not require transposition** into national legislation. They define the rules for drawing up, approving and implementing the Structural Funds and the Cohesion Fund programmes which will be reflected in each country's territorial organisation. These programmes are negotiated and agreed with the Commission, but implementation is the responsibility of the Member States.

A **legislative framework** has to be put in place allowing for multi-annual programming at national and regional level and budget flexibility, enabling co-financing capacity at national and local level and ensuring sound and efficient financial control and audit of interventions. Member States must respect EU legislation in general when selecting and implementing projects, in areas relating to regional policy and Structural Instruments such as public procurement, competition and environment, non-discrimination and equality between men and women.

Member States must set up an **institutional framework**. This includes designating and establishing all structures at national and regional level required by the regulations as well as setting up an implementation system with a clear definition of tasks and responsibilities of the bodies involved. The institutional framework also requires establishing an efficient mechanism for inter-ministerial coordination as well as the involvement and consultation of a wide partnership of organisations in the preparations and implementation of programmes.

Adequate **administrative capacity** has to be ensured in all relevant structures. This includes recruiting and training qualified and experienced staff and establishing measures to retain such staff. In this context, Member States need to make the necessary organisational arrangements, adapt procedures and organisation charts and prepare accompanying documents.

The **programming process** covers the preparation of a Partnership Agreement and a series of operational programmes (OP) including ex-ante evaluations. Member States have to organise broad partnerships for the preparation of programming documents. They have to ensure that a sufficient pipeline of projects is established allowing for a full financial implementation of programmes. Member States will also have to carry out specific information and publicity measures with regard to the Structural Instruments.

Establishing a **monitoring and evaluation system** includes the setting up of evaluation structures and processes in different relevant bodies as well the installation of a comprehensive and computerised management information system (MIS) accessible and usable for all concerned bodies.

Member States must set up a specific framework for **financial management and control including audit**. This includes designating and establishing all structures required by the regulations as well as setting up an implementation system with a clear definition of tasks and responsibilities of the bodies involved.

Figure 13. ***Chapter 22 Negotiation Time Table***

Explanatory Screening: 14-15 November 2012

Bilateral Screening: 17-18 December 2012

Council approves the Screening Report and opening benchmarks are set up: 22 May 2013

Opening benchmarks fulfilled: 28 April 2016

Negotiating Position submitted: 27 June 2016

Council approves the Common position: 6 June 2017

Opening of the Chapter: 20 June 2017

The Chapter 22 was opened in June 2017 and 6 closing benchmarks established. Montenegro is moderately prepared regarding regional policy and coordination of structural instruments. Several successive Reports have noted only limited progress, particularly with administrative capacity, as well as with investment planning and preparation. Montenegro should continue the implementation of the action plan for meeting requirements deriving from EU cohesion policy and increase the administrative capacity of central, regional and local bodies to more effectively safeguard IPA funds, ensuring that the positions in the structures are filled on a permanent basis, retaining key staff while increasing engagement into effective coordination mechanisms for improved project preparation and monitoring, with emphasis on the strengthening the single project pipeline (Study on progress in regional policy of the WB6 and Turkey, Final Report, June 2022, p27). Furthermore, Montenegro needs to ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles while factoring the requirements of future structural/cohesion funds into the increase of the institutional set-up. Most significantly from the perspective of preparations for the implementation of Cohesion Policy are the 80 simplification measures proposed by the Commission for the 2021-2027 framework. Consequently, these changes need to be taken into consideration in working further on Chapter 22, requiring some update of prepared Action Plans.

As stated in **2023 Report** (EC, 2023), **Montenegro is moderately prepared in the area of regional policy and coordination of structural instrument**s. Limited progress was made over the reporting period, particularly in respect of key decisions yet to be reached on the institutional framework for preparing future cohesion policy programmes and on administrative capacity, which requires strengthening. In the coming year, Montenegro should in particular:

- update and restart implementation of the action plan to meet requirements under EU cohesion policy;
- safeguard Instrument for Pre-Accession Assistance (IPA) funds more effectively by increasing and consolidating the administrative capacity of central, regional and local bodies and put in place a structure to manage the administration of future cohesion policy funds; strengthen capacity in procurement, management and monitoring of capital investment, while also strengthening existing coordination mechanisms;
- work on a credible pipeline of projects, along with a framework for strategic sectoral orientations and policies, while improving project preparation, procurement and implementation in line with EU and international standards.

5.1.1. Action Plan for Meeting EU Cohesion Policy Requirements

The Action Plan for Meeting EU Cohesion Policy Requirements was adopted in September 2015, after the Council approved the Screening Report in May 2013 and set the adoption of the Action plan as only opening benchmark. Montenegro's Negotiating Position was submitted to the Commission on 27 June 2016, while the Council approved the Common Position on 6 June 2017 and **Chapter 22 was opened on 20 June 2017**.

The Action Plan, initially based on the 2014-2020 Regulations for Cohesion Funds is now outdated, having in mind the fact that 8 years passed after its adoption. In light of the simplifications introduced by the 2021-2027 Regulatory Framework and other Union policy orientations, **an update to the Action Plan has been agreed upon between the Government of Montenegro and the Commission**. The Action Plan should be perceived as a dynamic document, subject to evolving debates on the future of Cohesion Policy and forthcoming regulatory frameworks for the period post-2027. Ministry of European Affairs, in close consultation with the EC will coordinate the revision of the AP, which is expected to be completed by the end of 2024. The AP will be reviewed and adopted by the Working Group for Chapter 22 and the Government of Montenegro.

5.1.2. Closing benchmarks

In the Common Position for Montenegro, EU defined 6 closing benchmarks whose fulfilment will be considered as precondition for provisional closure of the chapter. In the structure of closing benchmarks, first benchmark is related to effectiveness of implementation of IPA programmes, while remaining five are part of requirements of cohesion policy. Given the significant time elapsed since the adoption of the Screening Report and the opening of the Chapter, there is a need to reassess the relevance of the Closing Benchmarks. New best practices in EU Member State have emerged meanwhile and this issue will be discussed with the EC in the upcoming period in order to update the closing benchmarks. The benchmarks are presented below:

1. **A satisfactory level of implementation by Montenegro of the EU pre-accession funding approved for indirect management, in particular for the components and sectors relevant for the implementation of the future ESI Funds has been demonstrated.**

When it comes to the first final benchmark, it is necessary to additionally strengthen the system for managing the Instrument for Pre-accession Assistance, so that the EC can register positive trends in the implementation of IPA through an indirect and shared management mode. This activity is continuous in nature and should result in a positive assessment by the European Commission when it comes to:

a) Willingness to implement all activities within the program cycle-ability to implement programming, design grant schemes and select projects; call for tenders and invitations to submit projects; smoothly conducts the tender procedure and the contracting process with the signing of contracts and agreements on granting grants; create a sustainable financial management system with a clear audit trail and balance of results regarding the implementation of contracts and payments to users and contractors;
b) Functionality of the established system for indirect and shared management of IPA funds, which should be proven through regular monitoring of the system and checks by institutions responsible for program implementation and audit (system audit and operations audit);
c) Positive trend in the absorption of funds approved for indirect and shared management;
d) Gradual reduction of the rejection rate and suspension of documents during ex-ante control within the framework of indirect and shared management, with an analysis of the causes of this development.

Considering that the assessment of success according to the mentioned criteria is carried out in stages during the negotiation process, in the coming period it is necessary to further improve the functioning of the system of indirect and shared management, in order to successfully contract and spend the funds from the IPA II 2014-2020 programmes, and to programme and contract funds available from IPA III 2021-2027.

It should be noted that regarding the **IPA II perspective**, IPA 2014, SOPEES 2015 -2017, IPA 2016, IPA 2017, IPA 2018 and IPA 2020 programmes continued to be implemented according to the planned dynamics. Until 31 December 2023, under indirect management for the above mentioned programmes in total 94.01% funds were contracted by the Central Financing and Contracting Unit (CFCU) of the Ministry of Finance of Montenegro.

- The **Financial Framework Partnership Agreement (FFPA) for IPA 2021-2027 (IPA III)** came into force on 2 November 2022, establishing legal conditions for utilizing allocated EU funds in Montenegro.
- Subsequently, the **IPA 2021 Financing Agreement was signed on 15 December 2022, providing EUR 32.4 million** of EU support for transport, environment, agriculture, and two additional horizontal actions.
- Additionally, **the IPA 2022 programme, adopted on 5 December 2022, allocated EUR 37.7 million** for public administration reform (PAR) and integrated border management (IBM). Montenegro submitted payment requests for the first tranches for both SBSs on 18 September 2023, and received the first tranches for PAR (EUR 3.5 million) on 29 December 2023, and for IBM (EUR 4 million) on 1 January 2024.
- The **IPA 2023 programme allocated EUR 30 million in direct budget support** for Montenegro to address the energy crisis. The Financing Agreement was signed on 27 February 2023, and the first tranche of EUR 27 million was disbursed on 23 March 2023 to the national budget.

- **Regarding the IPA 2024 programme**, the adoption **by the EC is anticipated in the first half of 2024. Two Operational Programs (OP) for 2024-2027** in the areas of Environment, and Employment and Social Policies, with a total EC allocation of EUR 66 million, are in progress.

2. **Montenegro sends to the Commission an advanced and comprehensive draft of its Partnership Agreement (PA) document, which outlines arrangements to ensure alignment with the Union strategy for smart, sustainable and inclusive growth, the selected thematic objectives and the main expected results for each of the ESI Funds; this will comprise outline indications of the planned Operational Programme, including sources of funding as well as a summary of the assessment of the fulfilment of applicable ex-ante conditionalities.**

Activities to meet this criterion refer to the preparation of the Partnership Agreement, as a key strategic document that determines the purpose of spending funds from ESI funds in accordance with the priorities of the development policy of Montenegro and the strategic priorities of the EU. In order to make the best use of the existing experience in the preparation of appropriate programme documents, it is envisaged that the Ministry of European Affairs will coordinate the drafting of the Partnership Agreement until the establishment of the Managing Authority for ESI Funds. It is necessary the agreement to be prepared with the involvement of all interested parties, in accordance with the provisions of Regulation (EU) 2021/1060, based on the general priorities defined by the Joint Strategic Framework.

The financial support of ESI funds can be used within **five policy objectives** defined by Regulation (EU) 2021/1060:

1) a more competitive and smarter Europe by promoting innovative and smart economic transformation and regional connectivity in the field of ICT;
2) a greener, resilient, low-emission Europe transitioning to a net-zero carbon economy by promoting the clean and fair energy transition, green and blue investments, circular economy, climate change mitigation and adaptation, risk prevention and management, and sustainable urban mobility;
3) a more connected Europe by strengthening mobility;
4) a more inclusive Europe with a more prominent social component by implementing the European Pillar of Social Rights;
5) Europe closer to citizens by encouraging sustainable and integrated development of all types of areas and local initiatives.

However, as stated in the Study on progress in regional policy of the WB6 and Turkey, Final Report, June 2022, it is worth pointing out that the second benchmark for Montenegro, regarding the preparation of the Partnership Agreement, under the new Common Provisions Regulation (EU) 2021/1060, is no longer so relevant, given the significant simplification of the Partnership Agreement as a short and concise overview. Therefore, this benchmark will be subject of further discussion with the EC. Regional and local governments, as well as social partners, civil society organisations and equality bodies must be involved in the preparation of partnership agreements and programmes and take part in the programmes' implementation through the monitoring committees. The European Code of Conduct on Partnership continues to apply.

3. **Montenegro provides a detailed plan and timetable for the finalization of its PA and for the preparation and finalization of the Operational Programme. This plan should include information on how and at which level Montenegro intends to organise the programming process and on the precise role and tasks of all the institutions involved at national and at regional/local level.**

In addition to submitting the first draft of the Partnership Agreement, the European Commission expects Montenegro to submit a detailed plan and schedule of activities for the completion of the Partnership Agreement and for the preparation and completion of the Operational Programme. The operational programme defines in more detail the policy goals and measures within which the projects will be financed through ESI funds. Considering that a significant part of the financial support of the ESI Funds will be directed to needs in the field of infrastructure, as part of the preparation of the Operational Programme, Montenegro regularly updates the already prepared and adopted Single Pipeline of Priority Infrastructure Projects, which contains projects identified in accordance with national strategies. In addition, it is necessary to define a list of priority infrastructure projects important for financing during the first seven-year period of use of European structural and investment projects, so that the project documentation required for their implementation could be prepared in time. **The future Managing Authority(ies) will coordinate the preparation of the Operational Programme(s), with the active participation of all interested parties and based on the strategic priorities defined by the Joint Strategic Framework and the Partnership Agreement**. The practice of the member states indicates that the preparation of the programme, in consultation with the European Commission, until the adoption of the document, takes about two years, with the fact that the preparation can begin immediately after defining the priorities in the Partnership Agreement.

4. **Montenegro adopts an institutional set-up for implementing EU Cohesion policy, including the formal designation of institutional structures (with specific tasks and responsibilities) for the Operational Programme. This will include Managing Authority, Certifying Authority and Audit Authority, as well as intermediate bodies where appropriate and already identified. Adequate separation of functions between relevant institutions needs to be ensured.**

The biggest and most important challenge within this chapter relates to the fulfilment of this benchmark, i.e. to the establishment of a functional institutional structure for the management of ESI funds and its formal accreditation. This implies the establishment of all bodies necessary for the management of ESI funds, defining the necessary procedures, preparation of programme documents and formal accreditation by the European Commission.

In accordance with the Regulation (EU) 2021/1060, Montenegro shall identify for each programme **a managing authority and an audit authority**. The managing authority may identify one or more intermediate bodies to carry out certain tasks under its responsibility, while ensuring that the principle of separation of functions between and within the programme authorities is respected. Montenegro may set up a **coordination body** to liaise with and provide information to the Commission and to coordinate activities of the programme authorities.

The **managing authority** shall be responsible for managing the programme with a view to delivering the objectives of the programme. In particular, it shall have the following functions: (a) select operations; (b) carry out programme management tasks; (c) support the work of the monitoring committee in accordance with Article 75; (d) supervise intermediate bodies; (e) record and store electronically the data on each operation necessary for monitoring, evaluation, financial management, verifications and audits. The **accounting function** may be entrusted to the managing authority or to another body.

The **audit authority** shall be responsible for carrying out system audits, audits on operations and audits of accounts in order to provide independent assurance to the Commission regarding the effective functioning of the management and control systems and the legality and regularity of the expenditure included in the accounts submitted to the Commission.

Upon discussion with all relevant stakeholders and within the Working Group for Chapter 22, Montenegro will decide about the future institutional structure for the management of ESI funds, which will be included in the revised Action Plan.

5. **Montenegro adopts individual organisational development strategies for all key organisations involved in the management/implementation of future ESI Funds (including the strengths, weaknesses, opportunities and threats analysis, training needs assessment, staffing plans, training/capacity building plan) as well as an overall institutional development and capacity building/training strategy, based on an adequate risk assessment of all bodies involved (including beneficiaries where already identified).**

This benchmark refers to the need to strengthen administrative capacities in the future management system. The nature of the activities is such that it is not possible to implement them before the establishment of the institutional structure. In addition to the currently developed capacities for the implementation of IPA, it is necessary to: 1) Engage additional capacities in the bodies that will manage ESI funds. However, a precise assessment of the additional necessary capacities will be carried out as part of the **assessment of the workload for the bodies** that will be designated for the management of the ESI funds. Based on the conclusions of this assessment, an appropriate plan for the employment of new employees will be drawn up and adopted; 2) Adopt organizational development strategies for bodies that will be included in the ESI funds management system and define an adequate human resource management policy. This policy will also include **a staff retention policy** (based on the current policy applied to the IPA structure) and a system of career planning in the structures, since these aspects are recognized as key elements for establishing a sustainable and efficient basis of administrative capacity for the successful use of ESI funds; 3) Conduct an analysis of training needs and prepare a comprehensive training plan for officials involved in the management structure, which will be continuously implemented. The mentioned measures will ensure the constant strengthening of capacities and the readiness of structures for the operational functioning of the ESI funds management system; 4) Adopt **a recruitment plan** that will be gradually implemented through the engagement of additional administrative capacities in order to fill the identified vacancies in the bodies/institutions that will be involved in the financial management and control of ESI funds. Finally, accompanying manuals and regulations must be prepared for all bodies under the future management system.

Effective management and use of EU funds require that all actors involved, i.e. the entire cohesion policy ecosystem, have sufficient capacity to fulfil their roles. To obtain this it is important to adopt a strategic approach to capacity building, i.e. to analyse the state of play, and identify weaknesses, measures on how to address them and actors responsible for implementing them. Member State administrations managing EU funds can do this by developing **'Roadmaps for Administrative Capacity Building',** a novelty introduced for 2021-2027. The European Commission services prepared a toolkit aiming to provide inspiration for Member State administrations seeking to develop roadmaps for building their administrative capacities to facilitate programme implementation. This could provide the basis for guidance to Montenegro while preparing and implementing the Action Plan for Chapter 22.

6. **Montenegro provides to the Commission a detailed plan and timetable with regard to the setting up of a monitoring and evaluation system, including the set-up of an electronic Management and Information System (MIS).**

The last benchmark refers to the monitoring and control system in the ESI funds management system, which will be largely based on the experiences gained during decentralized, indirect and shared management of IPA funds and capacities built during the pre-accession period. In order to establish an effective monitoring system, it is necessary to prepare a detailed plan and schedule of activities related to the establishment of a monitoring and evaluation system, including the establishment of an electronic management and monitoring information system (MIS).

The electronic information system implies a more complex IT platform for managing funds from ESI funds that would be functionally adapted to the need for reporting and monitoring of ESI funds, with the definition of relevant standard reports that will help employees in management at the operational level when creating analyses and forecasts of various scenarios. Montenegro should also provide the appropriate resources necessary to evaluate the implementation of the programme through the engagement of internal or external experts who are functionally independent from the authorities responsible for the implementation of the programme.

5.1.3. Short CB analysis of the alignment with EU Cohesion Policy

Chapter 22 and the acquis related to this chapter will provide direct financial benefit after Montenegro's accession to the EU. Direct access to the European Structural and Investment Funds will create opportunities for Montenegro to use funds for concrete projects, which, based on the experience of other member states from recent enlargement cycles, are on **average 6-10 times higher** than the amount of the annual IPA allocation during the pre-accession period.

The funds available through **the ESI funds amount up to 4% of the GDP of the beneficiary country** on an annual basis. In the case of Montenegro, these funds will be used to implement significant development projects in different areas.

If we have in mind the multiplying effect of investments on gross domestic product and general economic development, it is clear that such a significant inflow of investments from ESI funds (along with the positive effects of membership that we will have in other chapters) will have an impact on the intensification of the economic growth rate in Montenegro in the post-accession period. The experiences of the member states from previous enlargement cycles show that this increase in GDP amounts to about 5%.

By implementing the European legislation and policy related to this chapter, Montenegro after membership in the EU, will be able to use European structural and Investment Funds in an amount that is about 6-10 times higher than in the period before membership, all with the aim that Montenegro improve the infrastructure, the competitiveness of the economy, human resources, the quality of life of citizens and become better connected with the rest of the European Union.

Based on experience of member states from recent enlargement waves, indicative calculation of possible allocations for Montenegro under cohesion policy instruments has been made based on **amount of funds received during pre-accession period and key macroeconomic indicators** that include the following:

Table 12. Value of key inputs for calculation of allocations of EU funds and national contributions under ESIF

GDP amount in PPP, for base year 2022 (MEUR)	5.924
average annual inflation	13%
economic growth rate	6%
Accumulation index	1.02

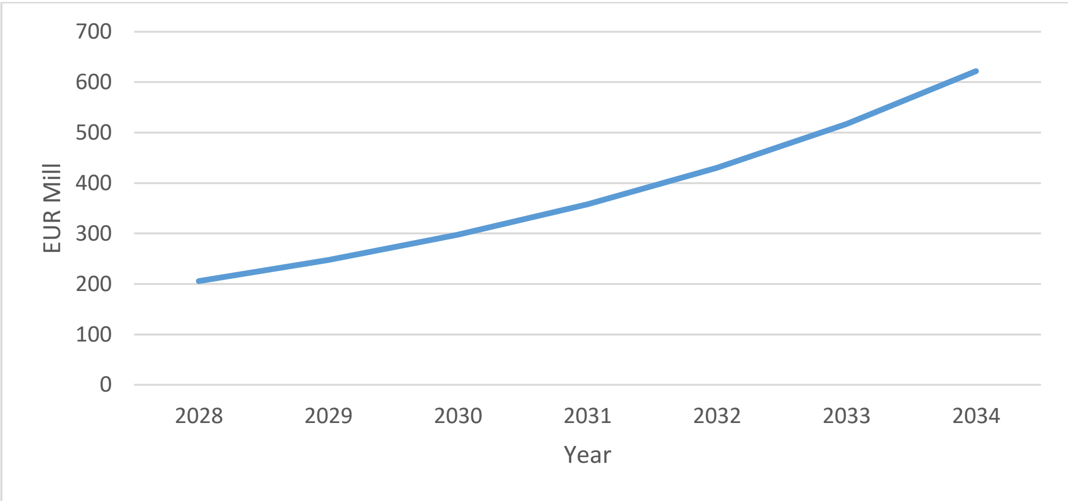
Based on these specific values, the following amounts in MEUR for the seven-year period are calculated, assuming that Montenegro **would have access to structural instruments as of 2028**:

Table 13. Value of indicative allocations of EU funds and national contributions under ESIF

	2028	2029	2030	2031	2032	2033	2034	SUM
EU	205.92	247.58	297.67	357.90	430.31	517.37	622.05	**2678.82**
National	36.33	43.69	52.53	63.15	75.93	91.30	109.77	**472.73**
TOTAL	**242.26**	**291.27**	**350.20**	**421.06**	**506.25**	**608.67**	**731.82**	**3.151.563**

Also, assuming that gradual capacity building and nature of project cycle would require that majority of consumption of EU funds would be made in the second half of programming period, gradual increase of annual allocation would be an added value, as follows:

Graph 1. Assessment of annual allocations for ESIF in Montenegro



On the other hand, overall costs related to future implementation of structural instruments is mainly composed out of costs related to functioning of the structure for future management of funds. Provided that the amount of funds will be several times multiplied compared to pre-accession period, it is expected that **initial number of people employed in the management structure** will have to be at least **five times bigger** than during the period before membership, with gradual increase during the first financing perspective after membership.

Having in mind that **current number of staff in IPA structure (including IPARD) is approx. 220**, the indicative overall number of employees for the seven-year period after membership, with related costs could be the following:

Table 14. The indicative overall number of employees for the seven-year period after membership

Year	N	N+1	N+2	N+3	N+4	N+5	N+6	Total
Number of employees	726	798	877	965	1061	1167	1238	
Unit cost per employee	16,000	16,800	17,640	18,522	19,448	20,420	21,441	
Total cost	11,616,000	13,406,400	15,470,280	17,873,730	20,634,328	23,830,140	26,543,958	129,374,836

Based on the outcome of assessment of the overall cost, it can be concluded that indicative positive net balance between overall allocation of EU funds and costs of "maintenance of the system" can be up to EUR 3 billion, which is the best argument to promote the importance of investing in preparation and establishment of future system for cohesion policy instruments in Montenegro.

5.2. The Roadmap from the Economic Reform Programme of Montenegro towards the EU Economic Governance

dr Nina VUJOŠEVIĆ[22]

Abstract

The EU economic governance framework refers to the system of institutions and procedures established to coordinate economic policies to achieve its objectives. This analysis presents Montenegro's ERP exercise experience from 2015 to 2024 to strengthen its economic governance in the EU accession process and prepare it for the European Semester. Over the last ten years of the ERP exercise, Montenegro has strengthened its capacities for EU economic governance. At the same time, Montenegro's GDP per capita converged significantly with the EU one. Although the ERP exercise contributes to Montenegro's progress in the Stabilization and Association Agreement (SAA) implementation as a bilateral agreement with the EU, it is obvious that the EU in recent years has encouraged more regional approaches or regional economic integration as a part of the EU accession process. The last confirmation of that is the EU Growth Plan for the Western Balkans. Although there is an expectation that the Growth Plan might contribute to Montenegro's reforms implementation on its EU path, this analysis is looking at the Growth Plan from a different perspective. It raises a question of whether the EU path of Montenegro might be slowed down or substituted by further deepening of regional integration. According to the EC Communication on the New Growth Plan of WB6 published in November 2023, the EC intends to propose amendments to the Western Balkan countries SAAs so as to introduce a mechanism that would allow the SAA bodies to extend the rights and obligations of the EU acquis to the Western Balkans, once conditions are met. This process might also include agreements complementing the SAAs and would build on existing work in the Common Regional Market (CRM) where the Western Balkan countries are integrating among themselves. How will Montenegro resume its EU integration and economic governance strengthening for future participation in the European Semester in parallel with the CRM deepening? Bearing in mind the change of the EU focus from ERP to the recently proposed New Growth Plan for WB6, or moving away from a national ERP exercise to the regional approach, it might be challenging to accomplish a better preparedness of Montenegro towards the EU economic governance.

Key words*: Economic Integration, Economic Governance, Economic Reforms, ERP, Growth Plan*

5.2.1. Introduction

The economic governance framework is the system of government institutions and independent regulators that steer the economy toward achieving its development objectives. With the Maastricht Treaty from 1992, the EU established the architecture of the economic and monetary union as a prelude to the creation of the euro. The framework aims to monitor, prevent, and correct economic trends that could weaken national economies or negatively affect EU countries[23].

The elements of the current framework are the Stability and Growth Pact and the national budgetary frameworks, the macroeconomic imbalance procedure, the European Semester for economic and employment policy coordination, and the framework for member states faced with serious difficulties regarding their fiscal and financial stability.

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[23] https://www.consilium.europa.eu/en/policies/economic-governance-framework/

Figure 14. Timeline: The Evolution of the EU Economic Governance

1992- ECU Member States sign the Treaty of Maastricht

1997- 1999.The 'Stability and Growth Pact' is born/preventive and corrective arms entered into force

2005-amending the 'Stability and Growth Pact' enabling it to better consider individual national circumstances

2010-Kick-off first 'European Semester'

2011- EMU Six Pack

Source: EC;

The annual cycle of policy coordination starts in November. The EU governments present to the Commission by the end of April their National reform programme; Stability programme: a three-year budget plan for euro area countries, or Convergence programme: a three-year budget plan for non-euro area countries. The programmes contain specific reforms of each country to boost economic growth and follow the EU country-specific recommendations. The cycle ends in October of the following year, when the countries draft and submit their budgetary plans which include country-specific recommendations given by the EU and adopted by the Council[24].

The EU started its economic governance review in 2020 to strengthen its existing rules regarding budget discipline, alignment with the rules of the Pact for Stability and Growth, deeper coordination in the area of fiscal policy, monitoring of macroeconomic imbalances and trends in competitiveness, as well as procedures for crisis management in the EMU. In February 2024, the European Parliament and the Council agreed on the EU's economic governance framework reform which is the most comprehensive one since the economic and financial crisis.

5.2.2. The EU Economic Governance Reform and the Enlargement Countries

The EU encourages "The **fundamentals first approach"** in the enlargement process by strengthening macroeconomic stability and carrying out structural reforms to overcome obstacles to competitiveness and growth. It continuously strengthens its economic governance exercise with the candidate and potential candidate countries to prepare them for their participation in the European Semester, once they become an EU member.

Since 2015, Western Balkan countries and Türkiye have been developing annual **Economic Reform Programmes (ERPs).** ERP is an expanded version of the previous Pre-Accession Economic Programme for candidate countries, containing their medium-term macroeconomic and fiscal policy frameworks and comprehensive structural reforms. In other words, it outlines medium-term macroeconomic, and fiscal projections with budgetary plans for the next three years. It also includes a section with an overview of the main structural obstacles to competitiveness as well as sustainable and inclusive growth at the national level followed by a set of structural reforms aimed at addressing the main challenges identified in the analysis. The EU Guidelines related to ERP's chapter on structural reforms have been modified several times over the years. According to the most recent EC Guidance for the ERP 2024-2026[25] of candidate countries and potential candidates, the reforms are assigned to the three main areas:

[24] https://commission.europa.eu/business-economy-euro/economic-and-fiscal-policy-coordination/european-semester/european-semester-timeline/national-reform-programmes-and-stability-or-convergence-programmes_en

[25] EC Guidance for the Economic Reform Programmes 2024-2026 of candidate countries and potential candidates

Competitiveness; Sustainability and Resilience; Human capital, and social policies. Those three areas covered in ERPs encompass 13 structural dimensions as follows:

- **Competitiveness: (**i) Business environment and reduction of the informal economy; (ii) State-owned enterprises; (iii) Economic integration reforms; (iv) Agriculture, industry and services; (v) Research, development and innovation.
- **Sustainability and resilience:** (i) Green transition; (ii) Digital transformation; (iii) Energy market reforms; (iv) Transport market reforms.
- **Human capital and social policies:** (i) Education and skills; (ii) Employment and labour markets; (iii) Social protection and inclusion; (iv) Healthcare.

The ERP annual exercise begins in May or June every year since 2015, and the ERP is being submitted to the EC by the end of January next year.[26] After that, the European Commission and the European Central Bank (ECB) both make assessments of the ERPs. The ERP assessment is submitted to the Council of Ministers for direct discussions within the economic and financial multilateral dialogue.

Seven candidate and potential candidate countries participate in a **multilateral dialogue** meeting with the Ministers of Finance of the EU Member States, the EU, and the ECB on an annual basis. "The participants adopt Joint Conclusions with country-specific policy guidance for each of the countries outlining economic policy priorities for the coming 12 months. The policy guidance passes through preparatory multilateral discussions in the Council of Ministers over a month. These discussions occur in parallel in the Economic Policy Committee, the Employment Committee, and the Economic and Financial Committee. The Commission and ECB assessments of the ERP form the basis for these discussions (EC, 2024)."

ERP assessment is very relevant for **the EC's Country Report** for each enlargement country. It refers to Communication on EU Enlargement policy and measures the progress enlargement countries make on their EU path. In other words, ERP assessment is relevant in assessing whether the country made recent progress toward fulfilment of economic criteria. This is reflected in the EC's Report on Country which includes developing a functioning market economy and its preparedness to cope with competitive pressure and market forces within the EU. ERP assessment is an important part of the monitoring of the enlargement country's SAA implementation.

Bearing in mind that the EU enlargement process has stalled in the last ten years, efforts such as the Berlin Process[27] have been launched outside the EU's official enlargement policy. The aim was to move the enlargement process forward by enhancing high-level cooperation between the WB6. As a part of the Berlin Process WB6 economies, and based on the Central European Free Trade Agreement (CEFTA)[28], the leaders of WB6 endorsed the Multi-annual Action Plan on a Regional Economic Area in the Western Balkans (MAP) at the Berlin Process Summit in 2017 in Trieste, Italy. To resume the process of regional economic integration as a stepping stone towards the EU Single Market, the leaders of the Western Balkans Six, endorsed **the Common Regional Market (CRM) 2021-2024 Action Plan** at the Berlin Process Summit held in 2020 in Sofia[29]. The idea was to foster regional economic integration to boost countries' readiness for the EU single market. However, because WB6 economies are at different stages of their accession process, it turned out that some Western Balkan countries that are advanced in their EU accession process (e.g. Montenegro) were fostering integration with the countries of the region with a lower level of

[26]An exception was the ERP 2024-2026 development because the submission deadline was January 15, 2024.
[27] An intergovernmental cooperation initiative that includes a coalition of ten EU countries working together with WB countries for their development. Established in Berlin in 2014 by Austria, Croatia, Germany and Slovenia at the Conference of Western Balkan States. Subsequently, France, Italy, the UK, Poland, Greece, and Bulgaria joined the initiative;
[28] Central European Free Trade Agreement;
[29] Regional Cooperation Council (2017 and 2020);

alignment of their legal framework with the EU acquis in some specific areas[30], which makes them waiting for other countries to make progress in their EU paths. Also, the EU developed various financial instruments to support regional economic integration, as complementary to the accession process of each country. These instruments were complementary to IPA assigned to enlargement countries. One of the instruments was the Economic and Investment Plan for the Western Balkans which amounted to EUR 30bn.

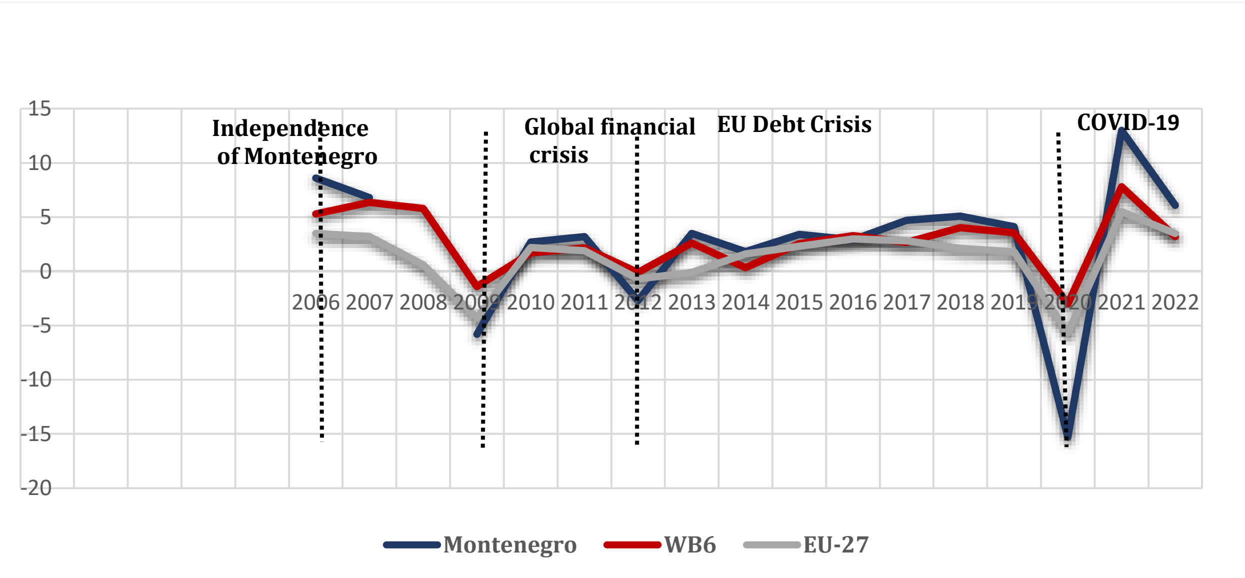
If compared, the ERP process is strongly linked with the Western Balkans and Türkiye's SAAs, while the initiatives toward regional economic integration such as CRM or the Growth Plan for WB6 do not have such a legal binding.

5.2.3. Economic Reform Programme Exercise in Montenegro for a Better Economic Governance

Montenegro ratified its SAA with the EU in 2007 and it entered into force in 2010. The same year, Montenegro opened its EU accession negotiation with the EU. Over eight years (2012-2020), Montenegro opened all 33 chapters and provisionally closed three of them. According to the EC's Report for Montenegro in 2023, Montenegro accepted the revised enlargement methodology focusing on: fundamental reforms, stronger political steer, increased dynamism and predictability of the process. Montenegro continued to broadly implement the SAA and meetings of the joint bodies under the agreement took place at regular intervals.

Although faced with two recessions since 2012 (see graph 1), Montenegro's GDP per capita converged significantly with the EU one, achieving 50 percent of the EU average in 2022[31] compared to around 40 percent in 2010. In 2022, Serbia's GDP per capita was on the level of 44 percent of the EU average, North Macedonia's on the level of 42 percent of the European average, Bosnia and Herzegovina's on the level of 35 percent, and Albania's on the level of 34 percent of the European average.

Graph 2. GDP growth rates in Montenegro, WB6, and the EU27

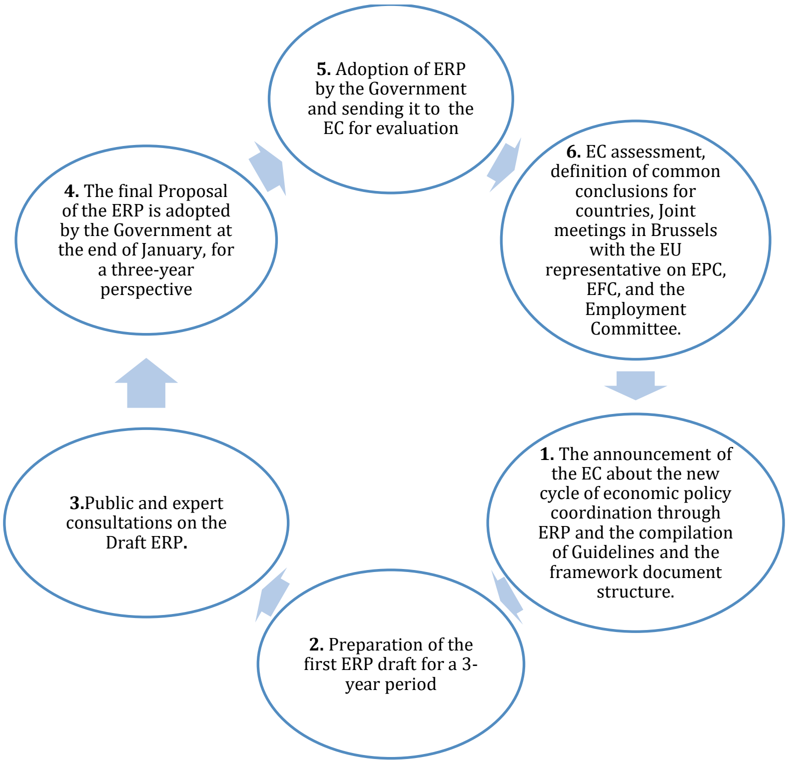


Source: Government of Montenegro, Informal Economy Suppression Programme, 2024-2026

[30] Example of that is ratification of the all three Common Regional Market agreements on the freedom of movement based on identity cards, on recognition of professional qualifications for regulated professions, and on recognition of academic qualifications, by the Parliament of Montenegro in December 2023;
[31] Based on the first estimates of the Eurostat;

Similar to other Western Balkan economies and Türkiye, Montenegro began the ERP annual exercise with the EU to strengthen candidate and potential candidates' economic governance and prepare them for the European Semester. The ERP annual exercise process in Montenegro is depicted in the following graph.

Graph 3. The ERP annual cycle



Source: Djurovic G. (2024). An e-Learning tool for students;

Montenegro's ERP has been developed annually since 2015 and outlines the medium-term macroeconomic and fiscal policy frameworks and comprehensive structural reforms. ERP has been developed as a part of the wide consultation process and by the Joint Conclusions of EU and Montenegro with country-specific policy guidance for the coming 12 months. Looking back, Montenegro on average implemented around 50 percent of the EU recommendations through its annual ERP exercises.

Recently adopted ERP (2024-2026), outlines macroeconomic and fiscal frameworks with the GDP real growth projections of around 3 percent over the three-year horizon, while the fiscal deficit has been forecasted to achieve under 3 percent of GDP by 2026. ERP 2024-2026 outlines a comprehensive structural reforms agenda with 6 structural reforms in the areas of Competitiveness; Sustainability and resilience, and Human Capital and Social policies.

The EC's Montenegro 2023 Report[32] leans a lot on ERP in the part related to **Cluster 1**[33]-The fundamentals. It is related to public administration reforms and includes an assessment of some structural reforms outlined in ERP 2023-2025. Furthermore, the largest part of chapter 2.3 of the EC's 2023 Report for Montenegro, or more specifically sub-chapters 2.3.1 The Existence of a Functioning Market Economy, and 2.3.2. The capacity to cope with competitive pressure and market forces within the EU is described in the EC's assessment of Montenegro ERP 2023-2025 in a way to point out the progress made in implementing ERP recommendations provided by the

[32] https://www.eeas.europa.eu/sites/default/files/documents/2023/SWD_2023_694%20Montenegro%20report.pdf
[33] Accession negotiations include 6 clusters;

EU to Montenegro in 2022. In addition, EC's ERP assessment report became one of the crucial documents for the joint bodies under the Stabilization and Association Agreement in their regular intervals meetings. The EU recommendations regarding the ERP are regularly considered in a Subcommittee[34]Meeting for Economic and Financial Issues and Statistics between Montenegro and the European Commission.

Looking backward at the last few years' developments, although Montenegro is the only WB6 country that opened all 33 negotiation chapters, its EU negotiation process has been stalled amid political instability and delays in the reforms, Covid-19 outbreak, also by the EU's enlargement fatigue "which at this stage has neither a clear vision nor an ending point." In addition, the EU has drawn a lot of attention in recent years to good neighbourly relations and regional cooperation in country reports of Western Balkan six, and Montenegro among them. Montenegro maintains good bilateral relations with other enlargement countries in the region and with neighbouring EU Member States. Montenegro is engaged in several regional initiatives, such as CEFTA, the Energy Community, the Transport Community, the South-East European Cooperation Process, and the Regional Cooperation Council. All of them are with the focus to enhance regional economic integration, particularly through the development of a CRM. The regional integration process additionally became more relevant than the ERP exercise, particularly after the EC proposed the New Growth Plan for WB6 in November 2023, which at least temporarily left an ERP exercise in the shade. The first experience to support this claim is related to the fact that there was no DG NEAR mission to Montenegro in 2024 regarding the assessment of the ERP's 2024-2026 Chapter on Structural Reforms as it used to be every year since 2015. Instead of ERP Chapter 5- Structural Reforms, it is likely that Montenegro in the future will submit to the EC the "Reform Agenda" for the Growth Plan for WB6.

5.2.4. WB6 Growth Plan Exercise after a decade of annual Montenegro's ERP exercise

5.2.4.1. Growth Plan for WB6

EC presented in November 2023 a new Growth Plan for the WB6 to "accelerate the region's socio-economic convergence with the EU by deepening regional integration through the regional common market and gradually bringing the Western Balkans into key areas of the EU single market" (Commissioner Varhelji, 2024). According to the Communication from the Commission[35], "a new Growth Plan for the Western Balkans is based on four pillars, aimed at:

1) Enhancing economic integration with the European Union's single market,
2) Boosting economic integration within the Western Balkans through the Common Regional Market,
3) Accelerating fundamental reforms, including on the fundamentals cluster,
4) Increasing financial assistance to support the reforms through a Reform and Growth Facility for the Western Balkans.

As part of this growth plan, the EC invited every Western Balkan country to prepare a **Reform Agenda** for the new Instrument - Reform and Growth Facility. The initial idea was to invite the WB6 countries to prepare its Reform Agenda for the WB6 Growth Plan based on "existing recommendations including from the annual Enlargement Package and the "conclusions of the Economic and Financial Dialogue, based on the countries' **Economic Reform Programmes**

[34] As a part of the SAA implementation, there has been established a Stabilization and Association Committee, seven subcommittees, and a PAR Special Group as joint bodies that meet at regular intervals

[35] European Commission (2023): "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions"- new Growth Plan for the Western Balkans, 2023, Brussels

(ERP).” However, the process of drafting the Reform Agenda on the country level started much before the ERP 2024-2026 was submitted to the EC.

The medium-term Reform Agenda for the WB6 Growth Plan will identify a limited set of priority reforms. Upon achievement, the funds will be released from the **Reform and Growth Facility** according to a predetermined timeline. The new Reform and Growth Facility includes EUR 6 billion to WB6 out of which non-repayable support (up to EUR 2 billion) and loans (up to EUR 4 billion). The payment will be conditioned on the Western Balkans' partners fulfilling fundamental reforms, and in particular specific socio-economic reforms. Based on the allocation key, available funds in Montenegro might absorb amounts up to EUR 413 million of that amount[36]. Most of that would be related to loans, so the fiscal impact assessment of proposed reforms should be an important task of the Ministry of Finance.

The new Growth Plan for WB6 is small compared to the previous EC's Economic and Investment Plan for the Western Balkans which amounted to EUR 30 bn. This plan "was five times bigger and we know it didn't achieve anything substantial, so why should we expect the new growth plan to achieve anything?" (Jovanovic B, WIIW, 2024), is just one of the questions raised concerning the new WB6 Growth Plan.

As far as the ERP process is concerned, Montenegro submitted its ERP 2024-2026 in January 2024 to EC. The meetings as a part of ERP's assessment process were held in February 2024 with the DG ECFIN representatives on macroeconomic and fiscal frameworks proposed in ERP. There were no meetings with DG NEAR representatives in the ERP 20204-2026 exercise, as it used to be in previous years. Although EC emphasized in its document on Communication the New Growth Plan for the Western Balkans in November 2023 that the **Reform Agenda for the Reform and Growth Facility** will be prepared "based on the countries' **Economic Reform Programmes (ERP)"** it is obvious that the structural reforms chapter **will probably no longer be in the ERP**. This chapter will outline reforms for the Reform Agenda as an input for the WB6 Growth Plan similar to those in ERP: business environment (competitiveness), energy sector reform and green transition (sustainability, and resilience), and education and skills. An additional area to be covered by the Reform Agenda relates to fundamental reform, including the rule of law to become a part of the WB6 Growth Plan.

Accordingly, the question to raise is whether the EC, particularly DG NEAR **moves away from bilateral economic dialogue with Montenegro through the ERP and substitutes it with a regional one**. There is some evidence to support this claim.

1. The EC emphasizes a regional approach to its Communication on the New Growth Plan for WB6, referring to the WB6 as the region. There is no Growth Plan for individual countries. Although Western Balkans is a geographical area or western region of the Balkan Peninsula, and not a formal group of countries, the EU within the Berlin Process emphasizes more focus of its enlargement policy towards Western Balkans as a region and encourages regional integration of six WB countries. This was not the case, at least not to this extent, with the Visegrad Group or other geographical regions that are today a part of the EU. In its previous enlargement phases, the EU prepared its documents for the enlargement of individual countries, not for geographical regions. Even in the largest-ever enlargement in 2004 which included Malta, Cyprus, and ten Central European countries, the EU didn't have such an approach. There was only a CEFTA agreement in force, fostering regional cooperation in the free trade zone. The EU didn't foster deeper integration of central European Countries at that time apart from CEFTA as the EU does with the Western Balkans enlargement countries.

[36] Ministry of European Affairs;

2. At the Sofia Summit in 2020, WB6 prime ministers endorsed the Common Regional Market (CRM) AP for 2021-2024 "as a catalyst for deeper regional economic integration and a stepping stone towards EU Single Market". The CRM targeted actions are in four key areas: (i) regional trade area: free movement of goods, services, capital, and people; (ii) regional investment area, (iii) regional digital area, and (iv) regional industrial and innovation area. The CRM envisages deeper regional integration towards the common market, but based on the EU rules and principles. That means that WB6 countries might have to lead an economic policy toward establishing a regional common market[37], based on the EU principles and standards, which might drive them away from their bilateral dialogue with the EU. A Common market in other words means that the country might transfer a part of its economic policy's autonomy to the supranational level/institutions established within the common market.
3. The confirmation that the EU bilateral dialogue with Western Balkans countries might be substituted with EU dialogue with the WB6 as a region is given in the following excerpt from the EC Communication on the Growth Plan for the WB6, published in November 2023 that says: "**Completing the work to which the six partners have committed in the context of the Common Regional Market will be a necessary precondition for closer integration with the single market."** The EC furthermore points out that "the EU will provide **substantial opportunities for integration in the EU's single market only if the region delivers on regional economic integration**. Partners that are not fully committed to the Common Regional Market or impede the implementation of the Common Regional Market Action Plan **cannot expect to benefit from the growth plan in terms of opportunities for single market integration".** In other words, this might be read as a conditionality for Montenegro.
4. Furthermore, the EC offers seven priority areas[38] for integration within the CRM, based on its own merits and also subject to prior alignment on EU acquis in each specific area. With the Growth Plan for the WB6, the EC intends to propose amendments to the SAAs so as to introduce a mechanism that would allow the SAA bodies to extend the rights and obligations of the EU acquis to the Western Balkans, once conditions are met. Also, to improve custom and tax cooperation in the CRM, the EC proposes "**agreements complementing the SAAs and would build on existing work in the Common Regional Market where the Western Balkan partners are integrating among themselves based on EU rules**". In other words, the SAA framework as a basis for the bilateral dialogue between the EU and Montenegro, might be modified for deeper regional integration within the WB6 CRM.

5.2.4.2 Draft Reform Agenda proposed by Montenegro for the WB6 Growth Plan

According to the EC Initiative on the Growth Plan, Montenegro prepared a proposal of reform measures for four years, identified in the context of the Growth Plan for the WB6. The reforms are assigned to the four crucial areas: (i) Business environment and private sector development; (ii) Digital and energy/green transition; (iii) human capital, and (iv) rule of law. The first draft of Montenegro's Reform Agenda for the WB6 Growth Plan outlined 61 reform measures in those areas[39] in December 2023. The measures are envisaged to be implemented to release funds from the Reform and Growth Facility in the form of credit, on the grant for approximately EUR 413 million that can be allocated for Montenegro out of the EUR 6 billion for the WB6. Following this process, the prime minister with other Western Balkan countries leaders signed a joint

[37] According to economic theory, there are seven stages of economic integration: a preferential trading area, a free trade area, a customs union**, a common market**, an economic union, an economic and monetary union, and complete economic integration. A common market

[38] (i)Free movement of goods; (ii) Free movement of services and workers; (iii) Access to the Single Euro Payments Area (SEPA); Facilitation of Road transport; (iv) Facilitation of Road Transport (v) Integration and de-carbonization of Energy markets; (vi) Digital Single Market (vii) Integration into industrial supply chains.

[39] Government of Montenegro, The first proposal of the Reform Measures for the GP WB6, December 2023

declaration at the conference "Growth Plan: Western Balkans and the EU" in Skopje, North Macedonia in January 2023. The Declaration contains commitment towards the GP for WB6 implementation, committed to the preparation for the ambitious successor of the current Action Plan for CRM. At the same time, based on the annual economic dialogue with the EC, Montenegro drafted structural reforms for ERP 2024-2026. In other words, **Montenegro parallelly carried out two processes of drafting structural reforms according to the communication with the European Commission**. One process was led by the Ministry of Finance on drafting the Chapter on Structural Reforms for Chapter 5 of ERP and another one was led by the Ministry of European Integration to draft the Reform Agenda for the WB6 Growth Plan. Moreover, there was a vast difference between the substance of the reforms proposed in those two documents.

Having in mind the above mentioned, there are more challenges for Montenegro to overcome to accelerate its further EU accession negotiation process and economic governance strengthening.

First, **Montenegro does not have enough administrative capacities for the EU accession negotiation process**, and the focus of the government should be to complete the new negotiation structure and accelerate the process of closing the negotiation chapters to become a member of the EU single market. Therefore, its administration should not be distracted by ad hoc initiatives for deeper regional integration, particularly if they slow down Montenegro's accession to the EU.

Second, Montenegro should **carefully consider all proposals to amend SAA or sign any CRM related agreement that should be ratified in the Parliament**, if it might slow down the EU accession negotiation process.

Third, Montenegro's authorities should be very caucus in the ongoing process of **drafting the new CRM Action plan for the WB6** to avoid any action that may slow down its EU accession negotiations process. The authorities have to negotiate the new CRM AP to make it aligned with CEFTA and the existing SAA framework relevant to accelerate Montenegro's EU accession process.

Fourth, as the EC changed its approach regarding the ERP annual exercise in part of the structural reforms, **Montenegro should stick to its reform agenda stemming from the ERP and national and EU strategic documents**. Drafting the Reform Agenda for the regional Growth Plan might not be the best way forward compared to the bilateral dialogue with the EU.

Fifth, it is important to bear in mind that the reforms envisaged to be a part of the new GP for WB6 will be mostly financed through loans. The question is why Montenegro should increase its public debt to finance the regional Growth Plan. What out of the allocated amount would be **investment-related**? Is that a priority, if one knows that the EC requires Montenegro to have a sound fiscal policy and respect fiscal rules for fiscal deficit and public debt, as well as the importance of assessment of the fiscal impact of structural reforms submitted through the ERP exercise?

Sixth, Montenegro should reconsider **coordination of the economic integration process at the highest level**, and assign it to the Prime Minister's office, which can oversight the work of the following ministries: European affairs, foreign affairs, finance, economic development, energy and mining, transport, and maritime, labour and social policy, which have the most workload in the EU accession negotiation process as well as in the responding to different initiatives to deepening integration of WB6. This approach might contribute to avoiding overlapping in processes without clear internal communication on the alignment of those processes. This is the only way forward to increase efficiency, align the government's actions on the EU path, and remain consistent in accomplishing the country's goal of becoming an EU member state.

Should there be no clear reform path and internal consensus in the country about the reforms, and if Montenegro is further distracted with different initiatives about regional integration that drive the country away from the EU negotiation process, Montenegro will again get stuck in this process. This can be followed by fatigue and disappointment of citizens when it is about EU integration.

5.2.5. Conclusions

Over the ten years of the annual ERP cycles, Montenegro strengthened its capacity in economic governance and opened all chapters in the EU accession negotiation. More importantly, Montenegro's GDP per capita, even after the recession in 2020, significantly converged with the EU average, achieving 50 percent of the EU GDP per capita in 2022. This makes Montenegro the closest to the EU when it is about the state of play of its European integration process as well as the level of its development compared to the rest of WB6. Montenegro implemented its ERP reforms over the years to about **50 percent of the plan**, and the ERP proved to be important in the improvement of the EU – Montenegro economic dialogue, SAA implementation, and reforms towards fulfilling the economic criteria towards EU membership. However, based on the recent change of the EC/DG NEAR's approach, the ERP annual exercise will not be resumed in the format that prevailed in the last ten years.

Parallel to the bilateral economic dialogue with the EU, Montenegro became a part of different regional initiatives, particularly within **the Berlin process**, to foster an economic integration of the countries in the region. This was intensified with the endorsement of the CRM in 2020, and the adoption of the Economic and Investment Plan for Western Balkans 2021-2027. So far tangible results on this are limited. The last regional integration initiative[40] came from the EC with the EU Growth Plan for the Western Balkans. This time, the EC proposed five times less financial assistance to the WB6 through the Reform and Growth Facility and complementary to IPA, but the vast majority of that financing will be the loans. The EC also proposed some substantial changes in the bilateral relations with the WB6 countries to implement the WB6 Growth Plan. This includes potential modification of the countries' SAAs, as well as substitution of the countries' ERPs by Regional Growth Plan. Along with the WB6 Growth Plan implementation, the EC strongly encourages drafting the new WB6 CRM to "strengthen integration within the region, but also to pave the way and be a springboard for wider integration with the single market".

It is important for Montenegro that the new CRM Action Plan will not slowdown the country's EU negotiation path. Also, Montenegro should pay full attention to the negotiation of potential new agreements that might complement its SAA to avoid watering down its EU accession.

Montenegro's Reform Agenda should become a part of the WB6 Growth Plan, as EC replaced structural reforms chapter outlined in ERP with the previously mentioned reforms for the WB6 Growth Plan. In this process, Montenegro has to stick to its bilateral economic dialogue with the EU and reforms relevant to avoid any slowing down of its EU accession process. The country's EU path should not be jeopardized by potential inconsistencies or the EC approach changes when it is about the enlargement process. Moreover, Montenegro should carefully assess the fiscal impact of the proposed reforms for the WB6 Growth Plan and the necessity to increase its public debt in that regard. Moving the focus from national ERP exercise, to the regional one related to WB6 Growth Plan, might potentially erase country's accomplishments in economic governance reforms through the ERP annual exercise.

To summarize, the EU accession negotiation process should remain a top priority for Montenegro. It still has a chance to tie up some loose ends from the previous years, lay out its options for the most efficient way forward in closing more negotiation chapters in its EU accession process, and

[40] There were many initiatives coming from the WB6 countries, like the Mini-Schengen, Open Balkans, etc., which were not accepted by Montenegro

resume its economic and social convergence with the EU. Otherwise, if this process is slowed down by different inconsistent initiatives related to WB6 integration, Montenegro might waste its chance of becoming a part of the EU society in this decade or later.

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5.3. Survey results on programming, monitoring, and implementing IPA projects in Montenegro - investment in infrastructure and equipment

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Nina PERUNOVIĆ, MSc

The Instrument for Pre-Accession Assistance (IPA) is a tool by which the EU has been supporting the reforms through financial and technical assistance to the enlargement region since 2007, building up the capacities of the beneficiary countries in various areas. This support has been allocated so far through different IPA financial perspectives: IPA 2007-20013 (IPA I) with a budget of €11.5 billion; IPA 2014-2020 (IPA II) with a budget €12.8 billion; and IPA 2021-2027 (IPA III) with a budgetary envelope of €14.162 billion. Therefore, this assistance represents a valuable resource for the Western Balkan countries, particularly in the context of their journey towards the European Union membership. These funds, generously provided by the EU, serve as a supportive hand extended to candidate countries and potential candidates, aiding them in implementing necessary reforms and harmonizing their policies with EU standards.

In Montenegro, IPA funds play an essential role in bolstering the country's efforts towards EU accession. They serve as a catalyst for progress by financing a diverse array of projects and initiatives across key areas such as Institutional Capacity Building, Economic Development, Social Cohesion and Inclusion, Environmental Protection and Cross-Border Cooperation. In that sense, the success of use of EU funds for infrastructure and regional development in Montenegro can be assessed through various lenses, including the impact on socio-economic development, infrastructure improvements, alignment with EU standards, and overall progress towards EU integration.

To ensure the effective utilization of these funds and to provide stakeholders with valuable insights, a comprehensive analysis was conducted. This analysis aimed to assess the current state of administrative capacities, evaluate readiness for the successful use of IPA funds, with special focus on infrastructure and regional development, and offer valuable information to prospective beneficiaries of IPA funds regarding experiences and lessons learnt so far with regard to implementation of EU funded programs and projects. Therefore, by fostering transparency and enhancing communication with relevant institutions, this initiative seeks to further strengthen Montenegro's engagement in using available EU funds, ultimately contributing to the country's advancement on its path towards EU integration and successful use of European Structural and Investment (ESI) Funds, once, when Montenegro becomes an EU member state.

In this section, **a quantitative content research methodology survey** was employed. In order to evaluate the perception and experiences of respondents, research findings are presented according to target groups (institutions, as policy developers and beneficiaries of IPA funds), comparing experiences on some important issues. The research was conducted utilizing a sample size comprising a total of 42 surveys, broken down as follows:

- **20 representatives of institutions involved in programming and monitoring of the IPA funds** in Montenegro (representatives of Ministry of Economic Development, Ministry of European Affairs, Ministry of Transport and Maritime Affairs, Ministry of Tourism, Ecology, Sustainable Development and Northern Development, Ministry of Agriculture, Forestry and Water Management, Ministry of Health, Ministry of Public Administration, Ministry of Human and Minority Rights, Ministry of Interior, Ministry of Labour and Social Welfare, Ministry of Education, Science and Innovation, Ministry of Justice, Environmental Protection Agency, Ministry of Energy and Mining, Institute of

Public Health, Regional development agencies for Bjelasica, Komovi and Prokletije, and Project-Consulting - Procon);

- **22 beneficiaries of IPA funds related to investment in infrastructure and equipment** (mostly representatives of municipalities and their utilities, as well as representative of Ministry of Energy and Mining, Ministry of Education, Science and Innovation, Ministry of Health, Ministry of Public Administration, National parks of Montenegro, Environmental Protection Agency, Institute of Marine Biology, Railway infrastructure of Montenegro, Electric Transmission System of Montenegro, Port of Bar, Port of Kotor, Chamber of Commerce of Montenegro);

The survey was conducted and responses were collected utilizing the Google Forms platform. Subsequently, advanced data processing techniques were applied within the SPSS program, guaranteeing thorough analysis and robust interpretation of the collected data. Consequently, the findings presented in this chapter hold significant weight as valid indicators, contributing valuable insights to the scientific discourse. The 22 questions are designed to assess the overall application process and success in use of IPA funds, bureaucratic procedures, level of consultations, contribution to regional development, perceptions of infrastructure development, as well as opinions on the Growth Agenda for the Western Balkans. The obtained results (presented graphically and in tables) illustrate the assessment of the importance of administrative capacities for accessing EU funds and whether further strengthening of these capacities is necessary, with a focus on training and overall education of fund beneficiaries of EU funds.

Regarding representatives from various Montenegro's institutions involved in programming and monitoring of the IPA funds in Montenegro, as well as the beneficiaries of IPA funds, a graphical depiction is offered showcasing the domains within which they operate.

Figure 15. Representatives of institutions involved in programming and monitoring of the IPA funds in Montenegro

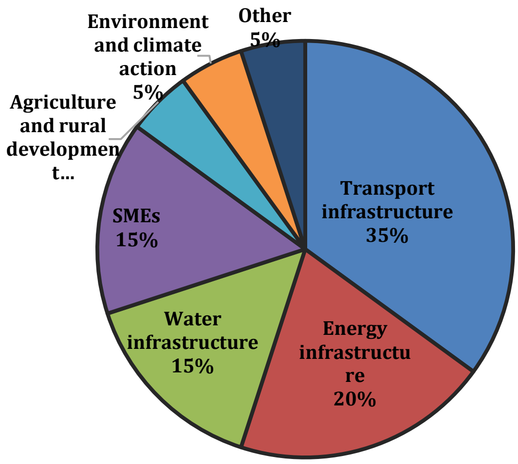
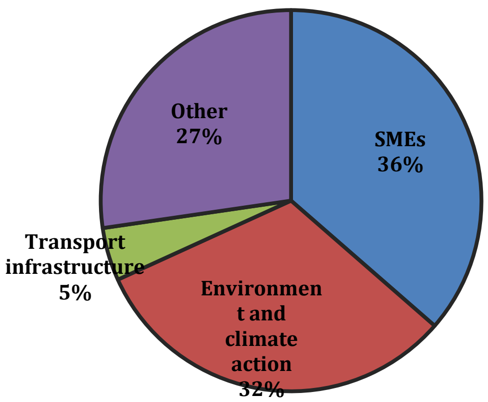


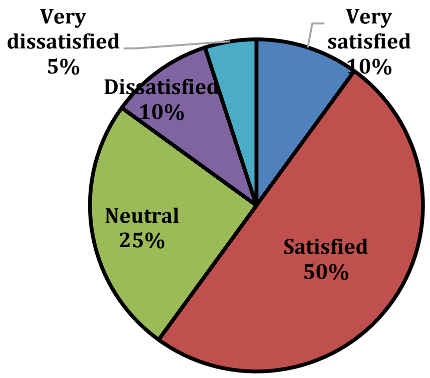
Figure 16. Representatives of beneficiaries of the IPA funds related to investment in infrastructure and equipment



5.3.1. Research with representatives of institutions

Among all respondents, 45% have coordinated 6 or more projects, 20% have coordinated 3-5 projects, while 35% have participated in coordinating 1-2 projects. When queried about their level of satisfaction with the accessibility of information regarding EU funds and financing opportunities available in Montenegro, respondents provided the following responses:

Figure 17. Level of satisfaction with the accessibility of information regarding EU funds and financing opportunities available in Montenegro

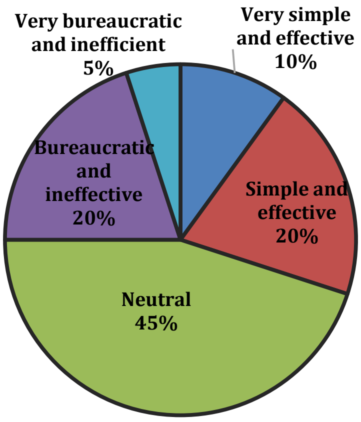


Notably, 10% expressed being "Very satisfied," indicating a high degree of contentment with the accessibility of information. A larger portion, constituting 50% of respondents, reported feeling "Satisfied," suggesting a generally positive perception of the information's accessibility.

Meanwhile, 25% remained "Neutral," indicating a lack of strong sentiment either way. However, a notable minority of 10% expressed being "Dissatisfied," signifying dissatisfaction with the available information. Finally, 5% reported feeling "Very dissatisfied".

Furthermore, the importance of bureaucracy in the EU funds application process cannot be understated. Bureaucratic procedures serve as the backbone of the application process, ensuring accountability, transparency, and fairness in the allocation of funds. While bureaucracy often carries a negative connotation, in this context, it plays a crucial role in upholding standards, regulations, and guidelines set forth by the EU. When it comes to Montenegro the responses illustrate diverse perceptions regarding the simplicity and effectiveness of the EU funds application procedure.

Figure 18. Perceived simplicity and effectiveness of the EU funds application procedure

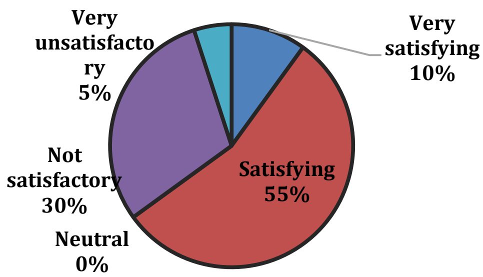


A minority, constituting 10% of respondents, viewed the process as "Very simple and effective". Meanwhile, a slightly larger portion, comprising 20% of respondents, considered the procedure to be "Simple and effective," indicating a generally positive perception. The majority, accounting for 45% of respondents, maintained a "Neutral" stance. However, a notable minority of 20% expressed dissatisfaction, describing the procedure as "Bureaucratic and ineffective."

Finally, 5% of respondents perceived the procedure as "Very bureaucratic and inefficient."

The level of consultation, both among national actors and between national actors and the EU, during the identification and programming of EU projects in Montenegro, is of paramount importance. Effective consultation processes ensure that projects align with national priorities, EU objectives, and the needs of local communities.

Figure 19. Perception of Level of consultation - between national actors, as well as between national actors and the EU, during the identification and programming of EU projects



The survey indicates varying levels of satisfaction with consultation during the identification and programming of EU projects. While 10% found it "Very satisfying" and 55% "Satisfying," 30% reported it as "Not satisfactory," and 5% as "Very unsatisfactory."

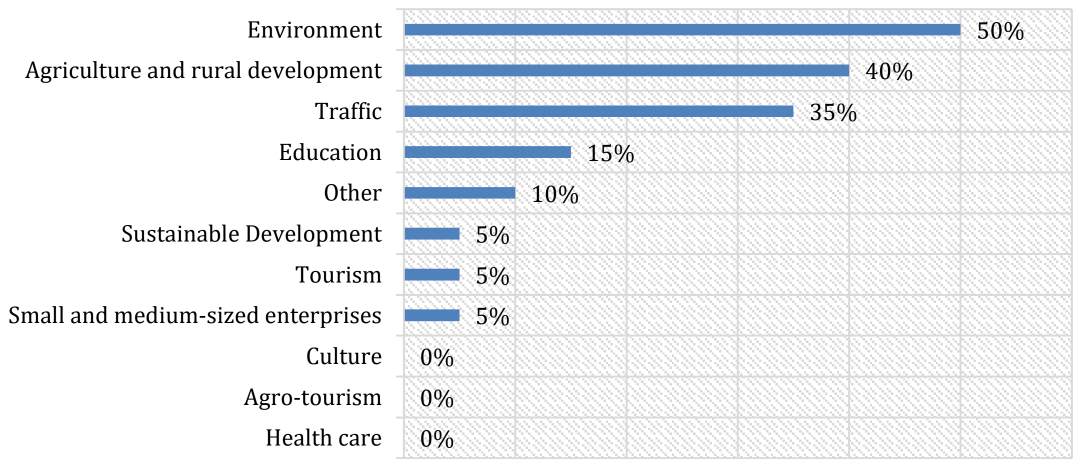
There were no neutral responses.

High level of consultation among national actors and between national actors and the EU is crucial for maximizing the impact of EU projects in Montenegro and advancing the country's development agenda in alignment with EU priorities.

IPA infrastructure funds play a pivotal role in fostering regional development. These funds, provided by the EU to candidate countries and potential candidates, are instrumental in addressing infrastructure gaps and promoting economic growth and stability. By investing in key sectors such as **transport, energy, and utilities**, IPA funds contribute to improving connectivity and basic infrastructure, enhancing competitiveness, and creating employment opportunities. When queried about the impact of projects implemented in Montenegro, financed by the EU funds, on regional development, the majority of respondents (80%) responded positively, indicating that these projects contributed significantly. Additionally, 15% acknowledged a partial contribution. A small portion of respondents stated that the projects did not significantly contribute to regional development.

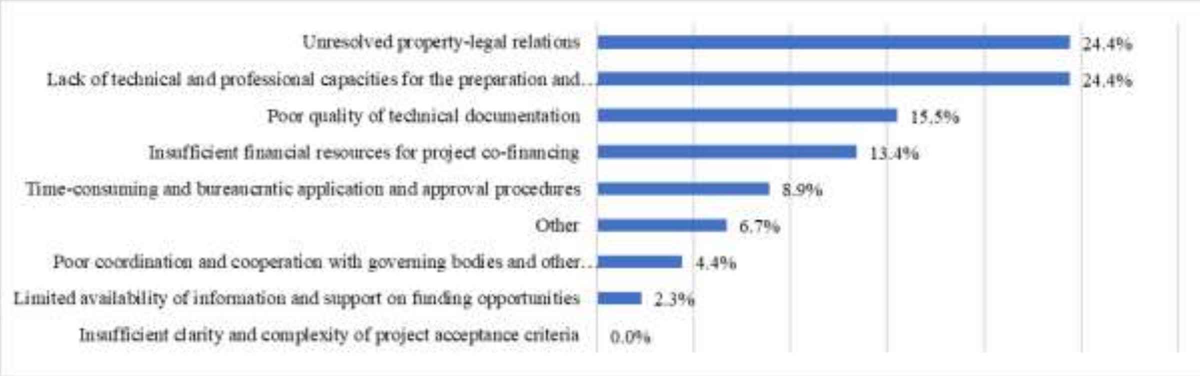
Furthermore, when asked "In which areas do you consider EU projects to have contributed the most to regional development?" respondents shared the following insights:

Figure 20. Perceived contribution of the EU projects to regional development



Understanding and addressing challenges in implementing infrastructure projects financed by EU funds are essential for maximizing the benefits of EU investment, promoting regional development, and achieving sustainable outcomes. The graph below describes the challenges identified in implementing infrastructure projects financed by EU funds.

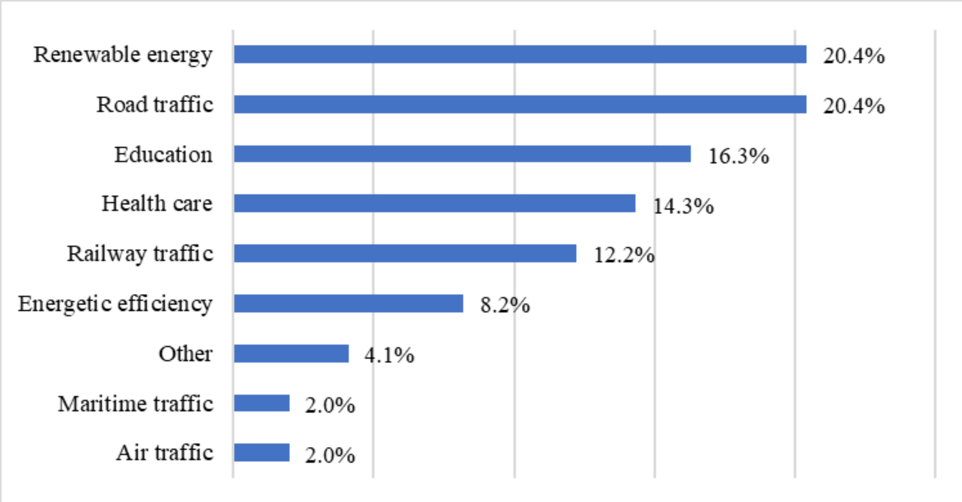
Figure 21. Challenges in implementing infrastructure projects financed by EU Funds



The graph illustrates the challenges encountered in implementing infrastructure projects financed by EU Funds, expressed as percentages of the total challenges identified. Two main challenges, lack of technical and professional capacities for project preparation and implementation, and unresolved property-legal relations, each account for 24.4% of the identified challenges, making them the most significant obstacles. Following closely is the poor quality of technical documentation at 15.5%, highlighting issues in project documentation standards. Insufficient financial resources for project co-financing represent 13.4%, indicating difficulties in securing adequate funding. Time-consuming and bureaucratic application and approval procedures contribute 8.9% to the challenges, reflecting administrative inefficiencies. Other miscellaneous challenges account for 6.7%, while poor coordination and cooperation with governing bodies and other actors represent 4.4%. Limited availability of information and support on funding opportunities and insufficient clarity and complexity of project acceptance criteria appear to be less prevalent challenges, with 2.3% and 0.0% respectively.

When asked “In terms of infrastructural development, in which area, in your opinion, should Montenegro go more to invest in the future?” the participants provided the following perspectives:

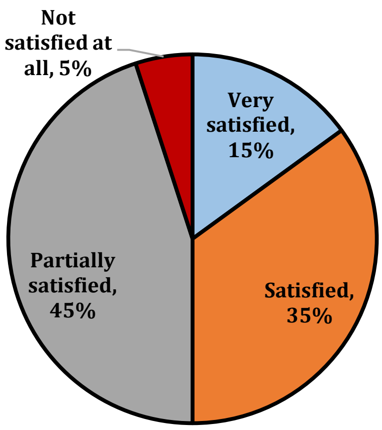
Figure 22. Future investment priorities for infrastructure development in Montenegro



The graph depicts future investment priorities perceived by institution representatives for infrastructure development in Montenegro, with percentages representing the proportion of focus allocated to each sector. Topping the list are road traffic and renewable energy, both commanding equal attention at 20.4%, indicating a significant emphasis on improving transportation infrastructure and transitioning towards sustainable energy sources. Following closely is investment in education at 16.3%, underscoring the importance of enhancing educational facilities and opportunities. Health care is also a notable priority at 14.3%, reflecting efforts to improve healthcare infrastructure and services. Railway traffic receives attention at 12.2%, suggesting a focus on upgrading railway networks. Energetic efficiency follows at 8.2%, indicating a commitment to enhancing energy efficiency measures. Other sectors collectively represent 4.1% of investment priorities, highlighting additional areas requiring attention. Air traffic and maritime traffic receive the least attention, each at 2.0%, suggesting relatively lower priority in infrastructure development plans.

The following graph provides insight into the degree of satisfaction among stakeholders with the transparency of information and the inclusivity of decision-making regarding the use of EU funds, specifically targeted towards regional development initiatives.

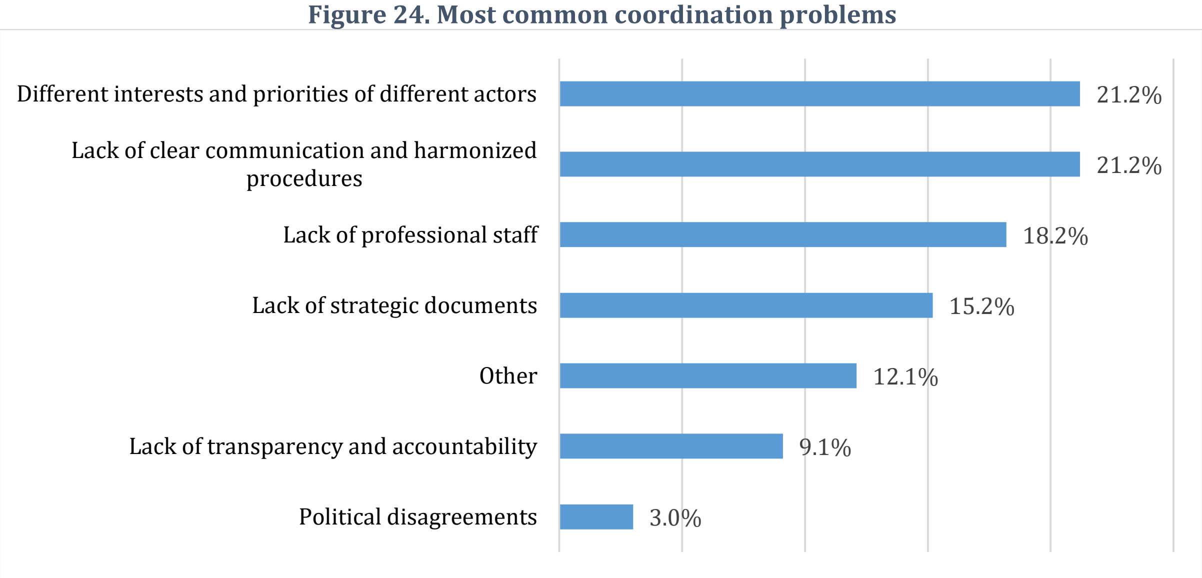
Figure 23. Satisfaction with transparency and involvement in decision-making process on the use of EU funds for regional development



Stakeholders' satisfaction levels with the transparency and involvement in decision-making processes concerning the utilization of EU funds for regional development vary. While 15% express being very satisfied with the level of transparency and involvement, a larger proportion, constituting 35%, indicate being satisfied. However, a significant portion, accounting for 45%, feel only partially satisfied with these aspects of the decision-making process. On the other hand, a minority of 5% express being not satisfied at all, suggesting a need for improvements in transparency and involvement to enhance stakeholder satisfaction regarding the utilization of EU funds for regional development.

When asked about coordination challenges during the implementation of EU-funded projects, a significant majority of respondents (70%) acknowledged facing difficulties in collaborating with other key stakeholders, including ministries, agencies, local self-government, and civil society. Having said that, the possible reasons for problems in coordination were further analysed.

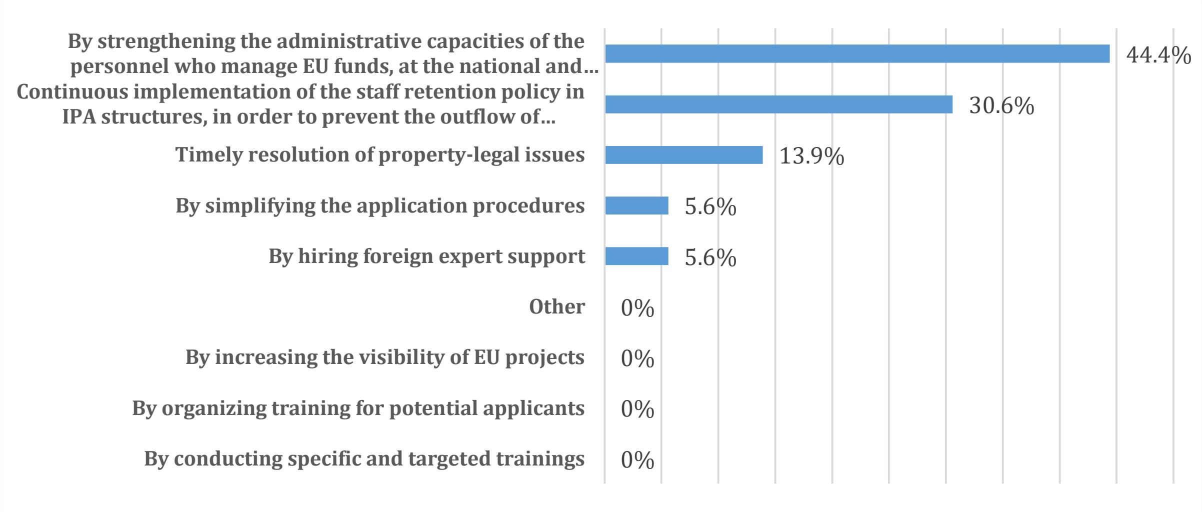
Figure 24. Most common coordination problems



The graph presents the most common coordination problems encountered in a particular context, with percentages indicating the prevalence of each issue. Tied for the most common problem are "Lack of clear communication and harmonized procedures" and "Different interests and priorities of different actors," both at 21.2%. This highlights challenges in aligning communication channels and objectives among stakeholders. Following closely is the issue of "Lack of professional staff" at 18.2%, indicating difficulties in staffing with adequately skilled personnel. "Lack of strategic documents" contributes 15.2% to the challenges, suggesting gaps in planning frameworks. "Other" miscellaneous issues account for 12.1%, signifying a range of unspecified coordination difficulties. "Lack of transparency and accountability" represents 9.1%, indicating shortcomings in openness and responsibility. Finally, "Political disagreements" contribute to 3.0% of coordination problems, suggesting challenges arising from divergent political agendas.

With Montenegro's prospective accession to the EU, a significant boost in the financial resources available to the country is anticipated. Considering this, we sought input from the respondents on how they envision Montenegro could further optimize project implementation success and effectively utilize the increased EU funds.

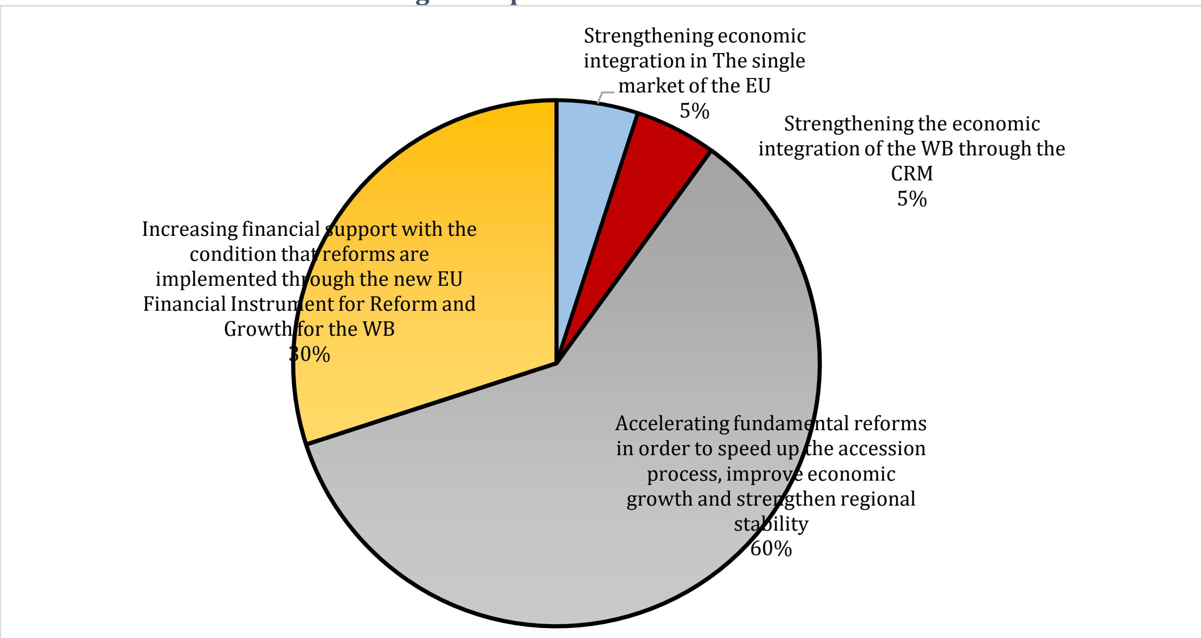
Figure 25. Perceived Strategies to enhance success in project implementation and utilization of EU funds in Montenegro



The majority of respondents, comprising 44.4%, advocate for strengthening the administrative capacities of personnel managing EU funds at both national and local levels. Additionally, 30.6% emphasize the continuous implementation of staff retention policies in IPA structures to prevent the outflow of professional staff. A smaller percentage, 13.9%, stresses the importance of timely resolution of property-legal issues, while 5.6% suggest hiring foreign expert support and simplifying application procedures each. Other strategies, including conducting specific and targeted training, organizing training for potential applicants, and increasing the visibility of EU projects, received no mentions in this survey.

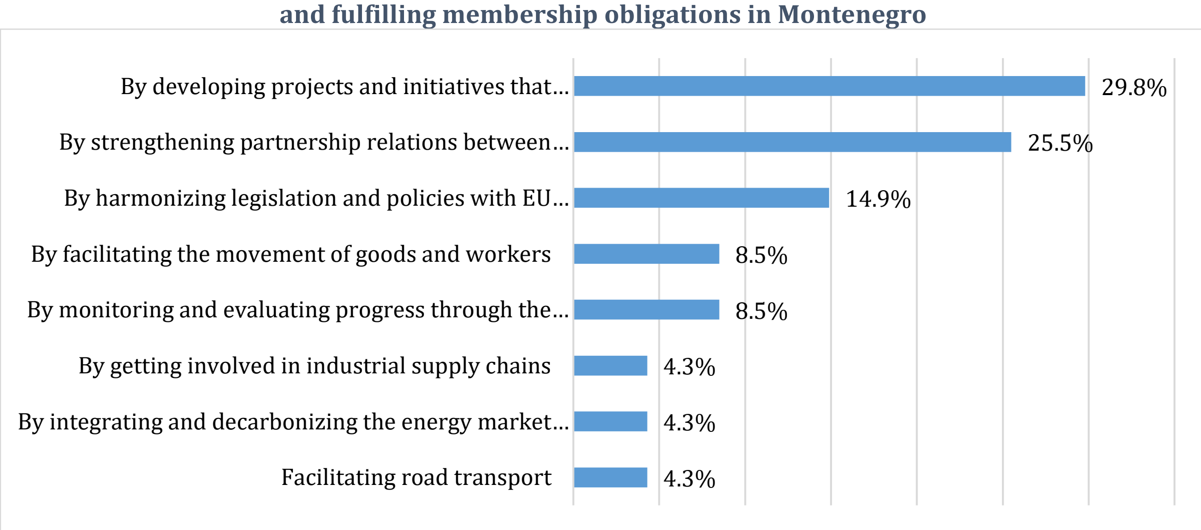
When asked about their perspective on whether projects funded by EU funds could contribute to long-term regional development in the Western Balkans, a majority of respondents, 70% to be precise, responded affirmatively. In the framework of the Growth Plan for the Western Balkans, the EU has defined four basic pillars: i) Strengthening economic integration in The single market of the European Union; ii) Strengthening the economic integration of the Western Balkans through the common regional market; iii) Accelerating fundamental reforms in order to speed up the accession process, improve economic growth and strengthen regional stability and iv) Increasing financial support with the condition that reforms are implemented through the new EU Financial Instrument for Reform and Growth for the Western Balkans.

Figure 26. Perception of crucial pillars for Montenegro's integration into the EU in the framework of the growth plan for the Western Balkans



A significant majority, constituting 60% of respondents, emphasized the importance of accelerating fundamental reforms to expedite the accession process, enhance economic growth, and reinforce regional stability. Additionally, 30% of respondents highlighted the significance of increasing financial support, contingent upon the implementation of reforms, through the new EU Financial Instrument for Reform and Growth for the Western Balkans. A smaller proportion of respondents, each accounting for 5%, identified the strengthening of economic integration within both the single market of the European Union and the common regional market of the Western Balkans as crucial pillars for Montenegro's integration efforts.

Figure 27. Perceived impact of the growth plan on harmonizing national priorities with EU goals and fulfilling membership obligations in Montenegro

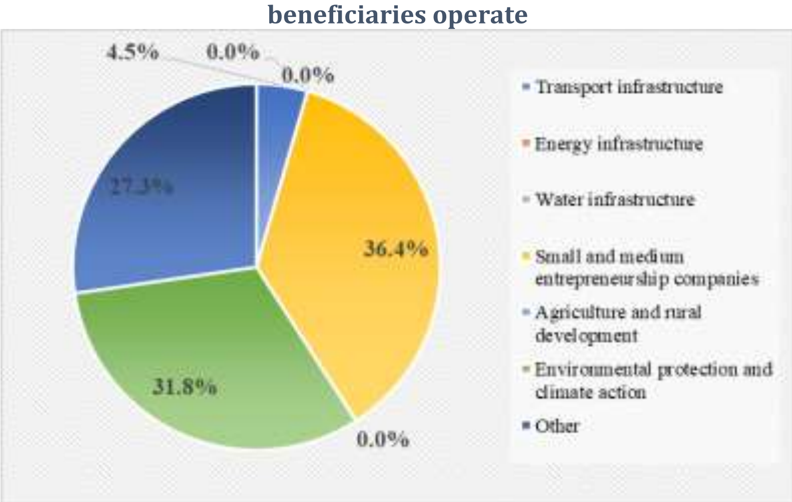


The perceived impact of the Growth Plan on harmonizing national priorities with EU goals and fulfilling membership obligations in Montenegro is multifaceted. A significant aspect involves the development of projects and initiatives aligning with specific EU priorities and strategies, representing 29.8% of the perceived impact. This underscores the importance of strategic alignment with EU agendas to ensure coherence and relevance. Additionally, strengthening partnership relations between Montenegrin institutions and EU counterparts for better coordination and support is highlighted, accounting for 25.5% of the impact. This emphasizes the significance of collaborative efforts in advancing mutual goals and leveraging EU resources effectively. Furthermore, harmonizing legislation and policies with EU standards emerges as crucial, contributing 14.9% to the perceived impact, indicating efforts to streamline legal frameworks for enhanced access to EU funds and compliance with EU requirements. Monitoring and evaluating progress through transparent reporting mechanisms (8.5%) and facilitating the movement of goods and workers (8.5%) are also recognized as important aspects, fostering accountability and facilitating economic integration, respectively. Additionally, initiatives such as facilitating road transport (4.3%), integrating and decarbonizing the energy market (4.3%), and involvement in industrial supply chains (4.3%) contribute to aligning Montenegro with EU objectives across various sectors. These insights provide valuable guidance for policymakers in leveraging the Growth Plan to align Montenegro's priorities with EU objectives and enhance its readiness for EU membership.

5.3.2. Research with representatives of the beneficiaries of IPA funds

For representatives of IPA funds beneficiaries, a graphical representation is provided to illustrate the areas in which they operate:

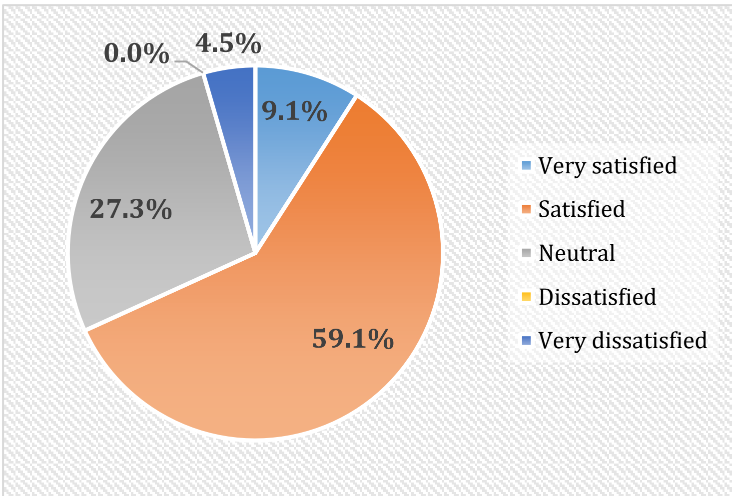
Figure 28. Area in which representatives of IPA funds beneficiaries operate



Among all respondents, 45.5% have coordinated 6 or more projects, 31.8% have coordinated 3-5 projects, while 22.7% have participated in coordinating 1-2 projects. When queried about their level of satisfaction with the accessibility of information regarding EU funds and financing opportunities available in Montenegro, respondents provided the following responses:

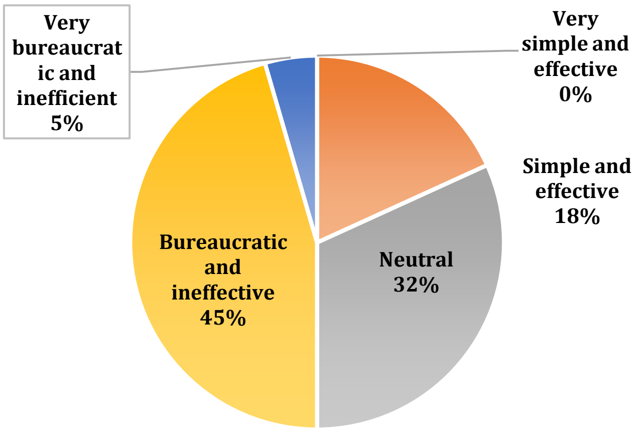
IPA funds beneficiaries in Montenegro, much like those involved in shaping national policies, have different opinions about how easy it is to access information on EU funds and financing opportunities. However, numbers are similar. A majority of beneficiaries of IPA funds, accounting for 59.1%, report being satisfied with the accessibility of this information, indicating a generally positive perception. Additionally, 27.3% of beneficiaries of IPA funds express a neutral stance, suggesting that they neither strongly agree nor disagree with the accessibility of information.

Figure 29. Level of satisfaction with the accessibility of information regarding EU funds and financing opportunities available in Montenegro by IPA funds beneficiaries



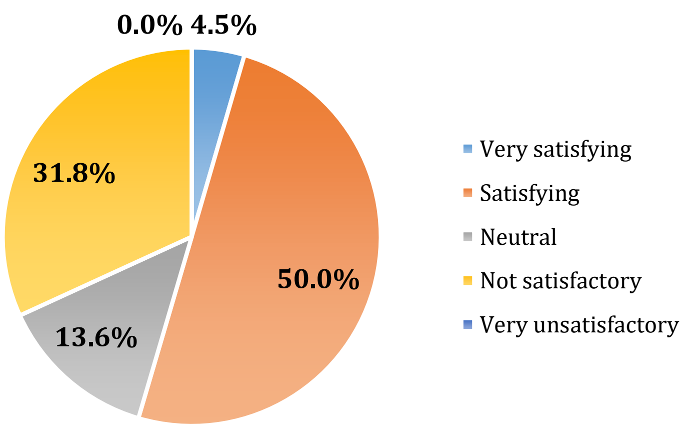
A smaller proportion, 9.1%, indicate being very satisfied, highlighting a notable level of contentment among some beneficiaries of IPA funds. Conversely, there are no respondents expressing dissatisfaction with the accessibility of information, and only a minimal percentage of 4.5% report being very dissatisfied.

Figure 30. Perceived simplicity and effectiveness of EU funds application procedure by IPA funds beneficiaries



The perceived simplicity and effectiveness of the EU funds application procedure among IPA funds beneficiaries in Montenegro vary significantly. A large proportion, 45%, view the process as bureaucratic and ineffective, indicating substantial dissatisfaction. Additionally, 18% find the procedure to be simple and effective, albeit a smaller percentage. Meanwhile, 32% express a neutral stance, neither strongly agreeing nor disagreeing with the efficiency of the application process. Conversely, no respondents find the process very simple and effective, and only a minimal percentage of 5% perceive it as very bureaucratic and inefficient.

Figure 31. Perception of Level of consultation - between national actors, as well as between national actors and the EU, during the identification and programming of EU projects by IPA funds beneficiaries



Perceptions of the IPA fund beneficiaries of the consultation level during the identification and programming of EU projects in Montenegro vary. While 50.0% express satisfaction with the process, 31.8% find it unsatisfactory. A smaller portion, 13.6%, holds a neutral stance.

When queried about the impact of projects implemented in Montenegro, financed by EU funds, on regional development, the majority of respondents (77.3%) responded positively, indicating that these projects contributed to some extent. Additionally, 9.1% acknowledged a significant contribution. The rest of the respondents stated that the projects did not significantly contribute to regional development.

Furthermore, when asked “In which areas do you consider EU projects to have contributed the most to regional development?” respondents shared the following insights:

Figure 32. Perceived contribution of EU projects to regional development by IPA fund beneficiaries

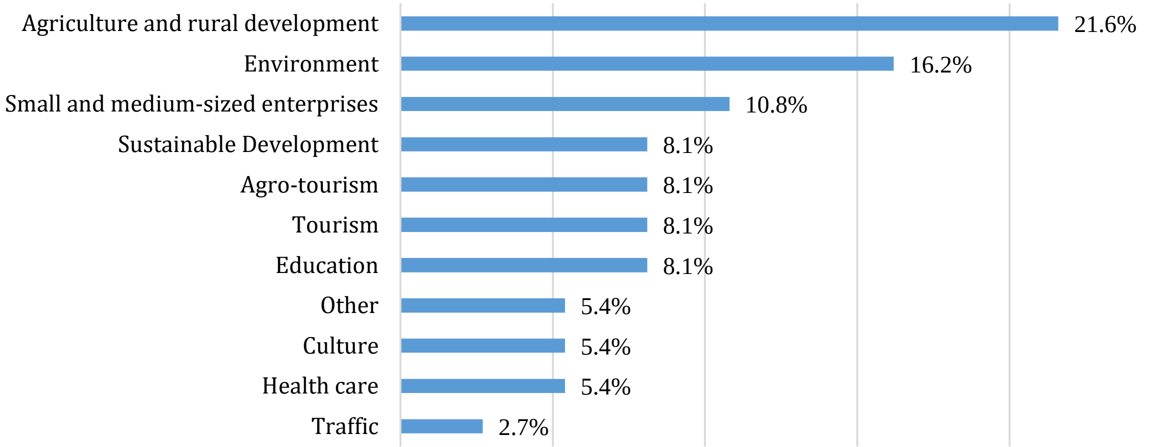
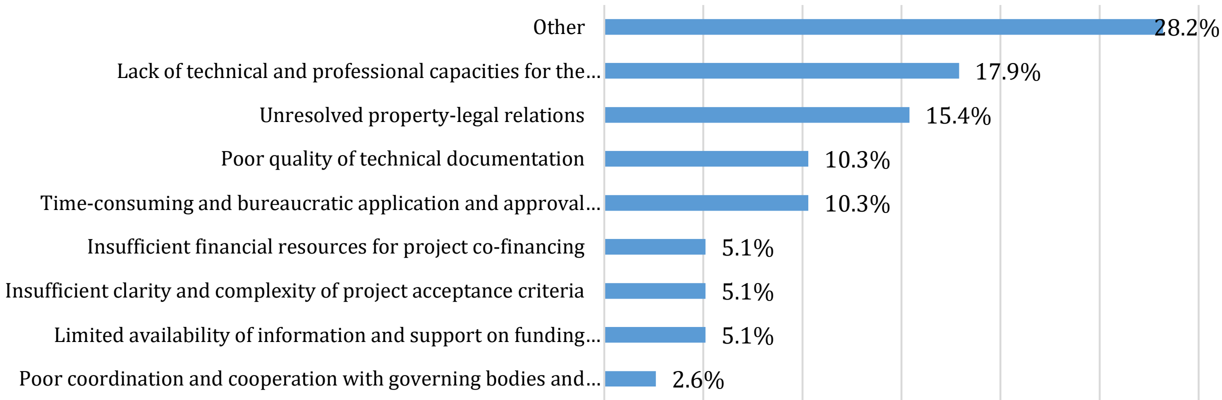
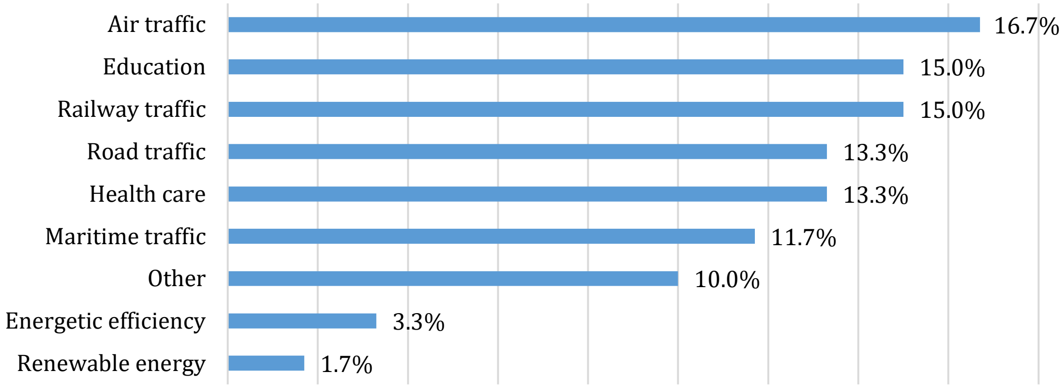


Figure 33. Challenges in implementing infrastructure projects financed by EU funds for the IPA fund beneficiaries



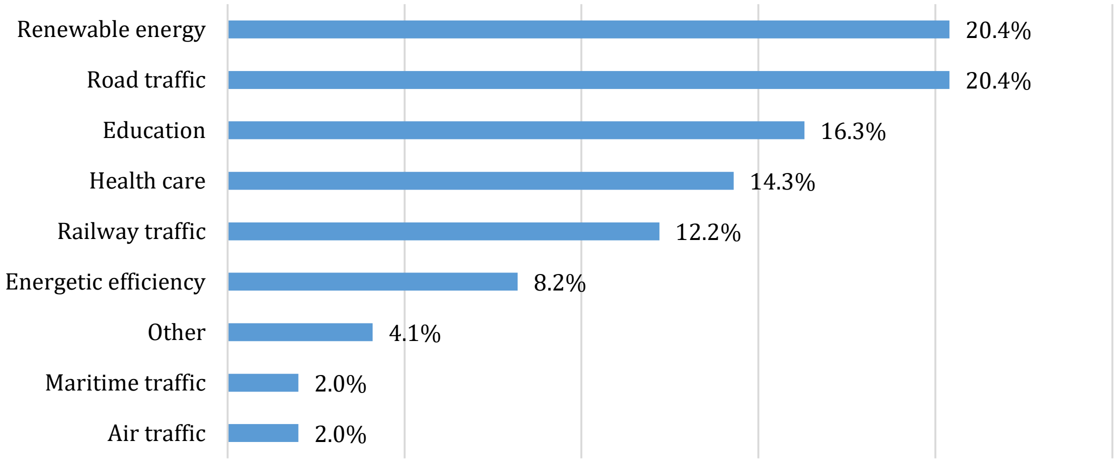
Implementing infrastructure projects financed by EU Funds for IPA beneficiaries presents a myriad of challenges, with the category labelled as 'Other' accounting for the most significant obstacle at 28.2%. This broad category suggests a diverse array of difficulties not explicitly specified, reflecting the complex nature of project implementation. Following closely behind is the lack of technical and professional capacities for project preparation and implementation, standing at 17.9%. This highlights the need for skilled personnel to effectively execute projects. Unresolved property-legal relations rank next at 15.4%, underscoring the intricate issues surrounding land rights and legal permissions. Time-consuming and bureaucratic application and approval procedures, along with poor quality technical documentation, each contribute 10.3%, indicating administrative inefficiencies and documentation shortcomings. Limited availability of information and support on funding opportunities, insufficient clarity and complexity of project acceptance criteria, and insufficient financial resources for project co-financing each represent 5.1%, demonstrating challenges in accessing funding and understanding project requirements. Lastly, poor coordination and cooperation with governing bodies and other actors comprise a smaller but notable challenge at 2.6%, emphasizing the importance of effective collaboration in project implementation.

Figure 34. Future investment priorities for infrastructure development in Montenegro identified by IPA fund beneficiaries



The future investment priorities for infrastructure development in Montenegro, as identified by IPA beneficiaries, reflect a diverse range of sectors with significant allocations. Topping the list is air traffic, commanding 16.7% of the identified priorities, indicating a strong focus on enhancing the country's aviation infrastructure. Following closely behind is railway traffic and education, each at 15.0%, suggesting a concerted effort towards improving both transportation and educational facilities. Health care and road traffic share equal importance at 13.3%, highlighting the need for upgrades in healthcare infrastructure and road networks. Maritime traffic is also a notable priority at 11.7%, emphasizing the significance of maritime transportation in Montenegro's infrastructure plans. The category of 'Other' accounts for 10.0%, representing various additional sectors requiring attention. Energetic efficiency and renewable energy rank lower on the list at 3.3% and 1.7% respectively, indicating a comparatively lesser emphasis on these sectors in the immediate future.

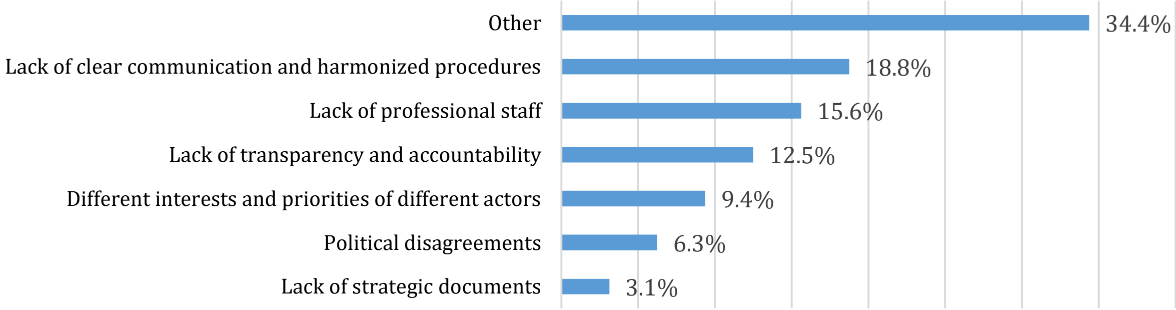
Figure 35. Satisfaction with transparency and involvement in decision-making process on the use of EU funds for regional development by IPA beneficiaries



Views on the transparency and involvement in decision-making processes regarding the use of EU funds for regional development among IPA beneficiaries show some variability and tend to be slightly more negative compared to creators of national policies. While a significant majority, comprising 63.6%, express partial satisfaction, indicating a moderate level of contentment, 18.2% report not being satisfied at all, signalling substantial dissatisfaction. Conversely, another 18.2% express satisfaction with the transparency and involvement, although to a lesser extent. These insights highlight the need for improved transparency and involvement to ensure effective utilization of EU funds for regional development.

When asked about coordination challenges during the implementation of EU-funded projects, a majority of respondents (59.1%) acknowledged that they were not facing difficulties in collaborating with other key stakeholders, including ministries, agencies, local self-government, and civil society. Those who faced challenges mentioned the following problems:

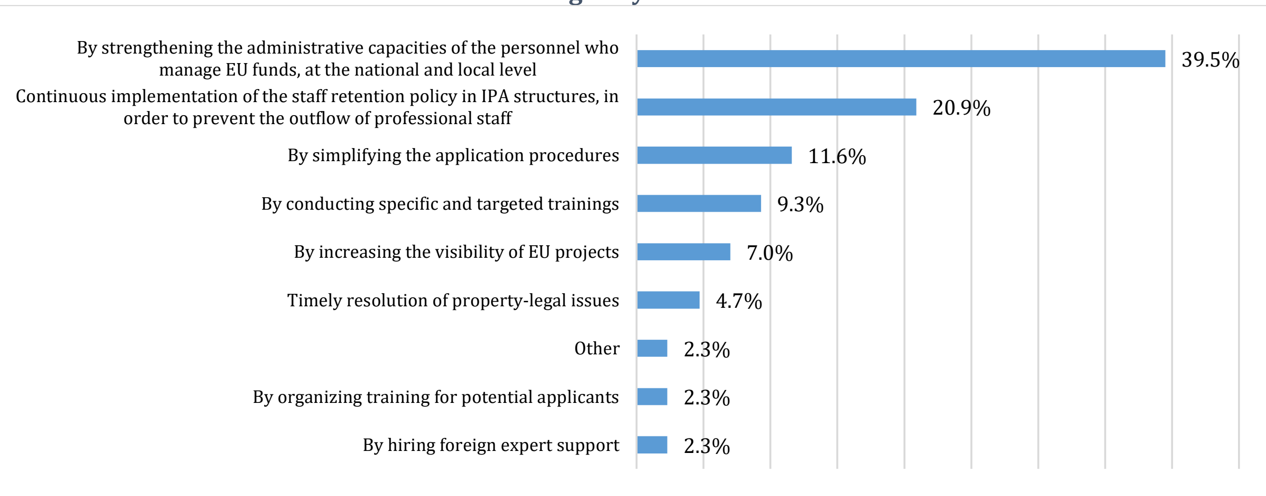
Figure 36. Most common coordination problems faced by IPA fund beneficiaries



The coordination problems encountered by IPA beneficiaries reveal a series of challenges that hinder effective collaboration and project implementation. Topping the list is the category labelled as 'Other,' which constitutes the most prevalent issue at 34.4%, indicating a broad spectrum of unspecified coordination difficulties. Following closely behind is the lack of clear communication and harmonized procedures at 18.8%, underscoring the importance of streamlined communication channels and standardized processes. Another significant challenge is the lack of professional staff, accounting for 15.6%, highlighting the crucial role of skilled personnel in coordinating and executing projects. Furthermore, the lack of transparency and accountability presents a notable concern at 12.5%, suggesting a need for greater transparency in decision-making processes and resource allocation. Different interests and priorities among stakeholders contribute to 9.4% of the problems, illustrating the complexities of aligning objectives across diverse actors. Political disagreements also pose a challenge, albeit to a lesser extent at 6.3%, indicating the influence of political dynamics on coordination efforts. Lastly, the lack of strategic documents ranks lowest at 3.1%, implying a need for comprehensive planning frameworks to guide coordination efforts effectively.

Based on the data provided, here is a graphical representation of the perceived strategies to enhance success in project implementation and utilization of EU funds in Montenegro by IPA beneficiaries:

Figure 37. Perceived strategies to enhance success in project implementation and utilization of EU funds in Montenegro by IPA fund beneficiaries

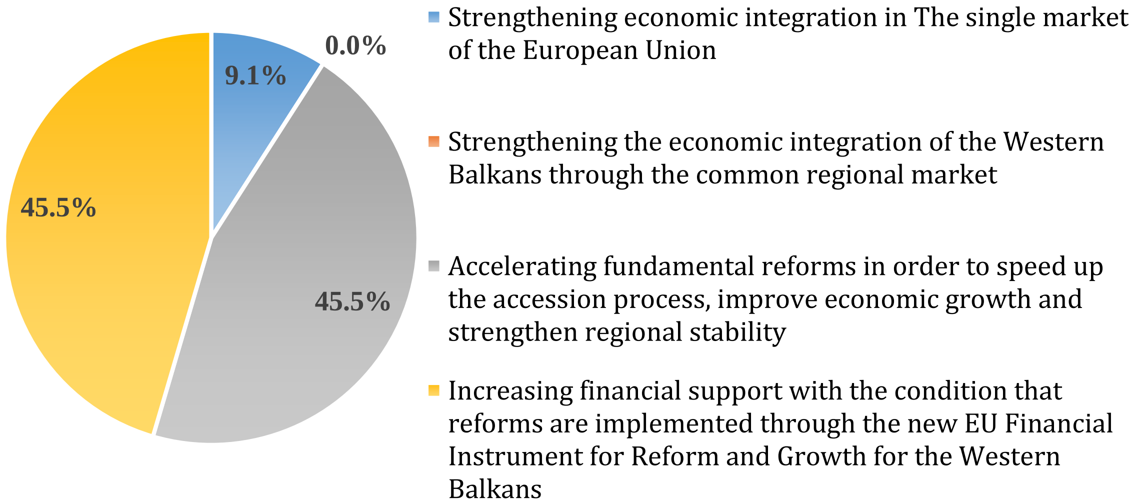


To enhance success in project implementation and the utilization of EU funds in Montenegro, IPA beneficiaries have identified several perceived strategies. Foremost among these is the imperative to strengthen the administrative capacities of personnel managing EU funds, both at the national and local levels, constituting 39.5% of the proposed strategies. This underscores the importance of ensuring that staff possess the requisite skills and expertise to effectively manage and allocate funds. Additionally, there is a focus on implementing a staff retention policy within IPA structures to prevent the loss of professional personnel, which accounts for 20.9% of the strategies, emphasizing the significance of retaining experienced staff for project continuity and efficiency. Simplifying application procedures is also considered crucial, representing 11.6% of the strategies, aiming to streamline processes and facilitate access to funding opportunities. Specific and targeted training initiatives are identified as important, comprising 9.3% of the strategies, highlighting the need to enhance the capabilities of stakeholders involved in project implementation. Increasing the visibility of EU projects is recognized as valuable, with 7.0% of the strategies emphasizing the importance of showcasing the impact and benefits of EU-funded initiatives to garner support and engagement. Timely resolution of property-legal issues is also emphasized, representing 4.7% of the strategies, as legal obstacles can significantly delay project implementation. Finally, there are suggestions to hire foreign expert support, organize training for potential applicants, and address other miscellaneous factors, each contributing to 2.3% of the perceived strategies.

When asked about their perspective on whether EU funded projects could contribute to long-term regional development in the Western Balkans, a majority of IPA beneficiaries, 72,7% to be precise, responded affirmatively.

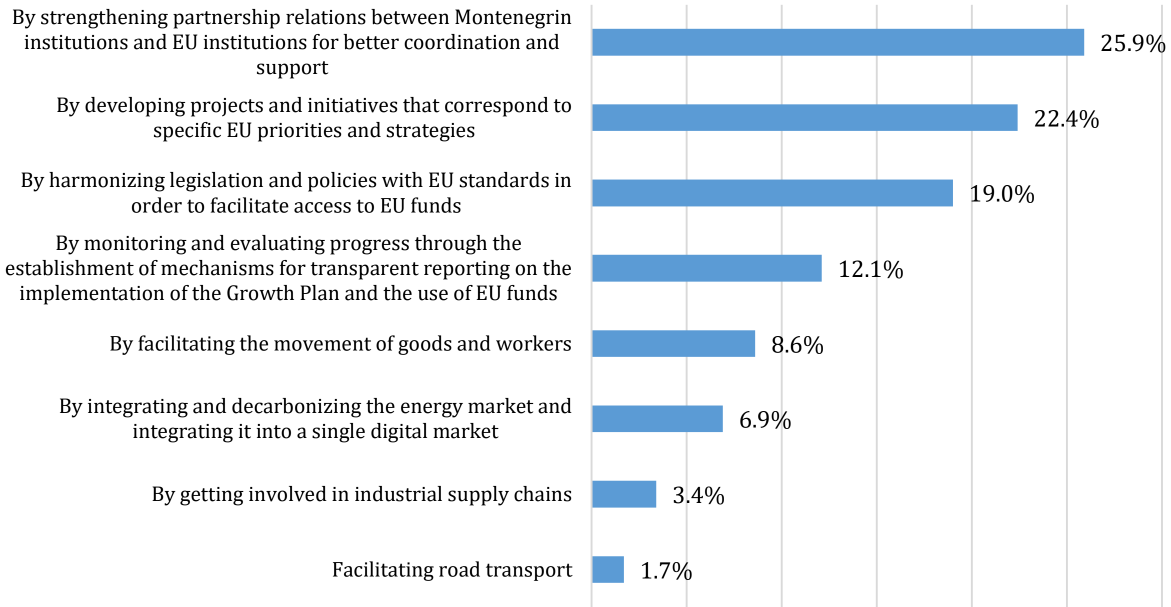
The following graph provides insights into the perspectives of IPA beneficiaries on the pivotal pillars driving Montenegro's integration into the EU within the Growth Plan for the Western Balkans framework.

Figure 38. Perception of crucial pillars for Montenegro's integration into the EU in the framework of the growth plan for the Western Balkans by IPA beneficiaries



Notably, respondents prioritize two key pillars: the urgent need to accelerate fundamental reforms for expediting the accession process, fostering economic growth, and bolstering regional stability, as well as the imperative to increase financial support linked to reform implementation through the new EU Financial Instrument for Reform and Growth for the Western Balkans, both garnering 45.5% of responses. Additionally, a minority (9.0%) emphasize the importance of strengthening economic integration within the single market of the EU. Strikingly, none of the respondents highlight the necessity of enhancing the economic integration of the Western Balkans through a common regional market.

Figure 39. Perceived impact of the growth plan on harmonizing national priorities with EU goals and fulfilling membership obligations in Montenegro by IPA beneficiaries



The perceived impact of the Growth Plan on harmonizing national priorities with EU goals and fulfilling membership obligations in Montenegro, as recognized by IPA beneficiaries, is multifaceted. A significant aspect involves strengthening partnership relations between Montenegrin institutions and EU counterparts for improved coordination and support, constituting 25.9% of the perceived impact. This emphasizes the importance of collaborative efforts in aligning national objectives with EU agendas. Furthermore, developing projects and initiatives that correspond to specific EU priorities and strategies (22.4%) is identified as pivotal in ensuring alignment with EU goals. Harmonizing legislation and policies with EU standards (19.0%) emerges as crucial for facilitating access to EU funds, emphasizing the necessity of legal convergence for financial support. Monitoring and evaluating progress through transparent reporting mechanisms (12.1%) underscores accountability in implementing the Growth Plan and utilizing EU funds effectively. Additionally, facilitating the movement of goods and workers (8.6%), integrating and decarbonizing the energy market (6.9%), and involvement in industrial supply chains (3.4%) contribute to aligning Montenegro with EU objectives. Lastly, facilitating road transport (1.7%) is recognized as a specific measure to enhance connectivity, reflecting efforts to meet transportation standards set by the EU.

In summary, the table 15 provides a comprehensive comparison of various aspects based on the responses from both representatives of institutions (co/creators of national policies) and IPA beneficiaries in Montenegro.

Table 15. Key observations and comparisons based on the data presented

Aspect	Representatives of institutions	IPA fund beneficiaries
LEVEL OF SATISFACTION WITH ACCESSIBILITY OF INFORMATION	High level of satisfaction, with 59.1% reporting satisfaction	Moderate level of satisfaction, with 50% expressing satisfaction
PERCEIVED SIMPLICITY AND EFFECTIVENESS OF EU FUNDS APPLICATION PROCEDURE	Neutral stance predominant, with 45% expressing neutrality	Predominantly viewed as bureaucratic and ineffective, with 45.5% indicating dissatisfaction
LEVEL OF CONSULTATION DURING EU PROJECTS IDENTIFICATION AND PROGRAMMING	Dissatisfaction prevalent, with 30% reporting dissatisfaction	Comparable dissatisfaction, with 31.8% expressing dissatisfaction
POSITIVE IMPACT OF EU-FUNDED PROJECTS ON REGIONAL DEVELOPMENT	Highly positive outlook, with 80% expressing positivity	Generally positive perception, with 77.3% acknowledging a positive impact
PERCEIVED STRATEGIES TO ENHANCE SUCCESS IN PROJECT IMPLEMENTATION AND UTILIZATION OF EU FUNDS	Focus on administrative capacity building and staff retention policies	Consistent emphasis on strengthening administrative capacities and staff retention policies
PERCEPTION OF CRUCIAL PILLARS FOR MONTENEGRO'S INTEGRATION INTO THE EU (GROWTH PLAN FOR THE WESTERN BALKANS)	Prioritization of accelerating fundamental reforms and increasing financial support	Similar prioritization of accelerating fundamental reforms and increasing financial support
CHALLENGES IN IMPLEMENTING INFRASTRUCTURE PROJECTS FINANCED BY EU FUNDS	Identified bureaucratic procedures and lack of technical capacities	Faced with unresolved legal issues and lack of financial resources
FUTURE INVESTMENT PRIORITIES FOR INFRASTRUCTURE DEVELOPMENT	Focus on renewable energy and road traffic improvement	Emphasis on air traffic and railway development
SATISFACTION WITH TRANSPARENCY AND INVOLVEMENT IN DECISION-MAKING ON EU FUND UTILIZATION	Predominantly satisfied, with some expressing dissatisfaction	Mixed levels of satisfaction, with 18.2% reporting dissatisfaction

5.3.3. Conclusion and recommendations

The chapter provides a comprehensive overview of Montenegro's utilization of IPA funds, outlining its significance in facilitating the country's journey towards EU membership. IPA funds serve as a vital resource for Montenegro, supporting necessary reforms and harmonization efforts with EU standards. Through a meticulous analysis, various aspects of IPA fund utilization and stakeholder perceptions are explored, shedding light on the challenges and opportunities in Montenegro's EU integration process.

The research methodology employed a quantitative content research approach, surveying both institutions representatives that play a role in national policies creation, and IPA fund beneficiaries. Findings indicate positive perceptions regarding the accessibility of information on EU funds, with stakeholders generally satisfied. However, challenges exist, particularly regarding the perceived bureaucracy and complexity of the application process. Despite this, there's a notable consensus on the importance of strengthening administrative capacities and implementing staff retention policies to enhance project implementation and utilization of EU funds.

Regarding regional development, EU funded projects are seen as significant contributors, particularly in areas like transport, energy, and social infrastructure. However, challenges such as limited financial resources, bureaucratic hurdles, and coordination issues persist, underscoring the need for targeted interventions.

The document also delves into Montenegro's alignment with EU goals within the New Growth Plan for the Western Balkans. Key pillars include accelerating fundamental reforms and increasing financial support tied to reform implementation, highlighting the country's commitment to EU integration. Strategies to harmonize national priorities with EU objectives are emphasized, including strengthening partnerships, aligning legislation, and transparent progress monitoring. Overall, the survey analysis provides valuable insights into Montenegro's utilization of EU funds and its progress towards EU integration. It underscores the importance of strategic planning, capacity building, and stakeholder collaboration in navigating the complex challenges and opportunities on the path to EU membership.

Recommendations:

- **Streamline information accessibility -** Implement measures to enhance the accessibility and clarity of information regarding EU funds, ensuring that it is easily accessible to all stakeholders with an aim of more successful use of available funds.
- **Enhance strategic planning and inter-sectoral cooperation -** Foster greater consultation and collaboration among relevant stakeholders and policy creators during the identification and programming of EU projects, ensuring that projects align with sectoral strategies and national priorities, as well as with concrete needs of the community. In addition, continuous work is needed on strengthening inter-sectoral cooperation, in order to strengthen ownership of the process of programming and implementation of actions.
- **Address implementation challenges -** Develop targeted interventions to address common challenges in implementing infrastructure projects, such as building technical capacities, resolving legal issues, and securing adequate financial resources. In addition, ensure timely and quality preparation of project documentation, especially in relation to infrastructure projects.
- **Prioritize infrastructure investments -** Focus on prioritizing infrastructure investments in key sectors identified by both groups, including renewable energy, transport, and healthcare, to support economic growth and regional development. In addition, ensure development of a national list of mature projects, encompassing priorities at national and local level, ready to be implemented once EU funds become available.
- **Ensure continuous capacity building and implementation of staff retention policy in units dealing with IPA funds** - Successful use of EU funds mainly depend on preparation of relevant and mature projects, as well as on capacities of the implementing bodies to contract the available funds in line with the set deadlines. Since a satisfactory level of implementation of the EU pre-accession funding approved in indirect management is one of closing benchmarks for the Chapter 22, capacity building of IPA structures remains to be a crucial point for Montenegro’s success on its EU path.
- **Promote transparency and inclusivity -** Promote transparency and inclusivity in decision-making processes related to EU fund utilization, ensuring that all relevant stakeholders - national and local authorities, non-governmental and private sector organizations, have a voice in shaping strategic priorities, through constructive dialogue and platforms developed for ideas sharing.

5.4. Survey results on programming, monitoring, and implementing IPA projects in Montenegro – agricultural sector

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Vasilije ĐUROVIĆ, MSc[41]

As Montenegro progresses towards European Union membership, the integration of its agricultural sector with EU policies is a pivotal aspect of the accession negotiations. This sector, crucial to Montenegro's economy, highlights a dynamic interplay of challenges and opportunities essential for regional development and compliance with the EU's Common Agricultural Policy (CAP).

Embedded within the broader EU framework of rural development policy, our analysis aims to analyse the effectiveness of current support structures and strategize future engagements. The EU's rural development policy is crafted to mitigate rural challenges through unified principles and co-financing from the EU's rural development fund. This support is primarily aimed at increasing the competitiveness of food production and forestry, improving the environment and the quality of life in rural areas, and increasing the diversification of the rural economy. It is implemented in four basic groups of measures. The first group (axis) is aimed at strengthening the competitiveness of food producers (in primary production and processing industry). The second group (axis) refers to the sustainable management of resources, where the primary place is occupied by agro-ecological measures (support for organic agriculture, genetic resources in agriculture, etc.), and additional support for areas with organized opportunities for agriculture. In the third group (axis) there are measures to support the quality of life in the countryside (construction of rural infrastructure and the program of village renewal) and the expansion of economic activities in rural areas, either in the form of additional activities on agricultural farms or as support for entrepreneurship, the development of small businesses and various types of tourism, cultural and natural heritage and others. The fourth group of rural development measures supports local communities and local groups in the development and implementation of their strategies and development projects.

Rural development policy in Montenegro is an integral part of agrarian policy, i.e. its second pillar. It is implemented within the framework of the Agricultural Budget, and in accordance with the National Program from 2008, which essentially adopted the EU model of rural development policy. In our country, too, rural development measures are classified into groups or axes, exactly as it was in the EU. Every year, the Agricultural Budget provides a detailed description of the measures, and during the year, public calls for the implementation of the planned measures are published. A significant part of the support for rural development measures in recent years is provided from IPARD funds. The implementation of the rural development policy is mostly carried out at the state level with minimal involvement of local communities.

Local rural development strategies have not yet taken root. According to the available information, several municipalities adopted a local rural development strategy, the first were Pljevlja, then Tivat and Nikšić, but there is no information on their implementation.

In Montenegro, a paradigm shift is necessary to the effect that agriculture is not only a business, not even for the producers themselves, but is, in addition to a source of family income, a way of life. For society as a whole, agriculture is a sector that brings numerous goods of public interest,

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i.e. numerous ecosystem services. In this, a comprehensive - holistic approach is necessary in the first place when defining the model of sustainable use and management of agricultural resources.

In terms of the activities and activities of local communities in Montenegro, positive examples are associations in the field of beekeeping united in the Union of Beekeeping Organizations of Montenegro, the National Association of Vinegrowers and Winemakers, local associations of olive growers, the Association of Cattle Breeders North of Montenegro, the Agricultural Cluster of Montenegro from Nikšić and others.

This questionnaire targets two distinct yet interconnected groups:

- **State and Local Institutional Representatives**: 40 respondents who play a crucial role in the development of agricultural policies and the administration of EU funds (Ministry of Agriculture, Forestry and Water Management, Secretariat for Agriculture, Monteorganica, University of Montenegro, Faculty of Biotechnology, Investment and Development Fund of Montenegro A.D., representatives of the municipalities of Tuzi, Ulcinj, Podgorica, Cetinje, Berane, Danilovgrad, Herceg Novi, Kotor, Nikšić, Kolašin, Bijelo Polje)
- **Agricultural Producers:** 32 respondents, providing direct insights from the ground level, including challenges faced in accessing EU funds and the practical impact of these funds on their operations.

The aim is to draft a revised action plan for fulfilling the closing benchmarks in Chapter 22, focusing on regional policy and coordination of structural instruments. By analyzing responses, we seek to offer a detailed view of the administrative efficacy and strategic utilization of EU support mechanisms in Montenegro's agricultural sector.

Survey questions, numbering 24 for institutional representatives and varying for agricultural producers, explore several dimensions such as the application processes for EU funds, administrative efficiency, and the tangible impacts of these funds on regional agricultural development. This analysis section will dissect these responses to unearth insights into the administrative capacities, readiness to leverage EU resources effectively, and the overall alignment of Montenegro's agricultural practices with EU standards.

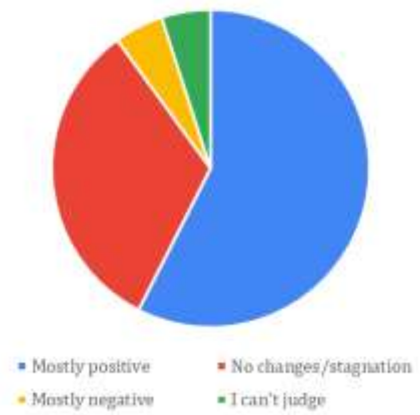
As we delve into the questionnaire responses, our objectives are clear: to identify strengths, pinpoint gaps, and propose actionable strategies that will advance Montenegro towards its EU accession goals, particularly in enhancing its agricultural sector's productivity and sustainability.

5.4.1. Survey results among the representatives of institutions

In assessing the development of Montenegrin agriculture over the past four years, the survey revealed a range of perspectives indicative of varying experiences within the sector. A majority of the respondents, constituting 58% (23 respondents), reported that the development has been "Mostly positive". This reflects a significant satisfaction with the advancements in agricultural practices and policies during this period.

Conversely, approximately 33% perceived no changes or stagnation in agricultural development. This portion of the feedback highlights potential areas where improvements are necessary or where expected advancements have not been realized. Additionally, a smaller segment, about 5%, viewed the development as "Mostly negative," suggesting specific setbacks or areas where the sector has failed to meet expectations.

Figure 40. How would you rate the development of Montenegrin agriculture in the last 4 years?



Another 5% expressed that they were unable to judge the development, indicating a possible gap in awareness or direct engagement with the ongoing changes within the sector.

These varied responses illustrate a general positivity towards agricultural progress in Montenegro, yet they also underscore the need to address the concerns of those who have not observed significant changes.

Respondents identified several significant positive changes in Montenegrin agriculture, reflecting a broad spectrum of improvements across various aspects of the sector. Survey participants were asked to identify **up to three significant positive changes** in Montenegrin agriculture over the last four years, since this method allows respondents to highlight multiple aspects of improvement, offering a comprehensive view of the sector's advancements. The most frequently noted change, cited by 27 mentions, is the **increased number of registered agricultural producers**. This trend suggests a growing sector and potentially an enhanced regulatory environment that encourages formal participation in the agricultural economy.

Following closely, 22 respondents highlighted the **possibility of returning part of the invested funds through programs like MIDAS and IPARD as a critical development**. This reflects the effectiveness of financial support mechanisms that not only facilitate initial investments but also ensure some level of financial sustainability and risk mitigation for agricultural entrepreneurs.

Better dissemination of information on available support measures by the Ministry of Agriculture, Forestry, and Water Management was noted by 16 respondents. Improved access to information is crucial for maximizing the utilization of available resources and support mechanisms, thereby enhancing the overall productivity and sustainability of agricultural practices.

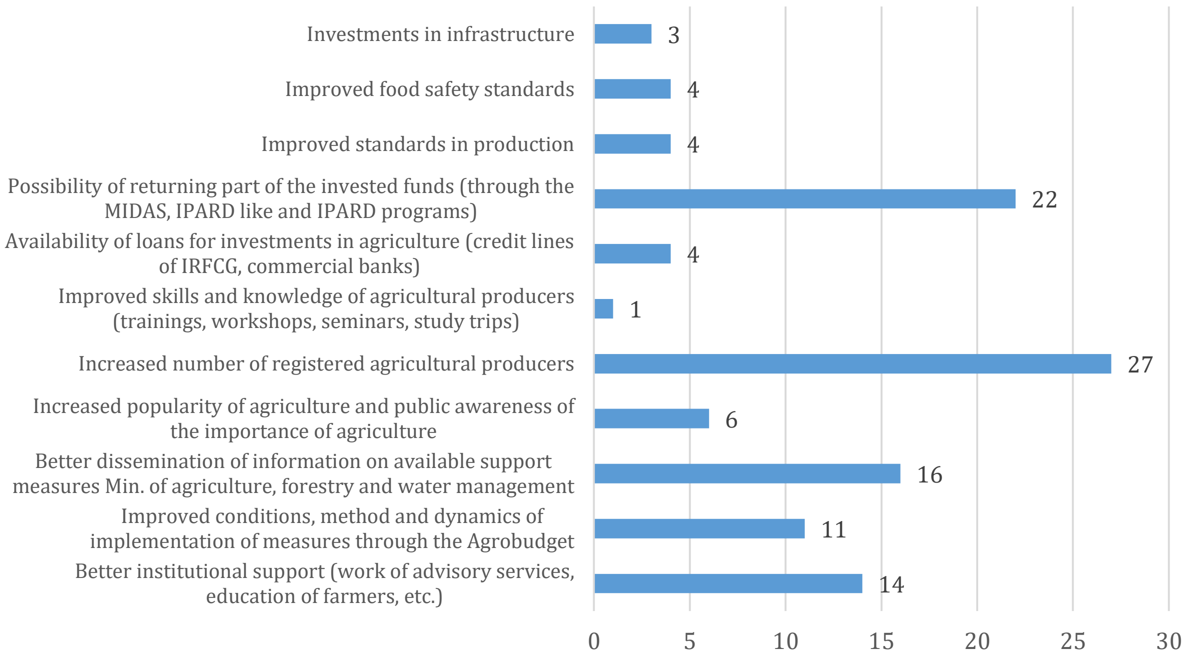
Other significant changes noted include:

- **Better institutional support** such as the work of advisory services and education for farmers, acknowledged by 14 respondents, which is vital for enhancing the capacity and efficiency of agricultural operations.
- **Improved conditions, method, and dynamics of implementation of measures through the Agro budget**, recognized by 11 respondents, pointing to more streamlined and effective policy implementation.

Less frequently mentioned but still notable were improvements in **food safety standards, standards in production, and the availability of loans for investments in agriculture**, each cited by 4 respondents. These changes underscore ongoing efforts to enhance the quality, safety, and financial accessibility of agricultural production.

Despite the array of positive developments, some areas such as improved skills and knowledge of agricultural producers and **investments in infrastructure received minimal acknowledgment**, suggesting potential gaps or slower progress in these domains.

Figure 41. In your opinion, what are the most significant positive changes in Montenegrin agriculture in the last 4 years?



In addressing the challenges facing agricultural production in Montenegro, respondents were asked to identify up to **three major barriers** they perceive as most significant. This approach allows for a comprehensive view of the challenges, recognizing that multiple factors often simultaneously impact the sector. The most frequently cited barrier, with 30 mentions, is the **fragmentation of holdings of agricultural producers**. This fragmentation typically results in inefficiencies and scalability issues, which are significant obstacles to increasing production and profitability.

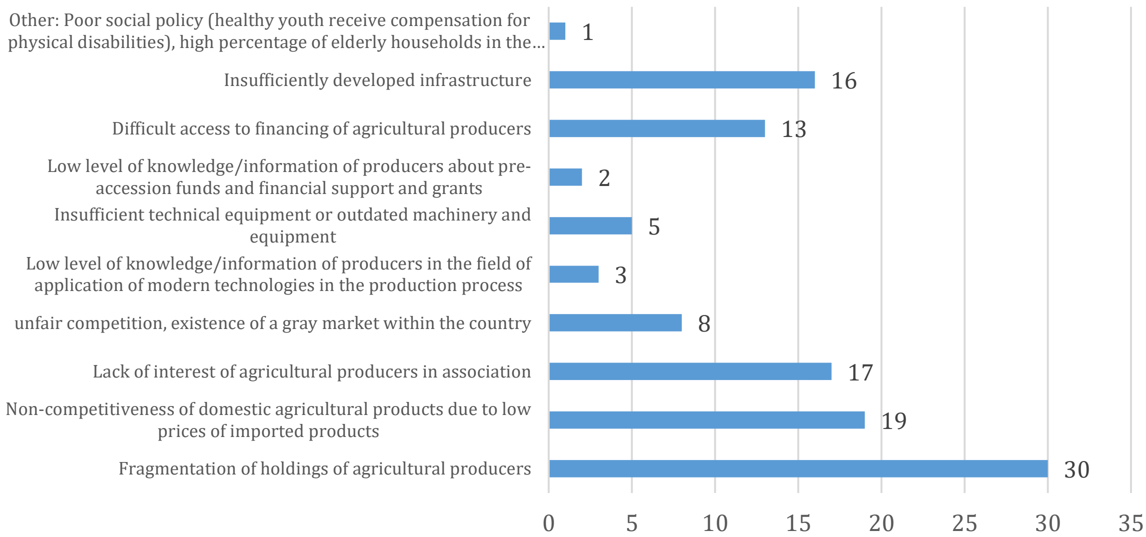
Another prominent concern, noted by 19 mentions, is the *non-competitiveness of domestic agricultural products due to the low prices of imported products*. ***This issue highlights the economic pressures local farmers face from global market forces, which can undermine local agricultural viability.***

Lack of interest of agricultural producers in association, cited by 17 respondents, underscores a disconnect in collective efforts which are crucial for strengthening market presence and negotiating power.

Additional significant barriers include:

- **Insufficiently developed infrastructure,** identified by 16 mentions, points to the logistical challenges that hamper operational efficiency and market access.
- **Difficult access to financing,** highlighted by 13 mentions, reflects the critical issue of financial constraints that prevent farmers from investing in modern agricultural practices and technologies.

Figure 42. What do you think are the biggest barriers to the development of agricultural production in Montenegro?



Less frequently mentioned but equally important were issues like unfair competition and the existence of a grey economy, insufficient technical equipment, and low levels of knowledge about modern technologies or financial support mechanisms available through pre-accession funds**.**

One respondent also highlighted **poor social policies** affecting the demographic structure of agricultural producers, suggesting broader socio-economic issues that indirectly impact agricultural productivity and sustainability.

The survey also asked respondents to **identify ways in which cooperation with agricultural producers could be improved to accelerate the development of agriculture in Montenegro**. Each respondent could choose up to three options.

The most endorsed solution, with 25 mentions, is the **improvement of infrastructure**. This indicates a widespread recognition that enhancing basic agricultural infrastructure is essential for facilitating more efficient production, distribution, and overall sector growth.

Close behind, with 21 mentions, is the **need for better cooperation and exchange of information between competent institutions at both local and national levels**. This reflects the importance of integrated efforts across different governmental layers and agencies to support agricultural development effectively.

Additionally, 20 respondents highlighted the n**ecessity for more resources for development**, especially for small producers pointing to a demand for targeted financial and material support to empower small-scale farmers and increase their productivity and market competitiveness.

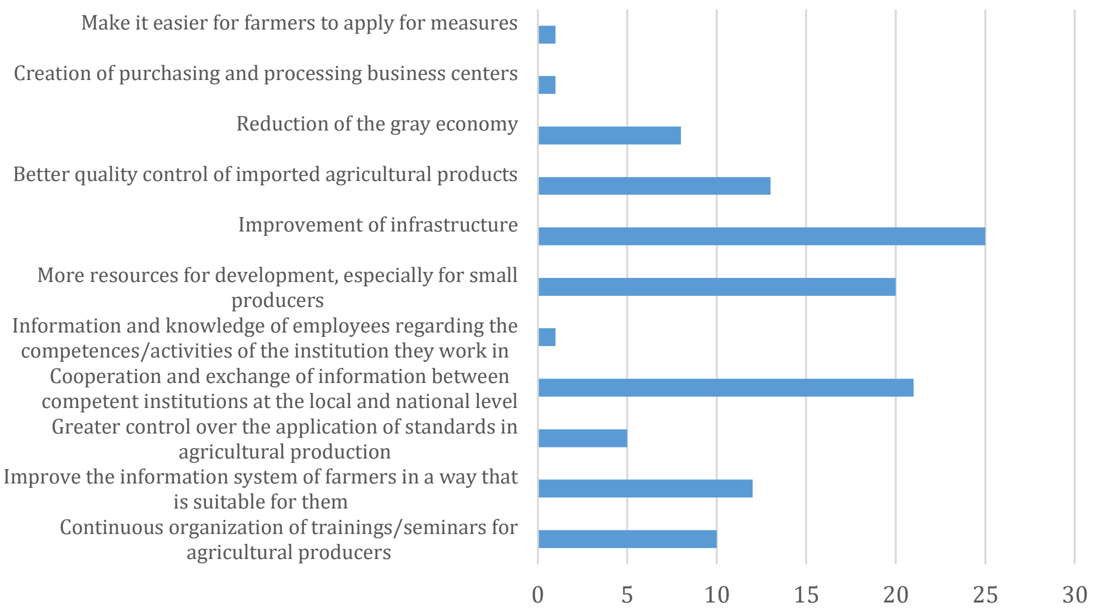
Other significant measures include:

- **Better quality control of imported agricultural products**, noted by 13 respondents, which is crucial for ensuring fair competition and high standards within the local market.
- **Improving the information system** of farmers in a way that is suitable for them, recognized by 12 respondents, emphasizes the need for accessible, relevant, and user-friendly information that can help farmers make informed decisions.

Further suggestions with fewer mentions but notable importance were the **continuous organization of trainings/seminars** for agricultural producers, **reduction of the grey economy**, and **greater control over the application of standards in agricultural production**. Each of these areas represents a strategic point where enhancements could lead to significant improvements in cooperation and development speed.

Less frequently cited ideas, each receiving only one mention, include increasing the knowledge of employees about their institution's competencies, creation of purchasing and processing business centers, and making it easier for farmers to apply for measures. While not as heavily emphasized, these areas could provide niche solutions that contribute to the broader goal of developing Montenegro's agriculture more rapidly.

Figure 43. In your opinion, in what way is it possible to improve cooperation with agricultural producers in order to develop agriculture in Montenegro more quickly?



In analysing the survey responses regarding **the marketing of information about programs and support for agricultural producers,** several notable trends emerge. Respondents provided ratings on a scale of 1 to 5 for various marketing methods, offering insights into their perceived usefulness.

The results indicate that **direct methods of interaction, such as visiting agricultural households and manufacturers seeking information from institutions, received the highest average ratings.** By directly visiting agricultural households garnered an average rating of 4.32, followed closely by manufacturers coming to institutions for information, which received an average rating of 4.19. These findings suggest that face-to-face interactions are highly valued by respondents, potentially indicating their effectiveness in conveying information and addressing specific needs.

Additionally, call slideshow presentations emerged as a particularly effective marketing method, with the highest average rating of 4.27. This suggests that multimedia presentations delivered via phone calls are perceived as highly informative and engaging by respondents.

However, some methods received lower average ratings, indicating perceived limitations in their effectiveness. For instance, dissemination through farming associations and municipal websites received average ratings of 2.59 and 3.12, respectively. These lower ratings may suggest challenges in reaching target audiences or delivering relevant information through these channels.

Furthermore, the distribution of 'Most fives' and 'Most ones' responses provides additional insights into the perceived effectiveness of each method. Methods like call slideshow presentations, direct visits to agricultural households, and manufacturers seeking information received a notable number of 'Most fives' responses, indicating widespread recognition of their usefulness. Conversely, methods like dissemination through farming associations and municipal websites received more 'Most ones' responses, suggesting greater variability in their perceived effectiveness among respondents.

Respondents were **asked whether their service organizes trainings, workshops, or seminars on calls and pre-accession funds for agricultural producers**, which are crucial for familiarizing them with available funding opportunities and application procedures. **71% of the respondents indicated that their service organizes such educational events, while on the other hand 9% reported that they do not organize these events**.

For those who answered "Yes", the frequency and timing of these educational initiatives vary significantly:

- Several respondents note that trainings and workshops are organized multiple times a year, often aligned with the publication of Public Calls.
- Responses included specific frequencies such as "two to three times a year," "3 to 4 times a year," with some services hosting events "as many times as there are public calls" or even "about 10 during the year."
- Other respondents provided insights into their proactive approach, including daily interactions with producers, seasonal trainings in spring and autumn, and organizing events around the adoption of the Agro budget and before each Public Call within the IPARD program.

For those who answered "No", reasons included:

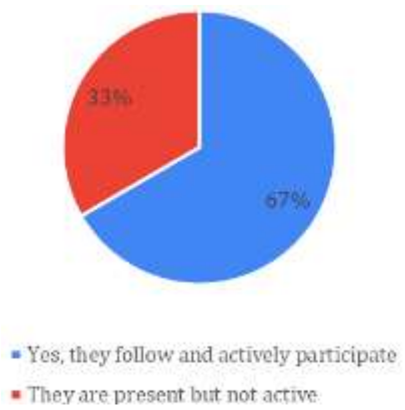
- Overlapping responsibilities, where such trainings are primarily organized by the Ministry of Agriculture, Forestry, and Water Management or the IPARD Payments Directorate.
- Jurisdictional limitations, as some services do not consider it within their remit to organize such events, stating, "It is not within our jurisdiction."
- Lack of coordination between different governmental services, which leads to disjointed efforts and separate project implementations that do not converge.

This mixed response highlights a landscape where, although many services are actively engaging with agricultural producers through frequent and varied training sessions, there are gaps in coverage and coordination that could potentially hinder the effective dissemination of critical information. This indicates both an active involvement by many and a clear need for more structured and unified approaches across different levels of government and agencies to ensure that all producers have the knowledge needed to access available supports.

When asked about the **interest of agricultural producers in trainings, workshops, or seminars on calls and pre-accession funds**, respondents provided ratings on a scale of 1 to 5, with 1 indicating "Least Helpful" and 5 representing "Very Helpful." The average score derived from the ratings is **3.35**. This average score suggests a moderate level of interest among agricultural producers in such training opportunities. While not overwhelmingly high, the score indicates that these events are perceived as beneficial by respondents, albeit to varying degrees. The moderate interest level implies that agricultural producers recognize the value of these training sessions in accessing funds and navigating pre-accession processes, although there may be room for improvement in terms of enhancing their appeal or relevance to better meet the needs of producers.

Following the assessment of agricultural producers' interest in trainings, workshops, or seminars on calls and pre-accession funds, respondents were asked about their **active participation during these events**. Out of those surveyed, 67% indicated that agricultural producers not only attend but also actively engage in these sessions, demonstrating a proactive approach towards learning and acquiring necessary information and skills. However, 33% of respondents noted that while agricultural producers do attend these events, their level of participation tends to be passive, suggesting room for improvement in fostering active involvement and engagement.

Figure 44. Do they actively participate during trainings, workshops, seminars?



In the next question representatives of the institutions were asked **whether farmers seek additional assistance when applying for calls**. The overwhelming majority of respondents, **97%**, affirmed that farmers do indeed apply for additional help during the application process. This high percentage suggests that farmers recognize the complexities involved in applying for calls and seek supplementary support to navigate the process effectively.

Respondents were also asked to **rate the procedure and process of collecting documentation for calls** on a scale of 1 to 5, where 1 represents a rather complicated procedure and 5 indicates a procedure that is not complicated at all. The average rating derived from the responses is **2.97**. This distribution suggests that while there is variability in perceptions, the majority of respondents rated the process as **moderately complicated** (with ratings falling within the range of 2 to 3). This indicates that there are perceived challenges in the documentation collection process, though they are not uniformly considered overly complex. However, it's worth noting that there are notable outliers, with a few respondents rating the process as either relatively simple (4 or 5) or very challenging (1). This highlights the diversity of experiences and perspectives regarding the ease or difficulty of collecting documentation for calls.

Farmers face a variety of **challenges when applying for agricultural funds**, as identified by the survey respondents who could select up to three significant issues. The feedback underscores the complexity of the application process and highlights specific areas where improvements could facilitate easier access to necessary resources.

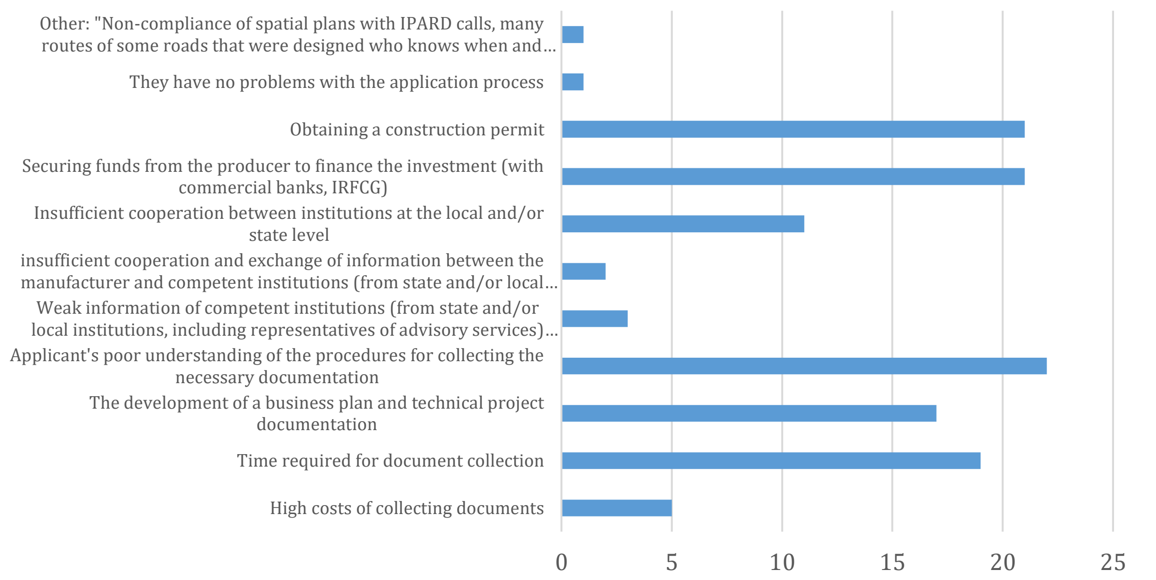
Applicant's poor understanding of the procedures for collecting necessary documentation is the most cited issue, noted by 22 respondents. This indicates a critical need for better educational resources or guidance to help applicants navigate the complexities of the funding application process effectively. **Securing funds from the producer to finance the investment and obtaining a construction permit** are both significant hurdles, each mentioned by 21 respondents. These challenges point to financial and regulatory barriers that can delay or deter investment in agricultural development.

Time required for document collection, highlighted by 19 respondents, and the development of a business plan and technical project documentation, cited by 17 respondents, further illustrate the administrative and technical demands placed on applicants, which can be time-consuming and daunting.

Additional observations:

- Insufficient cooperation between institutions at both local and/or state levels, noted by 11 respondents, suggests that bureaucratic inefficiencies also play a role in complicating the application process.
- Smaller yet notable issues include the high costs of collecting documents and less frequent but specific concerns like non-compliance of spatial plans with IPARD calls. These responses highlight niche but significant regulatory and financial obstacles that can impede the application process.
- Interestingly, only one respondent felt there were no problems with the application process, indicating that the challenges are widely recognized and affect the majority of applicants in some form.

Figure 45. From your experience, please indicate the problems that you consider the most significant in the process of farmers applying for funds



Based on the survey feedback, enhancing educational support to improve understanding of application procedures, streamlining bureaucratic processes, and increasing cooperation among institutions could significantly alleviate some of the primary challenges faced by farmers. Additionally, addressing financial barriers and regulatory constraints will be crucial in making the funding more accessible to those who need it most.

Survey participants provided a **broad range of solutions to address the significant challenges faced by farmers when applying for funding**. These proposals focus on simplifying procedures, enhancing institutional support, and improving the accessibility of necessary information and resources.

Key proposals include:

1. **Simplification and streamlining:**
    - **Reduce documentation:** Many responses emphasized the need to decrease the volume of required documentation and streamline processes to make application procedures less burdensome for farmers.
    - **Development of business plans and technical documentation**: Enhance support for farmers in developing these essential components of the application, possibly through more accessible advisory services.
    - **Standardize and simplify procedures**: Including regular updates and training on the latest requirements and processes.
2. **Institutional support and accessibility:**
    - **Establish dedicated support services:** Suggesting the creation of specialized bodies within relevant ministries to assist farmers directly with their applications.
    - **Improve local advisory services:** Proposals were made to connect local advisory services with other critical services (like veterinary clinics and registry offices) to facilitate better information sharing and support.
    - **Increase training and information dissemination:** By enhancing the presence of advisory services at the municipal level and ensuring that farmers are timely informed about new opportunities and requirements.
3. **Financial and regulatory adjustments:**
    - **Introduction of a guarantee fund:** To help cover the costs associated with securing loans and other financial instruments.
    - **Interest-free loans and financial incentives:** Including suggestions for the government to provide funds that can encourage more proactive participation from farmers.
    - **Adjust spatial and regulatory plans:** Align these more closely with the real needs of rural development to avoid conflicts and confusion among farmers.
4. **Enhanced cooperation and coordination:**
    - **Better inter-institutional cooperation:** To ensure that various government bodies work more harmoniously to support agricultural development.
    - **Facilitate geographical proximity:** Making support services more accessible to farmers regardless of their location.
5. **Educational initiatives and legal protections:**
    - **Educate farmers on available supports:** To ensure they are fully aware of the aids and services they can access.
    - **Enforce legal sanctions for misuse of funds**: To ensure accountability and the proper use of allocated resources.

Implementing these proposals requires a coordinated effort across multiple levels of government and the involvement of local services that understand the unique challenges faced by farmers.

In the survey, respondents were asked to rate various services and institutions that provide assistance to agricultural producers, using a scale from 1 to 5. This scale helps identify which collaborations are deemed most useful in supporting the application processes for agricultural funding and support.

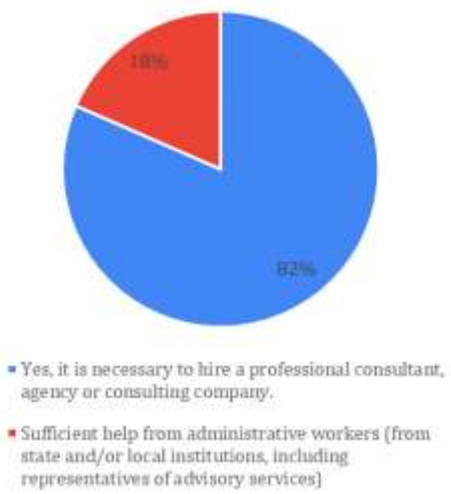
- **The department for advisory affairs in the field of animal husbandry** emerged as the most highly valued service with an average rating of 4.59. It also received the highest number of top scores (23 ratings of '5'), underscoring its critical role in effectively supporting animal husbandry operations.

- **The department for advisory affairs in plant production** also received strong support with an average score of 4.44, reflecting its significant impact in aiding plant production sectors.
- **Payments directorate** showed a robust performance with a score of 4.20, indicating its pivotal role in facilitating financial transactions and guidance crucial for agricultural producers.
- **Services like the ministry of agriculture, forestry and water management** and **Monteorganica** scored 4.03 and 3.38 respectively, pointing to their substantial but varied impact on agricultural support.
- **The municipal advisory service for agriculture and the administration for food safety, Veterinary and phytosanitary affairs** provided moderate assistance with scores of 3.62 and 3.40, suggesting that while helpful, improvements in local-level support and regulatory guidance could enhance their usefulness.
- **Associations** received the lowest rating at 2.62 with several respondents rating them poorly (5 ratings of '1'), indicating a need for these organizations to enhance their effectiveness and relevance to the agricultural community.

These results highlight the importance of specialized, direct support in agricultural advisory services, especially those focused on specific sectors like animal husbandry and plant production. Enhancements in local advisory services and associations could further improve the comprehensive support landscape for agricultural producers.

Respondents were also asked whether they believe it is **necessary to provide assistance to farmers for the preparation of a business plan.** The results clearly indicate that the majority see significant value in professional support as **82%** of respondents **believe that hiring a professional consultant, agency, or consulting company is necessary** to adequately assist farmers in preparing their business plans. Conversely, **only 18%** feel that the **current help from administrative worker**s (from state and/or local institutions, including representatives of advisory services) **is sufficient**.

Figure 46. Do you think that it is necessary to provide assistance to farmers for the preparation of a business plan?



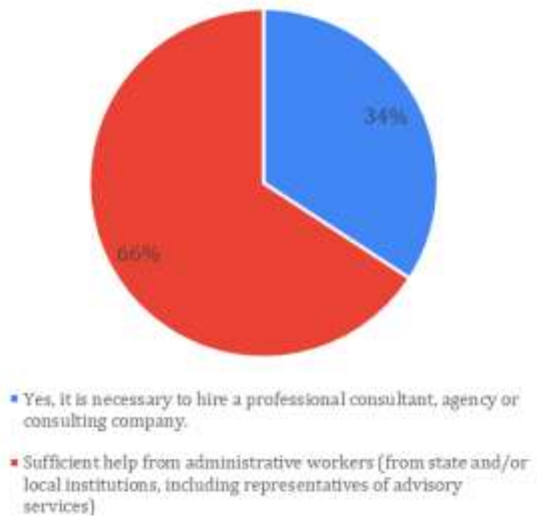
This indicates that while some respondents are satisfied with the existing support structures, there is a substantial majority who believe these services are inadequate for the complex task of business planning.

Survey participants were asked about the **need for assistance in preparing other supporting documentation necessary for farmers.** The results highlight differing opinions on the type of support that would be most beneficial as 34% of respondents believe that it is necessary to hire a professional consultant, agency, or

Figure 47. Do you think it is necessary to provide assistance to farmers for the preparation of other supporting documentation?

consulting company to assist in the preparation of such documentation. This segment of respondents likely sees the complexity or specialized nature of the documents as requiring external, professional expertise.

A majority, 66%, however, feel that sufficient help is already provided by administrative workers from state and/or local institutions, including representatives of advisory services. This suggests a higher level of confidence in the existing support structures to effectively assist farmers with their documentation needs.



Respondents were then asked to **rate the effectiveness of the Ministry (Directorate for Payments), municipal services, and advisory services in providing quality support and information to farmers about national agricultural standards.** The overall satisfaction was high, with an average score of **4.18**, reflecting a general consensus that these institutions effectively assist farmers.

Most respondents (18) fully endorsed the support, giving it the highest rating. This strong approval indicates that many find the services not only adequate but exemplary in helping farmers navigate agricultural standards and funding applications. Another 10 respondents rated the support as highly satisfactory, reinforcing the positive feedback. However, a small number voiced moderate satisfaction, suggesting there's still room for improvement in service delivery. No respondents expressed complete dissatisfaction, underscoring a broad confidence in the existing support framework provided to the agricultural community.

In assessing whether **Advisory Services have enhanced their capabilities and knowledge, and if they effectively inform agricultural producers about available financial support,** participants were asked to rate their agreement on a scale from 1 (strongly disagree) to 5 (strongly agree). The overall feedback yielded an average score of **3.86**, indicating a generally positive perception of the improvements and effectiveness of the Advisory Services.

A small fraction of respondents expressed dissatisfaction, with one giving the lowest rating (1) and two opting for a rating of (2), signalling strong disagreement or dissatisfaction with the services provided. **A moderate group of eleven respondents felt neutral**, choosing a middle-ground rating of (3), suggesting that while noticeable improvements may have been made, there remains room for further enhancement in the services' performance and outreach. A more favourable view came from those who rated the services as either good or excellent, with ten respondents assigning a score of (4) and thirteen granting the top score of (5). This group clearly feels that Advisory Services have substantially improved and effectively communicates vital financial support opportunities to producers.

This distribution of scores highlights that while many are satisfied with the advancements and information dissemination by Advisory Services, a consensus on areas needing improvement could help elevate the effectiveness of these services further.

Participants were asked whether they believe **additional training is necessary for employees from the Ministry (Directorate for Payments), municipal services, and advisory services.** This training would aim to enhance their ability to convey information to farmers and provide comprehensive support during the application and funding withdrawal processes from pre-accession funds and calls. **75% of respondents indicated that additional education is required**. This majority opinion suggests a perceived gap in the current knowledge or skills of the staff involved, emphasizing the need for enhanced training to better support agricultural producers. Conversely, 25% believe that the current staff are sufficiently informed and professional, indicating satisfaction with the existing level of expertise and professionalism.

Figure 48. Is additional training necessary for employees from the Ministry (Directorate for Payments), municipal services and advisory services, in order to convey information to farmers and provide them with full support when applying and withdrawing funds from pre-accession funds and calls?

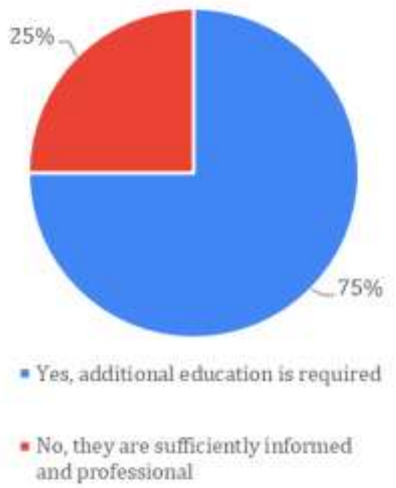
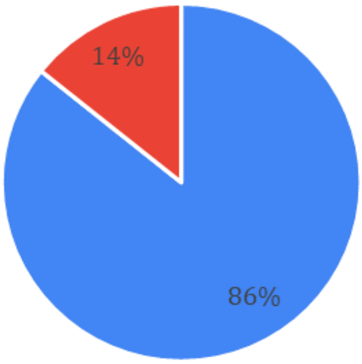


Figure 49. If employee training is required, what is the best way to implement it?



In addressing the **preferred methods for enhancing the training of employees involved in supporting agricultural producers**, respondents were given options on how best to implement such training. **A dominant 86% of respondents favour organizing study visits to countries that are exemplars of good agricultural practices**.

This overwhelming preference indicates a strong belief in the benefits of experiential and observational learning, where direct exposure to successful models can offer valuable insights and practical knowledge. Meanwhile, only 14% believe that hiring lecturers from the region would be effective. This suggests that while regional expertise is valued, there is a much greater interest in learning from international best practices through immersive experiences.

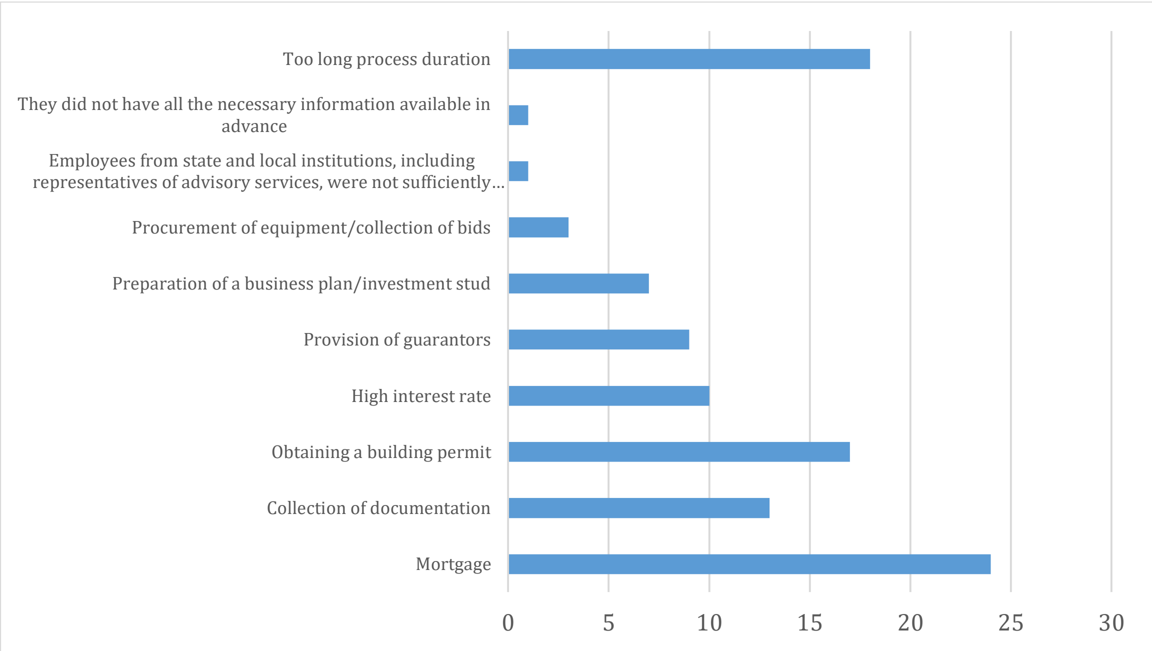
Representatives of the institutions were asked to identify the biggest problems they think farmers face in securing necessary funds and implementing investments. The responses highlight several key challenges:

- **Mortgage requirements:** The most cited issue, mentioned by 24 respondents, indicates that securing a mortgage is a significant barrier to accessing needed funds.
- **Too long process duration:** Mentioned by 18 respondents, this indicates that the lengthiness of the funding process is a major concern, potentially delaying necessary agricultural activities.

- **Obtaining a building permit:** Cited by 17 respondents, this suggests that regulatory hurdles related to building permits are a substantial impediment.
- **Collection of documentation:** Another significant challenge, with 13 mentions, pointing to the complexity and burdensome nature of gathering required documentation.
- **High interest rates:** Noted by 10 respondents, indicating that the cost of financing is prohibitively high.

Other notable issues include the **provision of guarantors, the preparation of business plans or investment studies, and the procurement of equipment.** A few respondents also highlighted a lack of sufficient information and support from state and local institutions as minor but notable issues.

Figure 50. In general, in your opinion, what is the BIGGEST PROBLEM that farmers face in the process of securing the necessary funds and implementing the investment?



Respondents were asked if support programs affect the improvement and competitiveness of farmers and, if so, how. A resounding majority confirmed that such programs indeed enhance various aspects of agricultural productivity and market competitiveness.

Key improvements noted include:

- **Food safety and processing efficiencies:** Many respondents noted improvements in meeting food safety requirements and increases in processing capacities, which directly enhance product quality and safety standards.
- **Yields and production volume:** A significant number of participants reported increases in yields and production volume, which are fundamental for the growth and scalability of agricultural operations.
- **Market placement and competitiveness:** Respondents frequently cited enhanced competitiveness in terms of price and quality, along with better placement of products on existing markets. This indicates that support programs are instrumental in helping farmers achieve a stronger market presence, both locally and in the EU region.
- **Reduction in operational costs:** Several farmers have observed reductions in the costs of hiring additional machinery and processing time, which contribute to more efficient production processes and lower operational expenses.

- **Employment opportunities:** The creation of new jobs as a result of expanded production and improved processing capabilities was another significant benefit highlighted by respondents.

These responses collectively underscore the pivotal role of support programs in not only aiding farmers with immediate agricultural needs but also in positioning them competitively in broader markets.

Respondents assessed the **effectiveness of pre-accession funds and programs across three key areas of agricultural development** in Montenegro. The consensus indicates a positive impact, though the degree of agreement varies slightly among the different aspects evaluated.

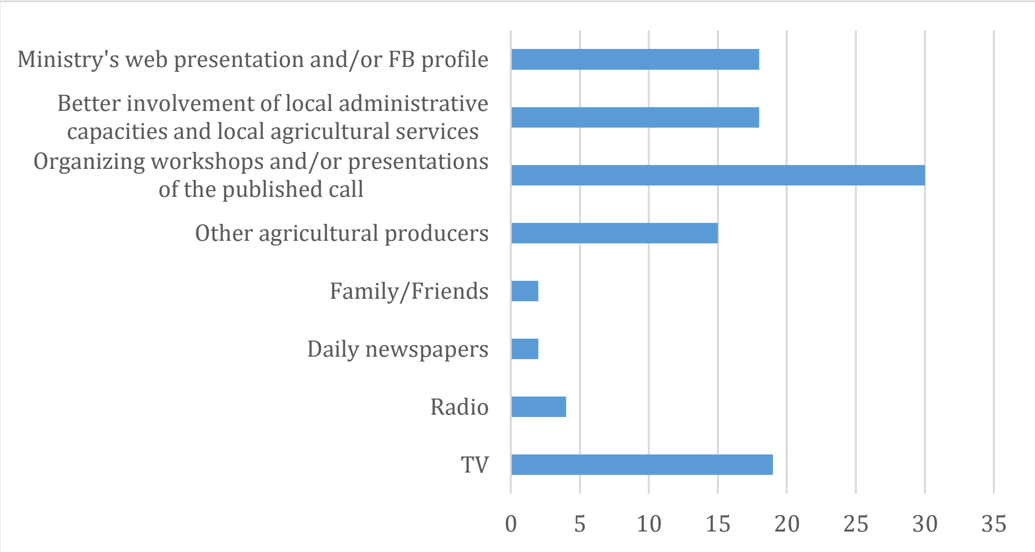
The **highest approval came for the role of these funds in enhancing agricultural production itself**, with an average rating of **4.38.** This reflects a strong belief among the respondents that these initiatives are crucial in boosting agricultural output. **Improvements in processing capacities also received substantial support**, scoring an average of **4.29**. This suggests that the funds have been instrumental in modernizing and expanding the capabilities of agricultural processing facilities within the country. **The diversification of farms and business development,** while still positively viewed, had a slightly lower score of **4.13**, indicating that while there is noticeable progress, the impact in this area might not be as pronounced as in production or processing.

Respondents highlighted several areas where improvements are crucial to enhance the effectiveness of programs and pre-accession funds aimed at supporting agricultural development:

- **Simplification of documentation and procedures**: There is a strong call for reducing the complexity and volume of documentation required from farmers. This includes streamlining processes for obtaining building permits, creating business plans, and securing real estate mortgages. Simplifying these procedures could significantly lessen the administrative burden on farmers and accelerate the process of funding and development.
- **Financial accessibility**: Many responses pointed to the need for better financial support structures, such as the establishment of a guarantee fund to aid farmers who lack sufficient funds. This would help ensure that financial constraints do not hinder farmers' ability to invest and grow.
- **Institutional support:** There is a noted need for the formation of dedicated bodies or the enhancement of existing ones within governmental structures, to specifically support agricultural producers. This could include helping with documentation or providing direct advisory services.
- **Integration of existing data:** Respondents suggested that information already held within government systems should be utilized more efficiently to prevent farmers from having to submit duplicate documentation. This approach would reduce the workload for both farmers and administrators and speed up the application processes.
- **Local and regulatory support**: Ensuring local government support for the construction of agricultural facilities and reducing the bureaucratic hurdles related to planning and development are seen as essential for smoother project implementation.
- **Tailored and specific support**: There is a call for more tailored support that aligns better with the specific conditions and needs of the agricultural sector in the region, ensuring that funds and programs are not only available but also appropriate and effective.

Survey respondents were asked to **identify the most effective means of communication for promoting programs and pre-accession funds aimed at supporting agriculture**. The findings reveal a clear preference for interactive and direct engagement methods as **organizing workshops and presentations emerged as the most favoured approach**, with **30 votes**, underscoring the value of direct interaction and detailed explanations in conveying information about agricultural programs. Both the **Ministry's web presentation and Facebook profile**, and better involvement of local administrative capacities and local agricultural services received **18 votes each**. This indicates a significant appreciation for digital platforms and local administrative support in effectively disseminating program details. **Television was also highlighted as a key medium, with 19 responses**, suggesting its continued relevance in reaching a broad audience. **Other agricultural producers as sources of information received 15 votes**, pointing to the importance of peer-to-peer communication among farmers. Conversely, more traditional media channels like radio, daily newspapers, and informal sources such as family and friends garnered minimal support, indicating lesser effectiveness or reach in the context of these specific agricultural initiatives.

Figure 51. Which means of communication are the most useful in order to promote the program and pre-accession funds?



5.4.2. Survey results among the agricultural producers

The survey conducted among 32 agricultural producers across 15 of Montenegro's 25 municipalities provides a clear overview of the current agricultural landscape. This data reflects a broad range of experiences and the operational conditions faced by these producers.

A significant portion, 78%, of the respondents are aged between 30-60 years. Younger farmers under 30 represent 9% of the sample, and those over 60 years make up 13%. This indicates varied age involvement within this specific participant group.

Most of the surveyed farms, 69%, are between 0-10 hectares, suggesting that smaller farm operations predominate among the respondents, which aligns with the broader issue of land fragmentation in Montenegro, which poses challenges for efficiency and productivity. Farms of 10-100 hectares represent 28% of the sample, showing some presence of medium-sized operations. Larger farms, exceeding 100 hectares, are relatively rare, constituting just 3% of the surveyed group.

Among the respondents, 69% reported private ownership of their farmland. The leased land is utilized by 16% of the participants, showing some reliance on rental arrangements. Other forms of land tenure, such as co-ownership and community land, are less common but present in the data.

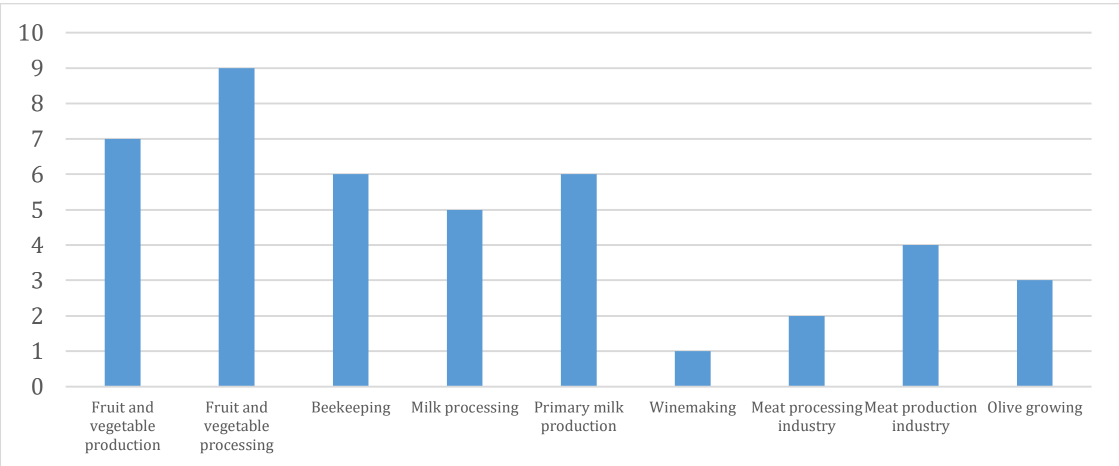
The survey conducted highlights a diverse array of activities within the sector, reflecting the multifaceted nature of agricultural operations in Montenegro. The responses, totalling 43 from a possible 32 participants due to multiple entries per respondent, indicate the prevalence of various agricultural and processing activities with **Fruit and vegetable processing** being the most prevalent activity, noted by 21% of responses, suggesting a significant tilt towards value addition in produce.

Fruit and vegetable production follows closely, involving 16% of the participants, highlighting traditional farming as a cornerstone of local agriculture. **Beekeeping and milk production**, each with 14% of the responses, underscore the importance of both apiculture and dairy activities in the region. **Milk processing and meat production**, also show notable participation. Less common yet vital activities like **olive growing and winemaking** indicate niche markets that add to the region's agricultural diversity and potential for speciality products.

This broad spectrum of agricultural activities underscores the dynamic and integrated approach of Montenegro's farmers, balancing primary production with processing to enhance market readiness and sustainability.

The survey also indicated that **practical experience is the primary source of agricultural knowledge for the majority of the respondents**, with **88%** (28 out of 32) relying on hands-on practices in their farming activities. This emphasizes the role of traditional, experiential learning in the agricultural sector of Montenegro. In contrast**, formal agricultural education is less common among the respondents**, with only **13%** (4 out of 32) possessing an agricultural education of at least three years. This suggests that while formal education in agriculture is present, it is not the predominant method through which agricultural knowledge is acquired among this group.

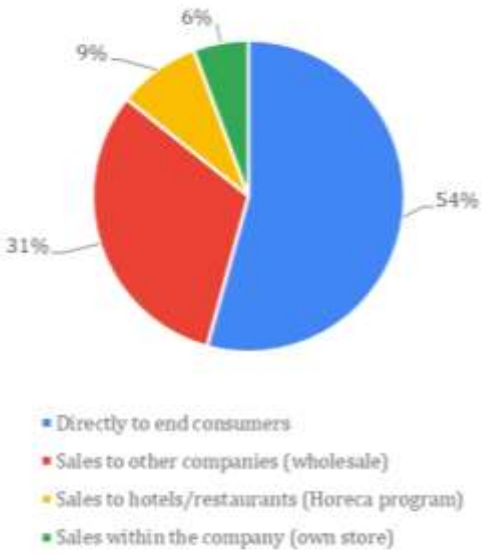
Figure 52. List the activities you are engaged in within agriculture:



The survey reveals that a significant majority of agricultural producers, **72%, maintain internal records of their income and expenses**. This practice is essential for strategic planning and effective management of agricultural activities. Among those who keep records, **48% rely on traditional methods such as notebooks**, reflecting a preference for straightforward, manual record-keeping. In contrast, **only 22% utilize personal computers for this purpose**, highlighting a lower adoption of digital tools in this aspect of farm management. This data points to a predominantly manual approach to record-keeping among agricultural producers, with a substantial portion yet to fully integrate digital technology into their management practices.

Regarding the **marketing strategies** of agricultural producers, the **majority (54%) prefer direct sales to end consumers**. This direct approach likely allows farmers to maintain control over pricing and consumer relationships. A significant portion, 31%, engage in wholesale transactions with other companies, which may offer the benefits of bulk sales but potentially at lower profit margins per unit. Fewer respondents, 9%, target the hospitality sector through sales to hotels and restaurants, which could suggest niche or specialized product offerings. Only 6% reported operating their own retail outlets, indicating that few choose to invest in the infrastructure and overhead costs associated with running a store.

Figure 53. How do you most often market your products



When asked about **challenges in selling their products**, a majority of the agricultural producers surveyed (75%) reported no difficulties, indicating a stable market for their goods. However, a small segment, 9%, experiences frequent issues, while **16% encounter problems to a certain extent**, suggesting some areas of the market or specific product types may face higher barriers or competition.

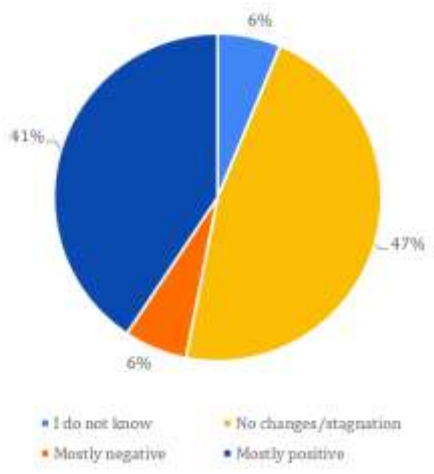
The agricultural producers surveyed noted key issues included:

- **Overproduction and market saturation**: Some farmers report the impossibility of selling all their products, indicating potential oversupply issues.
- **Competition**: Many producers are experiencing intense competition, both locally and from neighbouring countries, which impacts their market share and pricing power.
- **Import pressure**: There is a significant concern about the import of large quantities of products like honey, which farmers perceive as unfair competition due to potentially lower standards or prices of imported goods.
- **Protectionism**: Producers feel that domestic products are insufficiently protected against the import lobby, suggesting a need for more robust local support or protective measures.
- **Price concerns:** Low prices driven by external imports exacerbate the financial challenges faced by local farmers.
- **Specific product challenges**: For some products, such as milk, there is a reported lack of adequate supply to meet demand, suggesting issues in production or distribution efficiency.

These factors combine to create a challenging environment for local agricultural producers, emphasizing the need for targeted support and possibly more protective domestic policies.

When agricultural producers in Montenegro were asked about their **perceptions of the sector's development over the past four years**, their responses were mixed. **A significant portion, 47%, perceived no changes or stagnation in the agricultural sector. Meanwhile, 41% viewed the developments positively**, indicating some level of improvement and progression. Only a small fraction, 6%, viewed the changes as mostly negative, expressing dissatisfaction with the sector's direction. Another 6% were unsure how to assess the developments, reflecting a degree of uncertainty in the sector's trajectory.

Figure 54. How would you rate the development of Montenegrin agriculture in the last 4 years?



They have further identified several **positive changes in the sector over the last four years**. The most noted improvements include **better institutional support**, as recognized by 14 respondents, who valued the enhanced work of advisory services and education for farmers. Additionally, the **possibility of reclaiming part of the invested funds through various programs like MIDAS and IPARD** was highlighted by 13 respondents, reflecting an appreciation for financial support mechanisms that aid in mitigating investment risks.

The survey also pointed to **increased awareness and popularity of agriculture among the public**, with seven respondents noting this as a significant change. Although improvements in food safety standards, production standards, and the availability of loans were less frequently mentioned, they still represent critical areas where progress has been observed. Only a few respondents noted better dissemination of information and improved conditions in implementing measures through the Agro budget, suggesting areas where further attention might be needed.

The survey also highlighted several **barriers to the development of agriculture in Montenegro** perceived by agricultural produces and based on multiple responses. The most frequently cited issue, noted by **23 respondents**, concerns the **non-competitiveness of domestic products due to the low prices of imported goods**, emphasizing the market challenges local producers face. Additionally, **unfair competition and the presence of a grey market economy within the country**, each noted by 13 respondents, point to significant market distortions affecting producers.

Other notable barriers include **insufficiently developed infrastructure** and **difficult access to financing**, highlighted by 9 and 8 respondents respectively, indicating structural and financial hurdles that hinder agricultural development. The survey also revealed a general **disinterest among producers in forming associations**, which could otherwise enhance their bargaining power and market presence. This lack of collaboration, alongside gaps in knowledge about modern agricultural technologies and practices, underscores the broader challenges in advancing Montenegro's agricultural sector.

Figure 55. In your opinion, what are the most significant positive changes in Montenegrin agriculture in the last 4 years?

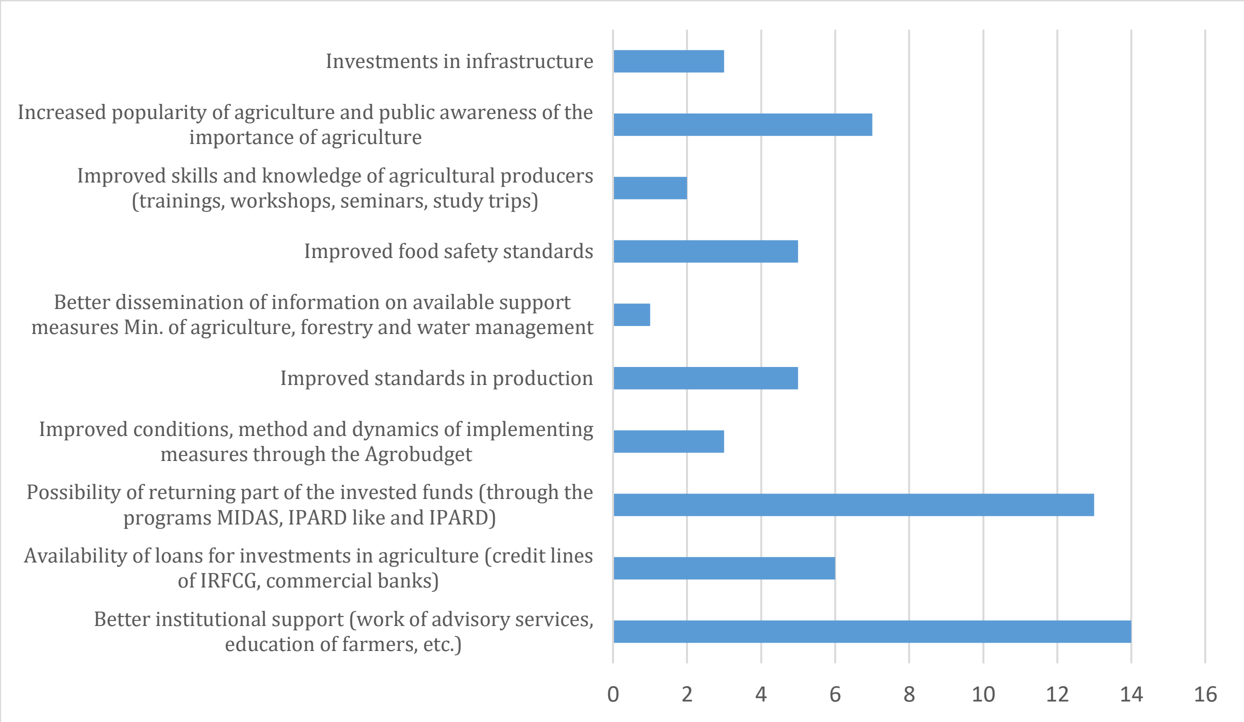
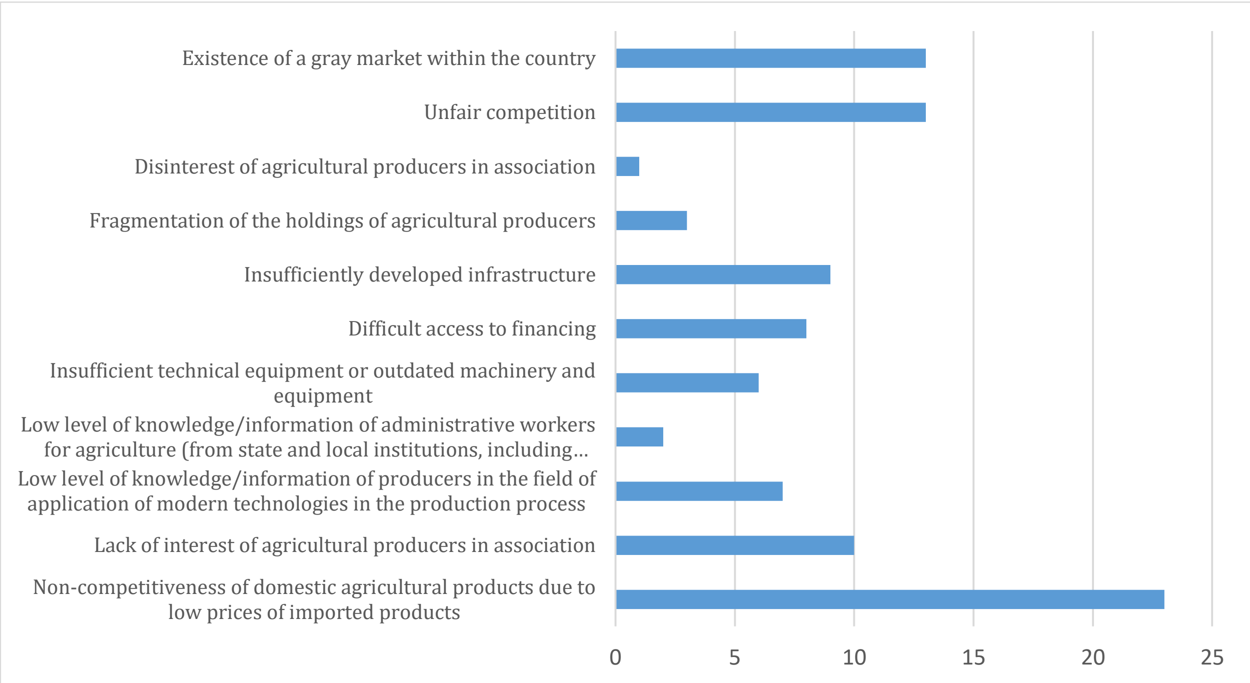


Figure 56. In your opinion, what are the biggest barriers to the development of agricultural production in Montenegro?

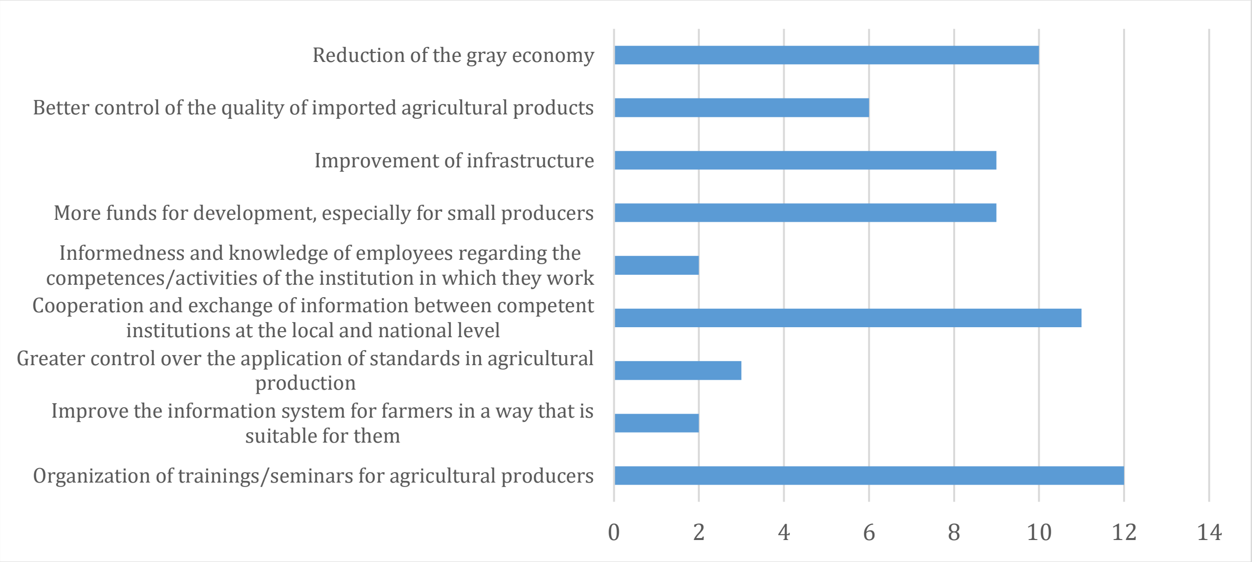


In **addressing the challenges facing Montenegro's agricultural sector**, respondents to the survey highlighted a range of strategies to enhance the collaboration between agricultural producers and supporting institutions. A significant number of agricultural producers emphasized the importance of ongoing **education and training.** Twelve respondents advocated for the regular organization of training sessions and seminars. Another critical area identified by respondents involves the **strengthening of communication and information exchange between agricultural institutions at both local and national levels**. Eleven participants pointed out that more cohesive and coordinated efforts among these entities could significantly streamline processes, aligning efforts across various government and regulatory bodies to bolster the agricultural framework. The survey also revealed a strong call for **addressing the grey market economy**, with ten respondents highlighting it as a pivotal concern.

Financial support remains a pressing need, particularly for small-scale producers. Nine respondents called for an increase in the allocation of funds dedicated to development, suggesting that more accessible financial resources could catalyse substantial growth and innovation in the sector. **Infrastructure improvements were equally noted**, with another set of nine respondents underscoring the necessity of upgrading essential services and facilities that support agriculture. This includes better roads for transportation, advanced storage solutions, and improved irrigation systems, all of which are fundamental to enhancing agricultural output and efficiency.

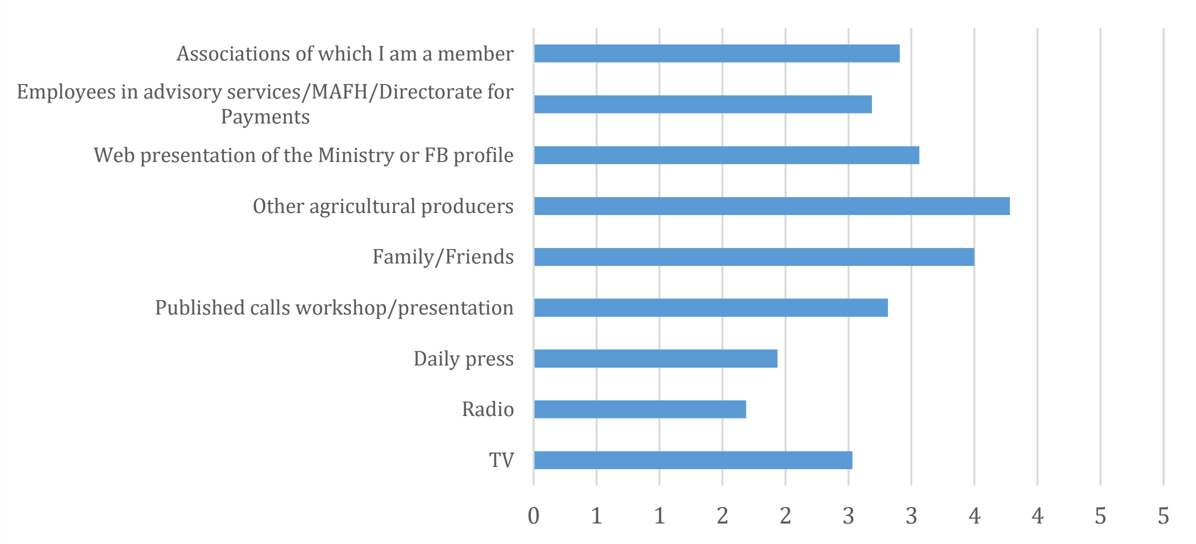
Lastly, **better regulation of imported agricultural products** was deemed essential by six respondents, aiming to safeguard local producers from unfair competition and ensure that all products meet the country's safety and quality standards.

Figure 57. In your opinion, in what way is it possible to improve cooperation with institutions/organizations that provide support to agricultural production?



In assessing the **usefulness of information sources about agricultural programs**, producers gave the highest ratings to peer communications and personal networks. **Other agricultural producers and family or friends emerged as the most trusted channels, scoring 3.8 and 3.5 respectively**, highlighting the importance of community-based knowledge sharing. **Workshops and the Ministry's online presence were considered moderately useful**, with scores around 3.0, indicating that while these sources are utilized, there may be room for enhancing their relevance and engagement. Conversely, traditional media channels such as **TV, radio, and newspapers were deemed less effective**, with scores below 2.5, suggesting a disconnect between the content provided and the specific needs of the agricultural community. Information from advisory services and related associations received mixed reviews, pointing to potential gaps in the effectiveness of institutional support in addressing the direct needs of farmers.

Figure 58. How do you get information about programs and supports for agricultural producers? Rate the usefulness of that information on a scale of 1 to 5, where 1 is not useful to 5 is very useful



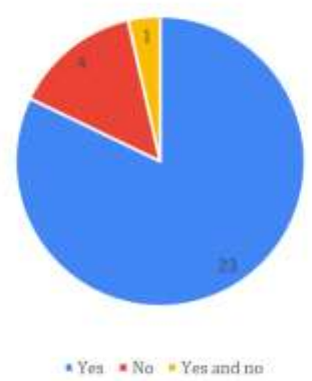
Regarding the **training programs focused on calls and pre-accession** funds for agricultural development, a significant portion of agricultural producers participated, with 17 out of 32 respondents confirming their attendance. Conversely, 15 did not attend such educational events.

When asked about their **engagement with specific calls and invitations**, a majority, 23 producers, reported that they applied for various funding opportunities. These included **IPARD** programs for **machinery acquisition, infrastructure projects, and sector diversification efforts**. Specific initiatives highlighted by respondents encompassed subsidies for olive growing, beekeeping support, and machinery for juice production, among others.

However, challenges such as **complex procedures** and **insufficient need** were cited by those who refrained from applying, underlining barriers to access these funds.

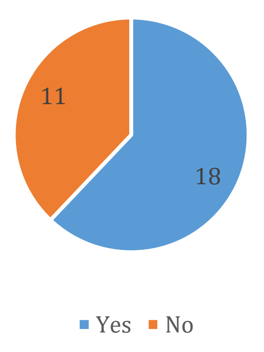
The success rate of these investments shows a positive trend, with **23 respondents affirming successful realization of their projects**. Nonetheless, there were also instances of failure or partial success, as indicated by 4 respondents reporting unsuccessful outcomes and 1 experiencing mixed results.

Figure 59. Did you successfully realize the investment



In assessing the **complexity of the documentation process** for agricultural funding calls, agricultural producers in Montenegro have expressed varying levels of difficulty. On a scale from 1 to 5, with 1 representing a fairly complicated procedure and 5 indicating a straightforward process, the average rating stood at 2.58. This suggests a moderate level of complexity overall. The distribution of responses highlights this perception: 6 respondents rated it as highly complicated (1), 7 found it notably complicated (2), 12 felt it was moderately complicated (3), and 6 viewed it as less complicated (4).

Figure 60. Can you say, based on experience, if you had any difficulties in the process of applying for funds?



Notably, no respondents considered the procedure completely uncomplicated (5), reflecting a general consensus that the process involves considerable bureaucratic challenges. Building on the insights gathered about the complexities of documentation for funding applications, another question focused on the practical experiences of agricultural producers in applying for funds.

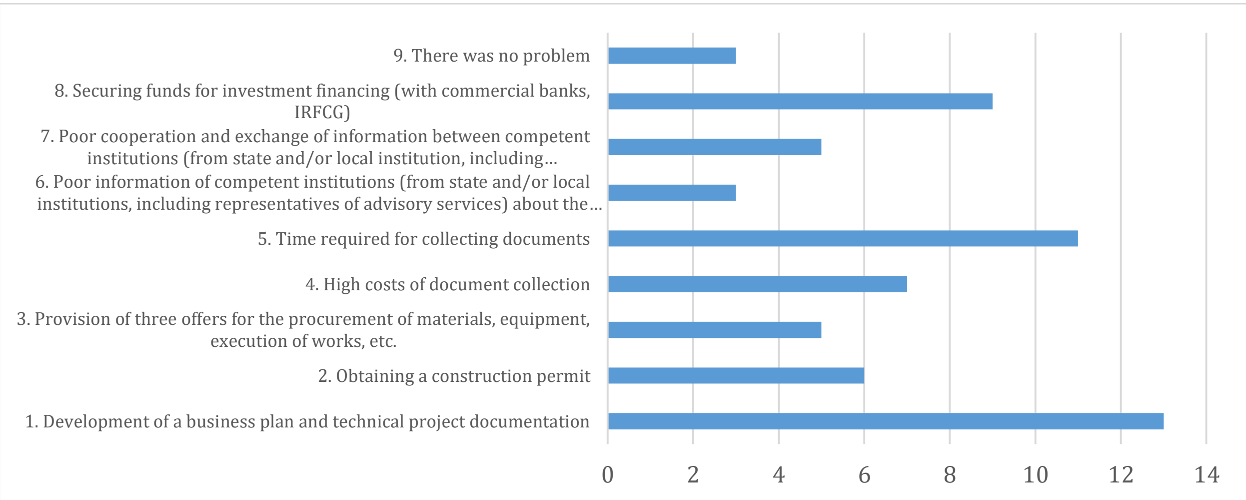
Here, 62% of respondents reported encountering difficulties during the application process, while 38% did not face significant challenges.

When asked to identify **significant challenges they face during the application process for funding.** The responses highlighted various issues:

- **Development of a Business Plan and Technical Project Documentation**: The most commonly reported issue, with 13 respondents finding this aspect challenging.
- **Time Required for Collecting Documents:** Cited by 11 participants as a significant burden, reflecting the procedural delays and inefficiencies.
- **Securing Funds for Investment Financing:** This was a major concern for 9 respondents, indicating difficulties in accessing financial resources through banks.
- **High Costs of Document Collection**: Mentioned by 7 respondents, this highlights the financial burden associated with preparing and submitting applications.
- **Obtaining a Construction Permit and Poor Cooperation and Exchange of Information between Competent Institutions:** Each noted by 6 and 5 respondents respectively, these points suggest bureaucratic problems and lack of effective communication among institutions.

Interestingly, 3 respondents reported no significant problems in the process, indicating varied experiences among producers.

Figure 61. From your experience, please indicate the problems that you consider the most significant in the process of applying for funds.



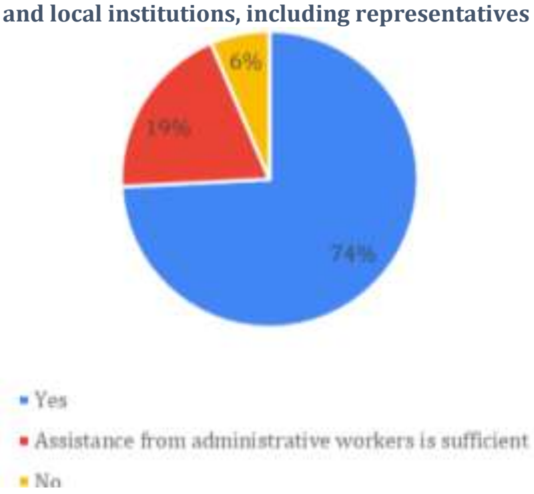
Many respondents emphasize the role of **persistence and perseverance** in navigating this process. This was noted repeatedly when asked how they overcame difficulties in applying for state and EU funded projects, indicating that tenacity is a key factor in overcoming the bureaucratic drawbacks associated with these applications.

A significant number of producers also pointed to **external support** as crucial in managing the complexities of the process. Some mentioned specific assistance from **advisory services**, which helped in preparing essential components like business plans. Others hired **experts** to assist with the preparation of documentation, underscoring the technical nature of the application process and the need for specialized knowledge. **Experience** plays a notable role in easing the application challenges, as highlighted by respondents who have been involved in the sector for years and have thus "mastered the procedures." This suggests that familiarity with the system reduces the perceived complexity of the process. Conversely, for newcomers, the process remains daunting due to their unfamiliarity with the required steps. A few respondents indicated that they resolved issues through increased effort and commitment, including seeking more information and involving knowledgeable family members. However, there were also mentions of the process being inherently difficult and time-consuming, with no straightforward solutions other than enduring a "big paperwork procedure."

Agricultural producers then rated various institutions on their level of helpfulness during the preparation of applications for state and EU funding projects. The results reflect varying degrees of satisfaction with these institutions, as expressed through an average rating score and the distribution of the highest (5) and lowest (1) scores.

- **Ministry of agriculture, forestry and water management** - This institution received a relatively high average satisfaction rating of **3.41**. It also saw the most frequent highest score (5) compared to others, suggesting it was perceived as quite helpful by several respondents.
- **Department for advisory services in plant production** - With an average rating of **3.10** and receiving moderate amounts of highest scores, this department was seen as generally useful, though not as impactful as some others.
- **Department for advisory services in the field of animal husbandry -** This department also received a fair average rating of **3.00**, with a moderate number of highest ratings, indicating it was helpful to some extent in assisting producers.
- **Municipal advisory service for agriculture** - This service had a slightly lower average satisfaction score of **2.81** and the highest number of lowest scores (3), indicating some dissatisfaction among producers regarding its utility.
- **Payments directorate -** Matching the average of the animal husbandry department at 3.00, but with fewer top ratings, this directorate's performance was seen as average by the respondents.
- **Monteorganica -** This institution had the lowest average satisfaction score of **2.67**, signalling a generally less favourable perception among the producers.
- **Administration for food safety, veterinary and phytosanitary affairs -** This administration received a good average score of **3.36** and was one of the higher-rated institutions, indicating a satisfactory level of assistance provided to the producers.
- **Associations -** The highest rated on satisfaction with an average of **3.50**, this institution seems to have provided significant support to the respondents, as reflected in both its average score and number of highest ratings.

Figure 62. Do you think it is necessary to hire a professional consultant or a consulting company for the preparation of a business plan, or is the help of administrative workers in charge of this area (from state and local institutions, including representatives



When asked if they believed it was **necessary to hire a professional consultant or consulting company for the preparation of a business plan, or if the help from administrative workers** (from state and local institutions, including representatives of advisory services) was sufficient, a significant majority of the respondents **(74%)** indicated that it is **necessary** to hire a professional consultant or a consulting company. Only **19%** of the respondents felt that the **assistance from administrative workers was sufficient**.

This indicates a perceived gap in the quality or extent of support that administrative workers are able to provide in the business planning process for such funding applications. A small minority of **6% felt confident enough to prepare the business plan independently**, suggesting a limited number of producers have the requisite skills or experience to navigate the process without external help.

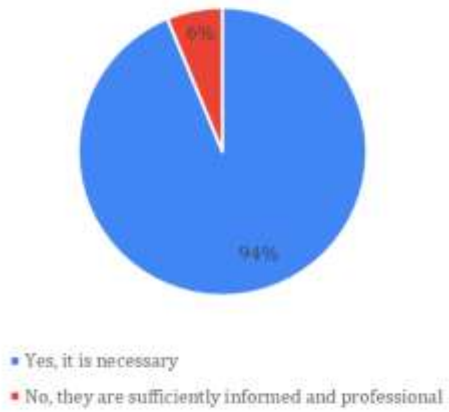
Agricultural producers also evaluated the **effectiveness and efficiency of the Directorate for Payments (MAFSV), municipal services, and advisory services** in **delivering quality services and information on national standards in agriculture**, including during application processes for calls. The average rating provided by the respondents was **3.23** on a scale from 1 (do not agree at all) to 5 (completely agree). This average score indicates a moderate level of satisfaction among the agricultural producers. It suggests that while these services are somewhat effective in supporting producers, there is room for improvement in how they deliver their services and manage information dissemination.

When asked if they felt **well-informed about the services provided by the Advisory Services**. The results showed a division in awareness as 59% answered "Yes", indicating that they feel adequately informed about what the Advisory Services offer, and 41% responded with "No", signalling that a substantial proportion of the producers do not feel well-informed. This suggests that the Advisory Services may need to improve their outreach and communication strategies to ensure that more producers are aware of the services and can benefit from them effectively.

The average rating of the evaluation on whether the Advisory services have **improved their capacities and knowledge**, especially regarding the dissemination of information about financial support from grants and funds, was **3.19**, suggesting a moderate level of satisfaction among the respondents. The distribution of ratings shows a nuanced view of the services provided. A small number of producers expressed significant dissatisfaction, indicating a strong disagreement with the notion that there have been meaningful improvements. However, the majority of respondents, who gave neutral ratings, acknowledge some degree of improvement but suggest that these are not yet sufficient to fully meet their needs. On the more positive side, a comparable group of producers recognize notable advances in the advisory capacities and appreciate the enhanced quality of information provided about financial support opportunities.

This moderate average score reflects a general consensus that while there has been progress in enhancing the capabilities of Advisory services, further improvements are necessary to effectively meet the diverse needs of the agricultural community.

Figure 63. Is additional training of administrative capacities necessary so that in the future, with their help, Montenegrin producers can withdraw and use as many funds as possible from pre-accession funds and calls, all with the aim of entering the EU market an



An overwhelming **94% of respondents** believe that a**dditional training of administrative capacities is necessary**. This indicates a strong consensus among agricultural producers that in order to effectively utilize pre-accession funds and enhance competitiveness in the EU market, there is a pressing need for administrative and advisory entities to enhance their expertise and service delivery. Only 6% felt the current level of information and professionalism was sufficient, which starkly underscores the perceived gaps in current administrative competencies.

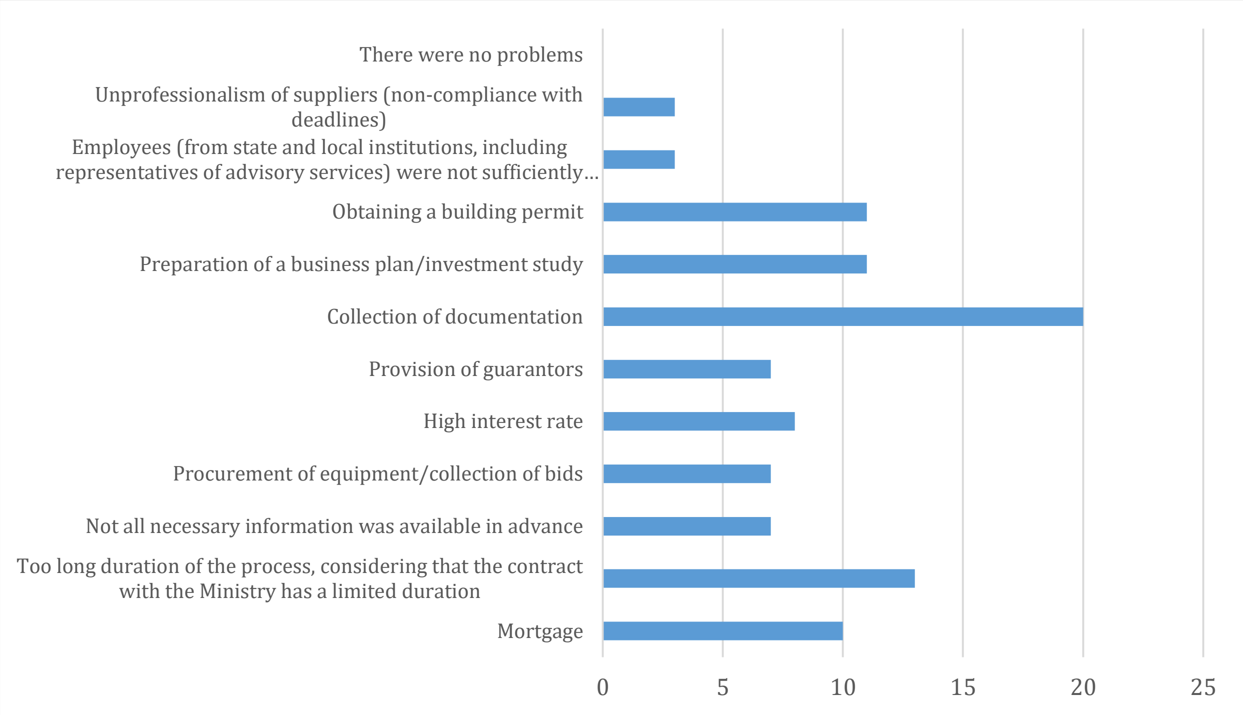
Primary challenges that farmers encounter while securing the necessary funds and implementing investments was also addressed. The most frequently cited issue was the **collection of documentation**, identified by 20 respondents as the biggest problem. This suggests that the administrative burden of gathering the necessary paperwork is a significant hurdle for many farmers, potentially delaying or complicating their funding applications.

Too long duration of the process, mentioned by 13 respondents, indicates another significant challenge. Farmers find the time required to secure contracts with the institutions problematic, especially given that these contracts often have strict timelines which do not align well with the lengthy administrative processes involved. **Preparation of a business plan and obtaining a building permit** were each noted by 11 respondents as major challenges, reflecting the technical and bureaucratic complexities involved in planning and legally establishing agricultural operations. Other notable issues included the **need for a mortgage and high interest rates**, each highlighting financial barriers that farmers face. The provision of guarantors and difficulties related to the procurement of equipment were also significant concerns, each cited by 7 respondents.

The survey also touched on issues such as the **lack of necessary information upfront and the unprofessionalism of suppliers**, although these were less frequently mentioned.

Overall, the responses underline the extensive and diverse challenges that farmers face in accessing financial support and implementing their business plans. These range from bureaucratic and administrative hurdles to financial and informational barriers, each of which can significantly impede the progress and success of agricultural investments.

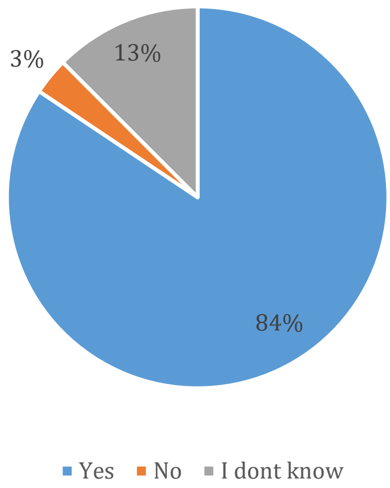
Figure 64. In general, in your opinion, what is the BIGGEST PROBLEM that farmers face in the process of securing the necessary funds and implementing the investment?



A significant majority of farmers **(84%)** reported that various **supports have indeed positively affected their competitiveness and operational improvements** in multiple key areas:

- **Food safety and regulatory compliance** - Seven respondents noted that supports helped them fulfil necessary requirements for food safety, essential for market access and maintaining consumer trust.
- **Efficiency gains in production** - Another seven farmers highlighted that supports contributed to decreased processing times, enhancing operational efficiency.
- **Cost reduction -** Supports have allowed for reduced costs associated with hiring additional machinery, as indicated by four farmers, thereby improving their operational budget.
- **Enhanced processing capacities -** Seven respondents mentioned increased processing capacities, enabling them to handle larger volumes and expand their production scope.
- **Increased production yields** - Matching the number for increased capacities, seven farmers also reported that supports led to increased yields or volume of production, which directly influences revenue potential.
- **Quality improvements** - Similarly, seven farmers felt that the quality of their products had increased, a crucial factor for market competitiveness and consumer satisfaction.
- **Market competitiveness** - Though fewer in number, four farmers indicated that supports helped increase the competitiveness of their products in terms of price and quality.
- **Market expansion** - Supports facilitated increased placement of products on existing markets for eight respondents, while six noted access to new markets, expanding their sales and customer base.
- **Employment opportunities -** Four respondents observed that new jobs were opened due to expanded operations supported by these initiatives.

Figure 65. Do supports affect the improvement and competitiveness of farmers? If the answer is yes, in what way



Respondents considered the **impact of pre-accession funds and programs on various aspects of agricultural development in Montenegro.** The overall sentiment from the responses was positive, indicating a general agreement that these initiatives have been beneficial, though the degree of impact varied across different domains.

The area receiving the highest endorsement was the **development and improvement of agricultural production**, with an average rating of **3.77**. This suggests a strong consensus among the farmers that pre-accession funds have significantly enhanced agricultural outputs and practices in Montenegro. This sentiment was further underscored by the majority of respondents giving this aspect the highest possible rating.

Processing capacities in the agricultural sector also saw a favourable evaluation, scoring an average of **3.52**. Farmers acknowledged that these funds have contributed to better processing techniques and capacities, though the agreement was slightly less unanimous compared to the overall agricultural development. **The impact on diversification of farms and business development** received a more moderate rating of **3.35.** While still positive, this lower score compared to the other categories indicates that the effects on diversification and business expansion were perceived as less dramatic. Collectively, these responses highlight a broad acknowledgment of the positive role that pre-accession funds play in advancing Montenegro's agricultural sector, particularly in enhancing production and processing capabilities. The somewhat lower enthusiasm for the impact on business diversification points to potential areas where further support and focus might be needed.

Survey finally solicited feedback on areas of improvement for programs and pre-accession funds aimed at supporting agriculture**. The collective responses revealed a clear call for** simplification and efficiency enhancements **in several aspects of these initiatives. Here's a narrative synthesis of the key points raised:**

- **Streamlining procedures -** a recurring theme was the need to simplify the myriad procedures that farmers face, particularly in the realms of documentation and application processes. This includes making it easier to access necessary forms and reducing the overall bureaucratic burden that currently exists. There was a specific mention of adapting procedures to cater to older farmers, who constitute a significant portion of the agricultural workforce.
- **Enhancing administrative support** - respondents expressed a desire for more robust support systems at the local level. This includes having advisory services that are more proactive in reaching out to farms to assist with documentation and to inform farmers about new funding opportunities promptly.
- **Education and communication** - there was a notable emphasis on improving the training for and communication by officials who interact directly with farmers. Better educated and informed officials could provide more accurate guidance and support, thus enhancing the effectiveness of program delivery.

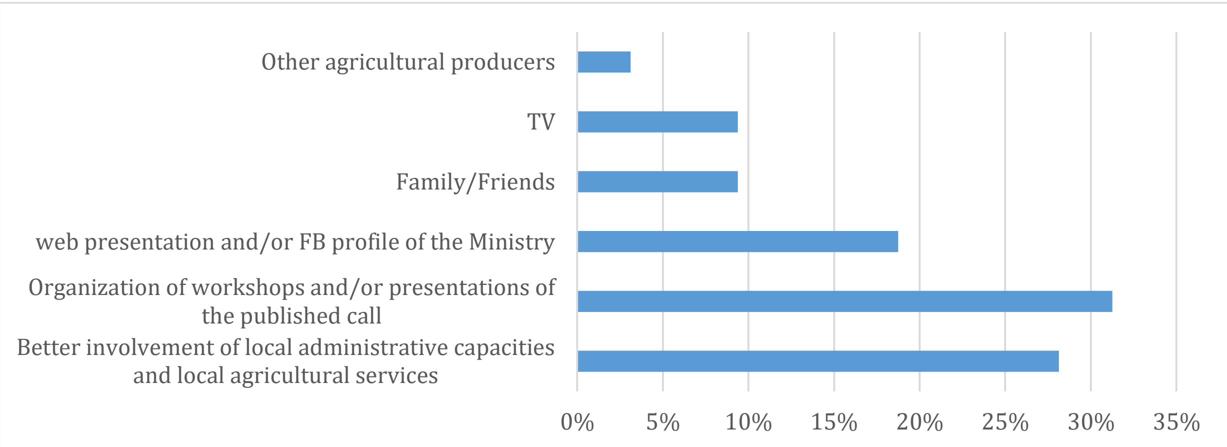
- **Building infrastructure for support** - suggestions included more help in areas such as business plan creation and obtaining building permits, especially in rural areas. Improving the linkage between the Ministry of Agriculture and local associations was also seen as vital.
- **Policy and criteria adjustments** - some responses pointed towards the need for modifying the criteria for receiving support to make them more inclusive and less cumbersome. Reducing the volume of administration was highlighted as a way to make the application process less daunting.
- **Promoting farmer involvement in program design** - farmers seek greater involvement in the creation of programs that affect them, suggesting that their feedback should be actively solicited through surveys or other forms of engagement to ensure that the programs align more closely with their needs.
- **Increasing transparency and accountability** - there was a call for more transparency in how funds are allocated and a faster disbursement of these funds, which is crucial for timely agricultural operations and planning.

The overarching message from the farmers is clear: **there is a critical need for the systems and processes governing agricultural support to be more attuned to the realities of farming life**. This includes simplifying processes, enhancing support mechanisms, and ensuring that programs are designed with direct input from those they aim to serve.

In the survey's final question, respondents evaluated various **communication methods** for promoting programs and pre-accession funds, aiming to identify the most effective strategies. The results illustrate a preference for direct and interactive forms of communication.

Workshops and Presentations emerged as the top choice, with 31% of respondents emphasizing the value of organizing workshops or presentations of the published calls. This method allows for direct interaction, where farmers can ask questions, clarify doubts, and gain a deeper understanding of the programs, making it an effective way to disseminate information and engage potential beneficiaries. Following closely, local administrative capacities and local agricultural services were highlighted by 28% of the respondents. This suggests a strong preference for leveraging local networks and services that are already familiar and accessible to farmers, which can help in tailoring the information to specific regional needs and contexts.

Figure 66. Which means of communication are the most useful in order to promote the program and pre-accession funds?



Digital communication **through the web and social media platforms** like Facebook was also seen as significant, with 19% voting for it. This indicates an acknowledgment of the growing role of digital media in reaching broader audiences efficiently, although it may not be as preferred or effective as more direct, interpersonal communication channels in rural areas.

Lesser-used methods such as **communication through family and friends and television** each garnered 9%, showing that while these channels do play a role, they are not the primary sources of information for agricultural programs. Similarly, communication from other agricultural producers was seen as the least effective, noted by only 3% of the respondents, possibly due to the limited reach and formal recognition of such informal networks.

These insights suggest that while **digital platforms** are part of the communication landscape, the most effective strategies for promoting agricultural programs and pre-accession funds are those that involve **direct interaction and local engagement**, ensuring that information is accessible, reliable, and tailored to the specific needs of the farming community.

5.4.3. General recommendations of the representatives of institutions and the representatives of beneficiaries

General recommendations of representatives of institutions and agricultural producers can be systematized in the following way:

- **Simplification of documentation and procedures**: reducing the complexity and volume of documentation that farmers must submit, simplifying the process of obtaining building permits, creating business plans and securing mortgages, adapting procedures for older farmers, freeing farmers from submitting documentation that already exists in the Ministry of agriculture's system;
- **Financial availability**: establishment of a guarantee fund, faster payments for timely agricultural operations and planning, interest-free loans;
- **Improving administrative support**: the need for more robust support systems at the local level;
- **Education and communication**: improving and increasing the number of trainings for officials who communicate directly with farmers, as well as more effective communication. Improving the connection between the Ministry of Agriculture and local associations;
- **Promoting farmer participation in program design at national and local levels**: actively soliciting feedback from farmers through surveys or other forms of engagement to ensure that programs are more closely aligned with their needs;

6. The accession negotiations in the area of EU Regional Policy: a view from Serbia

6.1. Preparation of Serbia for the EU regional policy and negotiations in Chapter 22: Regional policy and coordination of structural funds

Miloš PETROVIĆ[42]

Ivana RADIĆ MILOSLAVLJEVIĆ[43]

6.1.1. Introduction

Chapter 22 encompasses legislation that pertains to the planning and implementation of cohesion policy through the utilization of structural and investment funds, delineating the cohesion policy for the period 2021-2027, detailing the available funds (European Fund for Regional Development, European Social Fund, and Cohesion Fund), activities (infrastructural projects, education and professional development, research, innovation, entrepreneurship), as well as the strategic and institutional framework (MEI 2024)[1]. The funding allocated for cohesion purposes constitutes over 35% of the EU budget for the period 2021-2027 (Epis 2023)[2], while in the 2014-2020 EU budget, approximately 960 billion euros were available for cohesion (Mirić, Knežević 2015, 3)[3].

Considering this, it represents a significant area of interest for candidate countries aspiring to become future members of the European Union, particularly in the context of preparing their systems to absorb the funds (BOŠ 2015)[4]. And vice versa: the EU institutions need to be persuaded that the future member state has the capacity to participate in the allocation of these resources. If inadequately prepared, the country might end up contributing more to the EU budget than benefiting from cohesion funds. Meanwhile, pre-accession funds such as those available under IPA and IPARD support the decentralized use of financial resources as a practice for future management of EU cohesion funds.

The de jure commencement of accession negotiations between Serbia and the EU was formally initiated on 21 January 2014 during an intergovernmental conference in Brussels (De Facto, 2015)[5]. The 2015 screening report revealed that Serbian legislation was partially aligned with the EU cohesion policy and legislation, namely in domains of competition policy, state aid, public procurement, anti-discriminatory practices and gender equality, environment and traffic; it also referred to the need to adapt and establish institutional capacities for decentralized management of funds, as well as to invest in human (administrative) resources required for the aforementioned fields (MEI 2015, 3-6)[6]. The report issued a recommendation to open the negotiating chapter following the presentation of Action plan, with a detailed timeline of activities, determining goals and dynamics for fulfilling EU criteria in that regard (MEI 2015, 7)[7]. However, it took Serbia four years to fulfil that benchmark by submitting to the European Commission the Action plan for fulfilling obligations in domain of EU cohesion policy (2019), indicating difficulties in planning,

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enforcing and identifying obstacles in that field. As there are no formal benchmarks remaining for opening this chapter, Serbia should focus on further adapting its legislative and institutional settings to meet the requirements of this policy.

As of 2023 Progress report, Serbia remains moderately prepared (numerical value: 3) to meet EU membership obligations in the area of regional policy and coordination of structural instruments, with "limited progress" (numerical value: 2) observed comparing to 2022 Progress report (EC 2023, 142)[8]. Whereas the overall preparedness level remains moderate, the 2023 report identifies a slight improvement comparing to the 2022 report which noted no progress in terms of alignment with the recommendations for that chapter (EC 2022, 129-130)[9], which was also recorded in 2021 comparing to 2020 (EC 2021, 120)[10]. The European Commission in 2023 recommended that the country should urgently implement the action plan on cohesion policy and ensure the timely implementation of IPA III multiannual operational programmes under indirect management; develop capacity for indirect management of IPA programmes, including operational programmes, and ensure sustainable human resources in that regard; and, make sure that all instruments are aligned with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up (EC 2023, 142)[11].

This paper aims to reflect on the developments, achievements, and challenges for Serbia in the context of preparations to meet EU membership obligations regarding Chapter 22. The analysis is focused on the main domains identified by the European Commission, namely: legislative framework, institutions, administrative capacities, and programming. The paper is divided into several subchapters: the normative framework, the institutional framework for managing the cohesion policy, the political perspective, and the concluding remarks, including recommendations.

6.1.2. Legal framework

Establishing a system for managing funds/programs in the function of the overall development of the member state is crucial, involving significant challenges such as planning/programming, implementation, monitoring, evaluation, and financial management and control to ensure effective, efficient, and transparent use of funds for economic and social development (EUIC 2015, 28)[12]. According to the 2023 Progress report, Serbia is yet to adopt a legal framework for cohesion policy, but work on the law has reached an advanced stage (EC 2023, 142)[13]. Whereas multiannual budget planning is regulated through the Law on the budget system, and national co-financing for EU pre-accession programmes persists at project level, Serbia needs to systematically address the co-financing and enforcement of multiannual operational programmes (EC 2023, 142)[14]. The decree providing the legal basis for the functioning of the Audit Authority under IPA III was adopted in 2023, which signals some development in that regard.

6.1.2.1. Regional Development Law

Regional Development Law was adopted in 2009 (Paragraf.rs 2009)[15]. This marked a decisive change in the domain of regional development, perceiving it as an instrument to achieve overall socio-economic sustainable development, reduce inter-regional and intra-regional inequalities, address negative demographic trends, promote competition, and encourage more efficient use of goods and natural resources (Petrović 2020, 50)[16]. Apart from setting the standards in differentiating between more and less developed parts of Serbia, this act delineated the competences of various institutions in the domain of regional development, introduced new ones, and proclaimed the five statistical regions in its Article 5: Vojvodina, Belgrade, Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo-Metohija (Paragraf.rs 2009, Article 5)[17]. Relying on this act, the Regulation on the nomenclature of statistical territorial units in 2010 recognized two NUTS-1 level units: Serbia – North and Serbia – South[18]. When it comes to the NUTS-2 level, these are the following: Belgrade and Vojvodina (situated in Serbia – North) and

Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo-Metohija (situated in Serbia – South). These acts have enabled a greater focus, and insights, into the specificities of each region. As per the 2022 Census, the overall majority of the population was concentrated in the two northern NUTS-2 regions (51,5% or 3.421.635 in Serbia – North out of 6.647.003 for the entire territory of Serbia, compared to 3.225.368 for Serbia - South) (Popis 2022)[19].

The Regional Development Act also envisaged the adoption of the National Regional Development Plan (Article 15), Regional Strategy (Article 16) and programs for financing regional development (Article 17) (Paragraf.rs 2009)[20]. Once defined, the National Regional Development Plan is expected to last 10 years, while regional development strategies (for each NUTS-2 region) – 5 years (RAS, 2023)[21]. Meanwhile, both Strategy for sustainable development (2009-2017) and Strategy for regional development (up to 2012) expired. The National Convent urged in 2023 to urgently adopt the Development Plan of Serbia, the Investment Plan, alongside adopting the Law on the establishment and functioning of the cohesion policy management system (NCEU 2023, 83-86)[22].

However, the IPA fund management system, serving as an operational instrument/practicing tool for the future cohesion funds system, does not currently appear to rely on the Regional Development Law. The Action Plan for Chapter 22 does not provide detailed elaboration on the actual roles of various bodies (regional development councils, regional development agencies, etc.) in the process of using or managing those funds (MEI 2019)[23]. In the current stage, there seems to be a discrepancy between the formal existence of a legal framework and institutions, while on the other hand, managing EU funds does not seem to rely much on these provisions or bodies. Some of these issues are linked to underdeveloped human/administrative capacities and insufficient planning in that regard. However, that is not the sole problem, as will be further discussed in this paper.

On the basis of the Regional Development Law, National Regional Development Agency (NRDA) was established in 2009. However, its work was discontinued in 2016, when it was replaced by the more broad Development Agency of Serbia - DAS (RAS, 2023)[24]. DAS primarily aims to attract FDI (foreign direct investments), while taking into account regional and economic development; its accredited regional subsidiaries exist in 16 cities across Serbia (Ibid). The goal is to attract foreign investments in the economically underprivileged regions and thus contribute to a more balanced regional development. Pjanić and Mitrašević find that foreign direct investments play a crucial role in the country's strategic development, and that Serbia has been relatively successful in that regard (Pjanić, Mitrašević 2021, 263)[25]. However, while this institution is, among other things, likely envisioned as a partner body to support actions and meet the criteria under Chapter 22, it is challenging to determine the actual role and specific effects of that institution in the aforementioned EU integration context, especially considering its broadly-set competences and aims.

When it comes to rural development, Directorate for Agrarian Payments represents a responsible agency for relevant IPA component – IPARD (Instrument for Pre-accession Assistance in Rural Development). First established in Šabac, it was later moved to Belgrade in order to adequately meet the accreditation demands for managing EU pre-accession funds in that regard. Serbia did not manage to use the funds available under IPARD II (2014-2020) even by 2023, so another extension was granted by the European Union to use the remaining IPARD II funds during 2024 (Tanjug/RTV 2023)[26]. Meanwhile, IPARD III (2021-2027), worth 288 million EUR – 65% more than IPARD II – has been initiated (EC 2024)[27]. Considering the aforementioned, it could be stated that Serbia, even 12 years after obtaining EU candidacy and beginning to prepare for using the funds for rural development, still does not succeed in making full use of these funds – which are much lower compared to actual EU funds in that regard. To illustrate this, while during 2021-2027, Serbia has at its disposal 288 million EUR, Croatia has several billion EUR under different actions and programs (EC 2022)[28]. Considering the importance of the agrarian sector in Serbian economy (Statista, 2024)[29] and the fact that hundreds of thousands of people directly depend on agriculture for their livelihoods, it is of uttermost significance that the country absorbs as much of the pre-accession funds as possible in order to secure a smoother transition to the much more diverse and larger EU funds.

6.1.2.2. Other important acts

The Law on the Fund for the Development of the Republic of Serbia (adopted in 2009, last amendment in 2015) regulates the position, financing methods, tasks, management, work control, supervision, and other issues relevant to the operation of the Fund for the Development of the Republic of Serbia (Article 1), with headquarters in the city of Niš (Article 3). Although its competences include the promotion of balanced regional development and the development of underdeveloped areas (Article 2, paragraph 1)[30], these aspects are not regulated in greater detail by that legal act. For instance, before its EU accession, Croatia had had the “Regional Development Fund“ which promoted balanced regional development (Godec 2009, 56)[31]. On the other hand, as of 2022-2023, Serbia had the Ministry in charge of balanced regional development.

Financial framework partnership agreement between the European Commission and the Republic of Serbia on specific arrangements for implementation of Union financial assistance to the Republic of Serbia under the instrument for pre-accession assistance (IPA III) was officially included in Serbian legislation in December 2022 (MF 2022)[32]. The agreement applies to all sectoral and financial agreements concluded between the European Commission and Serbia, regulating cooperation in the implementation of financial assistance provided under IPA III, and it establishes rules for the indirect management of EU funds while specifying the authorities and bodies that Serbia needs to establish (Baletić 2022)[33].

6.1.3. Institutional framework for managing cohesion policy in Serbia

6.1.3.1. Introductory remarks

Chapter 22 – „Regional Policy and Coordination of Structural Instruments“, is one of the negotiating chapters in which the building of institutional and administrative capacities plays a substantial part in the overall alignment process. This means that the country is expected to establish a structure involving national and subnational levels of government capable of managing the European structural and investment (ESI) funds with institutions and bodies acquiring clearly defined tasks and responsibilities (from planning, programming, and contracting to implementation, monitoring, review and audit). The whole structure needs to include a wide and strong coordination mechanism involving different ministries and institutions as well as non-state actors in all phases of the process. There are bodies that are obligatory to be established, such as the managing authority, certifying authority and audit authority, and bodies that are optional, like coordinating body and intermediate bodies (Regulation (EU) 2021/1060)[34].

As explained before, in 2014/2015, the bilateral and explanatory screenings of Chapter 22, resulted in one opening benchmark for Serbia – to adopt an Action plan detailing the clear objectives and dynamics for fulfilling the demands of the Cohesion policy.

The country was only about to start with the building of the institutional and administrative capacities and mechanisms for planning, managing, and implementing the European investment and structural funds. The harmonization of the relevant legislation and setting up of the institutional and administrative mechanism was planned to be finished by the moment of the accession. The plan was to use the experiences gained in building and managing the indirect system for managing the IPA funds, which was established only a few years earlier[35] and already got off to a slow start with difficulties in contracting the first set of projects and suspension of funding in 2015 due to the lack of capacities of the Governmental Audit Office of EU Funds established in 2011 (Mirić, Knežević 2015)[36].

Despite the possible knowledge and experiences to be gained through the setting up of IPA management mechanisms that could be helpful, the management of European cohesion funds demands some specific new arrangements but also further improvement of more general institutional and administrative capacities as well as legal harmonization. According to the screening report, Serbia was expected to align with the specific EU regulations governing the implementation of the European structural and investment funds, set up an easily accessible digital management information system and build the capacities for valorisation and review. More generally, Serbia needed to establish an efficient system of financial management and control, an indispensable condition for implementing the EU structural funds (MEI 2015)[37]. As a stable and sufficient number of trained civil servants for implementing EU funds is a *conditio sine qua non* for establishing and maintaining an efficient system, Serbia was supposed to develop a training strategy and a sustainable system of recruiting and retaining human resources, including the efficient and attractive career planning and remuneration policy.

A fully developed institutional structure for managing the ESI funds was not expected from the countries before they became EU member states, as only the member states have been eligible beneficiaries of these funds. Nevertheless, judging by the experience of the most recent EU member states, in order to be able to absorb EU funds quickly and efficiently, early preparation would be more than welcome.

There are various models for structuring the institutional framework to manage the ESI funds (Mirić, Knežević 2015)[38]. The EU member states have been modelling their mechanisms in accordance with their own needs, taking into account many different factors, such as the existing institutional structure, territorial structure of the country (vertical division of powers), etc. This means that the countries are more or less free to choose their own optimal solution and what works best for them. In the following section, we will analyse the solution that Serbia has chosen and what is the current state of affairs in establishing the mechanism for managing the ESI funds. In the first phase of the process, the country develops its program (one or more) which needs to correspond with the priorities and objectives set in the Partnership Agreement between the country and the European Commission. Program(s) defines priorities, ways and conditions for financing, the available amounts, and potential beneficiaries. These document(s) can be related to the national or regional (local) levels or one or more policy areas (sectors). So, a country's institutional structure for managing the ESI funds depends also on the number of operative programs (OPs) that the country chooses to frame. As already mentioned, the relevant EU regulation envisages several bodies (obligatory and optional) that need to be established to successfully prepare, manage and review the use of ESI funds[39]. Their roles and responsibilities are also defined by this Regulation.

6.1.3.2. Brief overview of the institutional setup

The institution in charge of Serbia's EU affairs is the Ministry for European Integration (MEI), which is also tasked with duties related to the ESI funds. The Law on the Ministries set the MEI's competencies in the "…establishment and development of a system for the use of structural and cohesion funds of the European Union; preparation of documents defining development goals and priorities for financing from structural and cohesion funds of the European Union; monitoring of implementation, evaluation and reporting on the implementation of program documents financed from structural and cohesion funds of the European Union; … managing the operational structure and national body for cross-border and transnational cooperation programs; participation in joint committees for monitoring and directing the work of joint committees for program monitoring, as well as the work of joint technical secretariats for cross-border cooperation programs on the territory of the Republic of Serbia."[40] With regard to Serbia's cohesion policy institutional structure, the plan is to make the Ministry a coordinating body and even a managing authority for one of the OPs and also for the European Territorial Cooperation (ETC). A relevant unit within the Ministry of Finance will play the role of the certifying authority while the audit authority will be allocated to the current Governmental Audit Office of EU Funds (MEI 2019, 36)[41].

According to the Action Plan, Serbia has chosen to establish a centralized and concentrated institutional model, meaning that the ESI funds will be managed by the central level institutions (ministries) and with a limited number of sectoral, operative programs (probably up to three) and managing authorities. Some ministries will even act as intermediate bodies for specific parts of OPs. As the 2016 mapping process of institutional capacities showed the existence of "considerable capacities outside the ministries", there's a chance that these actors might be given some roles in managing and implementing the ESI funds once Serbia becomes an EU member state (MEI 2019, 48)[42].

According to the Action Plan, by 2023, Serbia was supposed to appoint the institutions and bodies for implementing the cohesion policy, prepare the organisational development strategies for the bodies involved in managing the OPs, prepare the draft rules of procedures for managing the OPs, and determine the bodies which will manage the OPs. Apart from identifying the institutions and bodies for implementing IPA III, which will be used later on for managing the ESI funds, other mentioned goals have not been started nor completed.

Apart from already mentioned institutions and bodies, according to the mentioned EU's Regulation, EU member states are expected to establish a monitoring committee for reviewing the program performance (one or more). The monitoring committee(s)' work is coordinated by the managing authority, and the partners (CSO, local authorities, etc.) need to be involved in its work.

When it comes to the task of monitoring and evaluating the management and implementation of ESI Funds, Serbia's public administration still lacks capacities and developed procedures. According to the Action Plan, Serbia should have fulfilled several goals to that end by 2021 and develop the operational information system for the management of ESI funds by 2025. Some of those goals are the assessment of readiness for monitoring and evaluation in accordance with the requirements of the legislative framework for cohesion policy, developing a plan for establishing a system for monitoring and evaluating the implementation of the cohesion policy, or developing a comprehensive strategic and methodological framework for monitoring and evaluation for the purposes of implementing the cohesion policy. In addition, the establishment of the monitoring committee/committees was planned for 2024.

There is no doubt that Serbia needs to enhance its administrative capacities for planning and managing the ESI funds. The experience gained from managing the IPA funds shows that Serbia has a shortage of civil servants, primarily due to the policy of restricting new employment (MEI 2023, 64-65)[43]. Additionally, the policy for retaining and motivating the already employed staff needs further improvement. The Workload analyses show that the existing employees are already overburdened and thus less efficient and less satisfied with their jobs (MEI 2019, 45)[44].

Training and education of civil servants in managing IPA and ESI funds/cohesion policy is mainly done through the National Academy for Public Administration, while the training programs for partners and potential beneficiaries have been organized by the Ministry for European Integration.

Since Serbia plans to use the established institutional capacities developed under the IPA management system for managing the ESI funds once these become available, the European Commission has been evaluating the use and management of IPA funds (IPARD included) under Chapter 22 (Cluster 5) section in its annual reports, especially the institutional and administrative aspects of it. In the 2021 report, the Commission found that Serbia is ready to open Chapter 22. Nevertheless, since then, each year, the Commission has detected only moderate preparedness and limited or no progress (in 2022) on implementing last year's recommendations. In its latest report (2023), the Commission listed three groups of recommendations for further improvement, where Serbia should:

- "urgently implement its action plan on cohesion policy and ensure the timely implementation of IPA III multiannual operational programmes under indirect management;
- improve capacity for indirect management of IPA programmes, including operational programmes, and guarantee that key positions are permanently filled and key staff retained, and;
- ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up" (EC 2023, 142)[45].

The Commission has detected that in the previous year, "progress has been made with regard to the institutional framework for cohesion policy" since Serbia identified the relevant institutions and bodies for managing the IPA III. These institutions are expected to remain in charge of the ESI funds after Serbia joins the EU and their capacities further improve.

6.1.3.3. Underdeveloped administrative capacities

The Commission has notified the continued "weaknesses … in the administrative capacity of key institutions managing EU funds". There is a concern about the uncertainty created by the ongoing practice of appointing acting personnel to key managerial positions, and frequent staff turnover in crucial institutions that has resulted in the loss of experienced staff. Furthermore, understaffed institutions and bodies responsible for managing the multiannual operational programs have added to the problem.

These issues pose a risk not only to the establishment of a functional and efficient institutional structure for future management of ESI funds but also to the loss of current IPA opportunities. In Chapter 11 (Agriculture and Rural Development), for example, the lack of administrative and technical capacities resulted in the insufficient absorption of IPARD funds (EC 2023, 138-139)[46].

There are similar capacity issues in other negotiation chapters, not just within Cluster 5, which are critical for the functioning of administrative and institutional structures within the cohesion policy, e.g., public procurement (Chapter 5), statistics (Ch. 18) and financial control (Ch. 32). Overall, the public administration reform, despite being one of the fundamentals, remains with limited progress and limited political support (Ibid, 16). In the last Commission's report, some of the key issues found in this area prevent the more effective establishment and functioning of institutional mechanisms needed for EU funds planning, management and implementation. Of particular importance in that regard are the issues of human resources management (e.g. the mounting of acting positions in senior management positions, lack of transparency in recruiting senior civil servants, or inadequate policies of recruiting, retaining and motivating staff) and public financial management (e.g., the lack of a single mechanism for prioritising investments of all types and funding sources). Weak administrative capacity is noticed at the local self-government level (Ibid, 15), which might also pose a threat to the successful programming, planning and implementing of EU funds.

6.1.4. Political aspects – the stagnation extends beyond the cohesion policy

In 2019, Serbia finally submitted the Action plan for fulfilling obligations in the domain of EU cohesion policy (2019), thus formally fulfilling the technical requirements for opening Chapter 22. However, as of 2024, the Council has not yet invited Belgrade to present its negotiating position for that chapter. The obstacles in that regard appear to be of intergovernmental nature. According to the Minister of European Integration, Tanja Miščević, some member states have not yet accepted the Action Plan, which is a necessary step for developing the negotiating position for Chapter 22 (FoNet 2023)[47].

It is unfamiliar (at least to the broader public) whether or to what degree this protraction has to do with the conditions in that specific chapter or is perhaps related to some bilateral issue or dissatisfaction with the country's performance in some other domains. Namely, since the Croatian accession process, the primary focus of negotiations was placed on the fulfilment of criteria in chapters 23 (Judiciary and Fundamental Rights) and 24 (Justice, Freedom and Security). However, in the case of Serbia, the "veto" areas also include Chapter 35 ("Other Issues: Relations with Kosovo*"). On top of that, since the invasion of Ukraine, Chapter 31 also assumed a prominent place (Foreign, Security and Defence Policy – where Belgrade has been backsliding or stagnating at a very low level of alignment due to reluctance to introduce restrictive measures on Russia, because of the latter's support to the Kosovo claim in international forums) (Petrović, Kovačević and Radić Milosavljević 2023, 213)[48].

Considering the overall stagnation in terms of Serbia's preparedness to meet membership criteria in the short term (also characterized by the occasional subtle progress/regression), the aforementioned chapters may have some influence in the perception of readiness to begin negotiations through Chapter 22 (despite the fact that these domains are formally unrelated). Actually, as per Negotiating Framework for Serbia, "an overall balance in the progress of negotiations across chapters should be ensured", specifically through the lenses of chapters 23, 24 and also 35, whereas ahead of EU accession "Serbia will be required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States" (Consilium 2014)[49]. In other words, the balance clause might (un)officially be already in use to disable the opening of further chapters until convincing progress in some of the abovementioned areas is achieved.

The so-called new methodology for accession negotiations (EC 2020)[50] was introduced to bring a more dynamic and more credible accession process. To that end, the new methodology introduces the possibility of "phasing-in" – allowing access to certain programs and policies of the EU even before membership. Such programs could either be the existing ESI funds, now available only to member states, or newly developed instruments for socio-economic convergence that might require planning, managing, and implementing mechanisms similar to those needed for ESI funds. Initiating the Growth Plan for the Western Balkans in November 2023 is a step in this direction opening the possibility for progressive integration into the EU internal market before accession and making available new financial support additional to IPA fund.

The proposal for a Growth Plan for the Western Balkans aims at increasing the region's socio-economic convergence since it's now approximately 30-50% of the EU's level (in terms of the GDP per capita) (EC 2023b)[51]. Thus, the Plan should help bring „the Western Balkan partners closer to the EU through offering some of the benefits of EU membership to the region in advance of accession" (EC 2023c)[52]. As part of the Plan, the Commission proposed the Reform and Growth Facility (RGF) for the Western Balkans, a new €6 billion financial instrument for the period 2024-2027. The instrument comprises grants and concessional loans for the countries of the region, whose dispersion will be conditional upon the socio-economic and fundamental reforms in the beneficiary countries and the successfully prepared Reform Agendas. Apart from the new financial instrument, the Plan should help accelerate the fundamental reforms, it offers progressive integration of the Western Balkans in the EU internal market even before membership, and fosters regional, Western Balkan integration by supporting the Regional Common Market. The Plan should also accelerate the implementation of the Economic and Investment Plan for the Western Balkans.

If the Plan is successful, it will have multiple benefits. Firstly, it will increase the capacity for absorbing and managing the ESI funds in the future. Secondly, it will raise the GDP of the countries in the region. This will be important in determining their future share of available cohesion funds. The fulfilment of criteria for using the new Facility will be a sort of additional training for planning and programming the ESI funds as Serbia (and other WB countries) will have to draft the Reform Agendas containing the plans for socio-economic reforms and targeted investments, which will be scrutinized by the Commission. In addition, the Reform Agendas will contain „if required, the reform of the audit and control systems of the Beneficiaries … as part of the reforms" (EC 2023, 4)[53] as well as „the systems to prevent, detect and correct irregularities, fraud, corruption and conflicts of interests, when using the funds provided under the Facility"[54]. As a result, the new Growth Plan should be an incentive for the establishment of a functioning institutional and administrative structure for the efficient absorption of EU funds in an earlier stage, even before accession.

6.1.5. Recommendations and concluding remarks

The main recommendations of the National Convention on the European Union (2023, 83-86) to the Government of Serbia for 2023 concern the need for adoption of numerous acts (the Law on the Establishment and Functioning of the Cohesion Policy Management System; the Development Plan of Serbia, the Investment Plan, the National Sustainable Development Strategy and the Regional Development Strategy); inputs regarding the Smart Specialization Strategy (S3) in the domains of programming and elevating administrative capacities; and also inputs for the Ministry of European Integration, particularly regarding the need for an active consultation process with other stakeholders, an inclusive approach, and transparency regarding the composition of legal acts, as well as the use of funds (NCEU, 2023)[55].

On its end, the Ministry of European Integration (MEI) has identified several main thematic activities. In terms of the planning and programming phase, it plans to make decisions on the structure of the Programme and the number of multi-sectoral activities (up to 3 on the national level) (Milenković Bukumirović 2023, 40)[56]. Additionally, it aims to introduce a coordination mechanism for the preparation of program documents and the selection of partners. For the implementation stage, MEI envisions the establishment of the institutional framework for the implementation of cohesion policy and institutional capacity building at the local, regional, and national levels. Finally, it also plans to set up a mechanism for tracking and evaluation[57].

Regardless of the current lack of political endorsement from the Member States to initiate negotiations in Chapter 22, likely tied to the balance clause (regarding chapters 23, 24, 31, and 35), and despite the (probable) fulfilment of formal benchmarks for opening these chapters, Serbia should concentrate on further adapting its legislative and institutional settings to meet the requirements of this policy. In addition to the necessity of adopting the aforementioned acts, Serbia must also ensure capacities for the absorption of EU funds, primarily through IPARD, which has proven to be problematic over the previous years. This also involves the need to attract and retain administrative personnel capable of meeting the strict bureaucratic demands of EU institutions.

In parallel to improving the legislative, institutional and administrative capacities within Chapter 22, Serbia should work harder on fulfilling the requirements in other chapters belonging to Cluster 5, thus creating the enabling conditions for the potential EU's decision to open this cluster for negotiations. A balanced progress in other chapters relevant to the efficient and appropriate use of ESI funds (e.g., „the fundamentals" – public procurement, financial control, public administration reform and the rule of law issues, or environment and competition policies) should be secured. Backsliding or stagnation in key policy areas, such as the rule of law, democratic institutions, and more recently the foreign policy alignment, might lead to the suspension of the already available EU funds and endanger the already achieved progress in setting up the normative and institutional/administrative structures.

When it comes to the EU, aside from further progress towards formally opening Chapter 22[58], additional aspects should be taken into account. The 2024 Report of the High-Level Group on the Future of Cohesion Policy (for consideration by the European Commission) notes that with the further accession of EU candidates, economic, social, and territorial disparities would increase within the EU. This necessitates a robust cohesion policy, as expressed in the upcoming Multiannual Financial Framework(s) or MFFs (EC DGRUP 2024, 40)[59]. It also requires, apart from the financial support, further development to upgrading the administrative capacity and institution building, in order to meet the criteria for managing the funds (Ibid). Considering that the cohesion policy aims to reduce disparities and contribute to a more balanced development across the vast EU territory, Brussels should be aware of the specificities tied to the Western Balkan situation to be more adequately prepared to cooperate with those countries, including Serbia.

The proposal for a Growth Plan for the Western Balkans that the European Commission presented in November 2023 could yield multiple benefits in terms of increasing the capacity for absorbing and managing ESI funds in the future, as well as fostering regional GDP growth. Both aspects are crucial for projecting the use of cohesion funds in the future. Additionally, it would serve as additional training for planning and programming ESI funds. Serbia will be required to draft a Reform Agenda outlining plans for socio-economic reforms and targeted investments, subject to scrutiny by the Commission. The disbursement of funds would be contingent on the realization of activities and progress in that regard. Considering these aspects, this initiative could enhance Serbian capacities to absorb EU funds in both the short and long term. Nevertheless, Serbia already needs to start preparations and planning for the use of these funds as they cover a short period (till 2027) and the beneficiary countries will be required to submit the Reform Agendas soon after the entry into force of the Regulation.

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Predrag BJELIĆ[44]

Ivana POPOVIĆ PETROVIĆ [45]

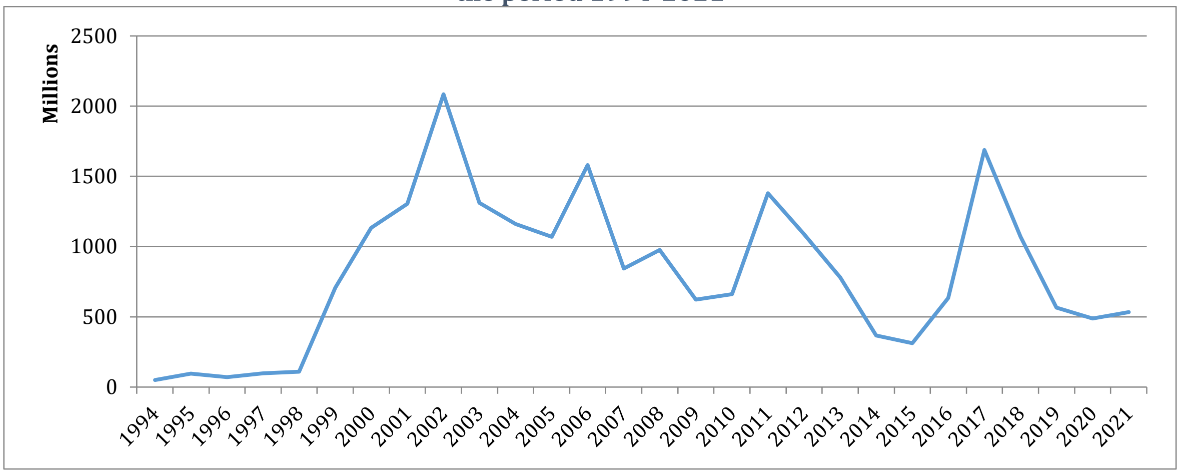
6.2. Lessons learned of Serbia in the utilization of the IPA funds with a focus on the area of infrastructural development and agriculture

6.2.1. Introduction

Serbia is a small developing country that is the recipient of foreign official assistance. Official development assistance (ODA) is financial assistance that developed countries direct to developing countries. This programme is in application since 1960s when developed economies have set the target to give 0.7% of their annual Gross domestic product (GDP). This target was rarely achieved but ODA flows are regular until today. Most of the assistance today is directed to trade, through WTO programme Aid for Trade (AfT).[46]

Since 1990s this Official development assistance has been designated for Serbia, since previous assistance were for Yugoslavia. But ODA flows for Serbia was negligible until 2000 when they started to steadily growing until 2002 which is a maximum level recorded in one year, over 2 billion euros. After these years the flows were very variable, with several peaks in 2006, 2012 and 2018. The World Bank data on official assistance flows for Serbia are presented in the following graph for the period 1994 to 2021 in current US dollars.

Figure 67. Net Official development assistance and official aid received by Serbia in current USD in the period 1994-2021



Source: World Bank, https://data.worldbank.org/indicator/DT.ODA.ALLD.CD?locations=RS

The biggest donor of assistance for Serbia was the European Union (EU). Since 2001 more than 3 billion euros was donated in non-refundable assistance in Serbia through various projects. The EU currently donates approximatively 300 million euros yearly to Serbia. Serbia itself is actually in the top 3 countries which receive most financial assistance from the EU.[47]

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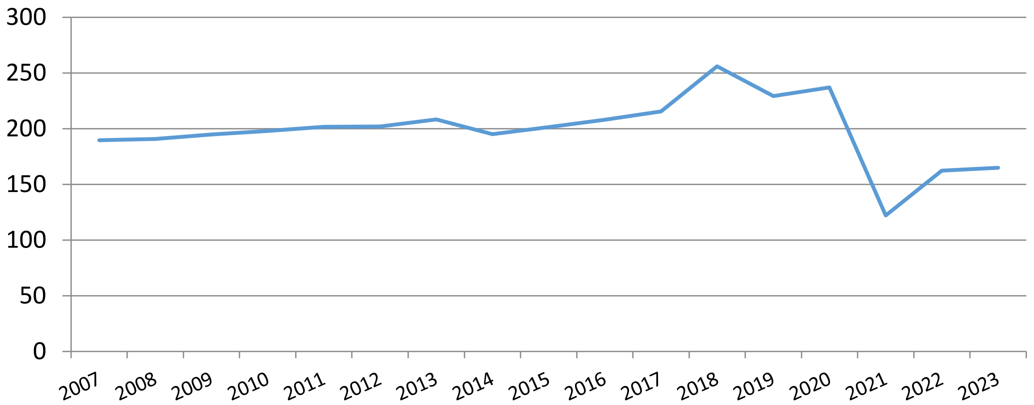
[46] See more in: Predrag Bjelić and Ivana Popović-Petrović, Aid for development of international trade, *Medjunarodni problemi*, 2012, Vol.64(3): 359-384.
[47] EU Partnership with Serbia: EU Best Partner and Biggest Donor for 20 Years – and in the Front Line against COVID-19 | EEAS (europa.eu), Internet, https://www.eeas.europa.eu/delegations/serbia/eu-partnership-serbia-eu-best-partner-and-biggest-donor-20-years-%E2%80%93-and-front_en?s=227, Accessed 15/02/2024.

6.2.2. EU financial assistance and IPA

Serbia has concluded Stabilisation and association agreement (SAA) with the EU from 2009. This is more than a trade agreement since the agreement also set the path for full EU membership. Serbia received a candidate country status from the EU in 2012. As a part of this process EU have devised an Instrument for Pre-Accession Assistance (IPA), where financial assistance is granted to candidate countries to prepare them for future EU membership, as a support for the implementation of political, economic, legal and institutional reforms.

Figure 68. : IPA assistance to Republic of Serbia in three IPA cycles (2007-2023) in millions of EUR



Source: Ivana Popović Petrović i Predrag Bjelić, Evropska trgovinska integracija, Centar za izdavačku delatnost Ekonomskog fakulteta u Beogradu, Beograd, 2018, str. 249-250, EUROPEAN COMMISSION, Brussels, 15.12.2021, C(2021) 9653 final, COMMISSION IMPLEMENTING DECISION of 15.12.2021 on the financing of the annual action plan in favour of the Republic of Serbia for 2021, EUROPEAN COMMISSION, Brussels, 7.12.2022, C(2022) 9260 final, COMMISSION IMPLEMENTING DECISION of 7.12.2022 on the financing of the annual action plan in favour of the Republic of Serbia for 2022, and EUROPEAN COMMISSION, Brussels, 5.12.2022, C(2022) 9159 final, COMMISSION IMPLEMENTING DECISION of 5.12.2022 on the financing of the annual action plan contributing to the Western Balkans Energy, Support Package in favour of the Republic of Serbia for 2023.

The EU as the assistance donor for Serbia was at the first place with the amount of the 3.6 billion EUR in grants. Beside that, the EU is the key trading partner, participating with more than 60% in Serbia`s foreign trade. It participates in investing in Serbia with two-thirds of all foreign investment in Serbia. Distribution of funds was realized at the basement of the document Needs Assessment Document (NAD) for the period 2011-2013. Soon after, the NAD was titled as National Priorities for International Assistance.

Starting from 2007, European Union used Instrument for Pre-accession Assistance (IPA) as the source for the financial support for candidate countries and for potential candidates for EU membership. The main aim of this instrument`s usage was enabling and facilitating their efforts for more decisive and successful reforms oriented towards meeting the requirements for joining the EU. Starting from 2007, when IPA was established, Serbia was its beneficiary. Before IPA, EU initiated and implemented five previous instruments for pre-accession: PHARE, ISPA, SAPARD, Turkey programme and CARDS. [48]

The main criteria for the funds reallocation are based on the capacity of each beneficiary country` needs, their capacity to use funds and their fulfilment of conditions for accessions. As there certainly could be applied the suspension clause if any of these are missing, it means that the IPA also could be defined as the link between political framework in the field of the enlargement and the EU budgetary process at the other side.

[48] https://europa.rs/ipa-funds/?lang=en, (8.02.2024).

There are numerous forms of IPA implementation: investment, procurement contracts o subsidies, development of the administrative cooperation, aid for implementation of programmes and their managing and even budget support.[49]
Until now there were 3 IPA cycles:

- **First IPA cycle**, from 2007 to 2013 (IPA I);
- **Second IPA cycle**, from 2014 to 2020 (IPA II);
- **Third IPA cycle**, from 2021-2027 (IPA III).

In the **first IPA cycle** the Republic of Serbia has been a beneficiary as of 2007 on the basis of the Framework Agreement on assistance. Out of 11.5 billion euros, which was the amount of the IPA budget for the period 2007-2013, about 1.4 billion euros was allocated for the Republic of Serbia. This assistance was provided to Serbia as a potential candidate for EU accession through the first two out of five IPA Components: Transition and Institution Building and Cross-Border Cooperation.[50]

Starting from 2007 until 2013, the EU financial support to Serbia through IPA (Instrument for Pre-accession Assistance) was approximately 170 million EUR per year. About a quarter of that sum was received by the sector of Governance, which was classified as the most challenging area in Serbia by the European Commission. This financial form of help was supplemented by non-financial instruments of help. [51]

Table 16. Sectoral Allocation of IPA assistance to Serbia 2007-2013

Sector Allocation	Value (million euro)	Percentage of total (%)
Justice and home affairs	117	9,7
Public administration reform	164	13,6
Social development	171	14,2
Private sector development	109	9,1
Transport	146	12,1
Environment, climate change and energy	192	16,0
Agriculture and rural development	109	9,1
Other EU acquis and horizontal activities	195	16,2
Total	1 203	

Source: European Court of Auditors, EU Pre-accession Assistance to Serbia - Special Report, 2014, No 19, Publications Office of the European Union, Luxembourg, doi:10.2865/59650, Table 1, p.9.

It is one mechanism of the EU to send aid towards countries of the Western Balkan and Turkey, mostly already candidate countries with the aim to give the support to reforms in these countries. Strengthening administrative capacities of beneficiary countries and adaption to the implementation of the *acquis communautaire* are the main priorities of the EU pre-accession assistance.

The certain priorities of the EU financial assistance are based on two pillars: Democracy and Rule of Law and on the other side, Competitiveness and Growth. It is prepared with the Serbian European Integration Office and national institutions as the side of the beneficiary and with the cooperation of donors like international financial institutions and civil society organizations. The actions under the program are selected concerning their expected contribution to the accession negotiations.

[49] https://europa.rs/ipa-funds/?lang=en, (8.02.2024).
[50] MEI - IPA - Instrument for Pre - Accession Assistance 2007 - 2013, Internet, https://www.mei.gov.rs/eng/funds/eu-funds/ipa-instrument-for-pre-accession-assistance/ipa-instrument-for-pre-accession-assistance-2007-2013/, Accessed 15/02/2024.
[51] EU Pre-accession Assistance to Serbia - Special Report, 2014, No 19, European Court of Auditors, Publications Office of the European Union, Luxembourg, p. 5.

Two sectors were dominant receivers of almost a third part of funds, during the 2007-2013 period of IPA I. These data in table point out the financial aid gaps between these sectors. The first was Other EU acquis and horizontal activities, symbolizing the importance of accepting and adapting to the *acquis communautaire* of the EU. They are followed by Environment and Social development. The other is Public administration reform which includes Public finance management reform with 13.6% and Justice and home affairs with the 9.7%, including the fight against corruption. Agriculture and rural development was on the last place with only 9.1% of allocated resources.

In the **second IPA cycle** that covered the period 2014 to 2020 Serbia received 1,539.1 million euros, in the indicated period. Most of the money under IPA II was directed to the Competitiveness and growth actions, around 846.8 million of euro. Second most invested are was democracy and the rule of law with 682 million euro. Agriculture and rural development, in the observed period received only 336.5 million euro and the transport only 64.8 million in 2015. One of the most important transportation projects was the modernization and reconstruction of the Niš - Brestovac railway line and the construction of an intermodal terminal in Belgrade in the amount of 55 million euro.

Table 17. The allocation of IPA II funds for Serbia by priorities (2014-2020), millions EUR

	2014	2015	2016	2017	2018	2019	2020	TOTAL
DEMOCRACU AND RULE OF LAW	80.4	143.3	106.7	109	36.5	78.6	78.1	682.6
Democracy and governance	52.9	115.7	60.3	36.8	57.8	78.6	34.4	446.4
Rule of law and fundamental rights	27.5	27.6	46.4	72.2	28.7	0.0	43.8	246.2
COMPETITIVENESS AND GROWTH	98.6	79.8	96.1	103.2	159.4	150.8	158.8	846.8
ENVIRONMENT, CLIMATE CHANGE AND ENERGY	74.7	0.0	0.0	78.2	65.1	103.8	0.0	321.8
TRANSPORT	0.0	64.8	0.0	0.0	0.0	0.0	0.0	64.8
COMPETITIVENESS, INNOVATION, AGRICULTURE AND RURAL DEVELOPMENT	5.0	15.0	68.7	25.0	70.8	47.0	105.0	336.5
EDUCATION, EMPLOYMENT AND SOCIAL POLICIES	19.0	0.0	27.4	0.0	23.5	0.0	53.8	128.7
TOTAL	179.0	223.1	202.8	212.2	255.9	229.4	236.9	**1,539.1**

Source: European Commission, Serbia - financial assistance under IPA, Internet https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance/serbia-financial-assistance-under-ipa_en, Accessed 05/01/2024.

The **priority sectors** for funding in the IPA II cycle were:

1. Democracy & governance
2. Rule of law & fundamental rights
3. Environment & climate action
4. Transport
5. Energy
6. Competitiveness & innovation
7. Education, employment and social policies
8. Agriculture & rural development

In our paper we will focus on transport and agriculture and rural development. In the area of transport IPA fund are allocated for harmonisation with transport *acquis,* better infrastructure and regional connectivity, increased intermodal transport and better navigation conditions in inland waterways. In the area of a**griculture** & **rural development the IPA funds are used for m**ore competitive farming and food sector, application of food safety standards and better quality of life in rural areas.

In the **third IPA cycle** the European Parliament and the Council of the European Union reached a political agreement on the new Instrument for Pre-accession Assistance (IPA III) for the 2021-

2027 Multiannual Financial Framework period. They have agreed on the priorities, objectives and the governance of the modernised IPA III financing, which will be worth 14.2 billion euros and will support the implementation of EU-related reforms. In comparison to IPA I and IPA II, the new instrument will provide support to Western Balkans and Turkey with an overall budget of €14.162 billion in current prices for 2021-2027, starting retroactively from 1 January 2021.[52] Serbia will receive 122.14 million euro in 2021, 162.2 million euros in 2022 and 165 millions of euro according to EU documents.[53]

Serbia received the financial assistance from the EU even before IPA programs. Since 1991, the EU has given 6 billion euro to the Western Balkans through various aid programs. In 2000, aid to the region was provided through a new program called Community Assistance Program for Reconstruction, Development and Stabilization (KARDS)[54] This program secured 4.6 billion euros for the region of Western Balkans in the period 2000 to 2006[55] to be used for investments, building institutions, but also other measures needed to achieve the four main goals:

- reconstruction, democratic stability, reconciliation and return of refugees;
- the development of institutions and legislation, including harmonization with the norms and approaches of the European Union, in order to support democracy and the rule of law, human rights, civil society and the media as well as the operation of the free market;
- sustainable economic and social development, including structural reforms closer relations and regional cooperation between countries, as well as their cooperation with the EU and candidate countries in Central Europe.[56]

Table 18. EU Financial aid to Serbia in the period 2000-2006 in millions of euros

Year	Financial assistance
2000	185
2001	193.8
2002	170.7
2003	229
2004	212
2005	154.5
2006	144

Source: https://europa.rs/pomoc-eu-republici-srbiji/cards/, Accessed 15/01/2024.

6.2.3. Institutions for management of IPA in Serbia

Concerning institutional framework of IPA management on the side of Serbia, Prof. Tanja Miščević, Minister of EU integration, has been designated as the National IPA Coordinator (NIPAC) on 24 November 2022 by the Government of the Republic of Serbia. The NIPAC is responsible for the overall strategic planning process, coordination of programming, monitoring of implementation, evaluation and reporting on IPA II assistance and for cooperation with the European Commission regarding the use of IPA II. The Ministry of European Integration - Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Aid has been designated as the T**echnical secretariat of the national IPA coordinator (NIPAC TS)**. The Ministry of European Integration shall carry out activities in this domain as regards the following:

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[52] EU u Srbiji, Political Agreement Achieved on 14.2 Billion Euros IPA III Package, Internet, https://europa.rs/political-agreement-achieved-on-14-2-billion-euros-ipa-iii-package/?lang=en, Accessed 15/02/2024.
[53] According to sources mentioned bellow graph 2.
[54] Programme adopted by the Council Regulation (EC) No. 2666/2000, 5. December 2000.
[55] Some programmes are part of a wider Regional Strategy Paper (Regional CSP) for the CARDS assistance programme to the Western Balkans (Albania, Bosnia & Herzegovina, Serbia & Montenegro, the former Yugoslav Republic of Macedonia) for 2002-2006 and the consequent Multi-annual Indicative Programme (Regional MIP) for 2002-2004 and (Regional MIP) for 2005-2006.
[56] Internet, https://europa.rs/pomoc-eu-republici-srbiji/cards/, Accessed 15/01/2024.

- coordination of EU funds (Deputy Director); performing professional,
- administrative and technical tasks on behalf of the person responsible for activities of the operating structure for management of cross-border cooperation within the framework of IPA II;
- the body for coordination of programming, monitoring and evaluation of the operational structure for management of action programmes of pre-accession assistance under IPA II;
- the body for cross-border cooperation in the operational structure for the management of cross-border cooperation programmes within the framework of IPA II.

The National Authorising Officer (NAO) [57] is an official appointed by the Government or a civil servant appointed *ex officio* and upon the proposal of the minister responsible for finance they are appointed by the Government. The NAO carries out activities relating to financial management of the EU funds in the Republic of Serbia and ensures the effective functioning of the internal control system as regards IPA II in terms of ensuring the legality and regularity of transactions.

Other institutions and bodies relevant for the management of the EU pre-accession assistance programmes in the Republic of Serbia are as follows:

- In the Ministry of Finance:
  1. Department of the National Fund for the management of funds for pre-accession assistance of the European Union within the Division for managing the funds of the European Union, for the National Fund in the management structure of the national authorising officer;
  2. Group for harmonisation of the management and control system of pre-accession assistance funds of the European Union within the Division for managing the funds of the European Union, for the body supporting the National Authorising Officer within the management structure of the National Authorising Officer;
  3. Division for contracting and financing of programmes from European Union funds, for the Body for contracting in the operating structure for management of action programmes for pre-accession assistance within the framework of IPA II and in the operating structure for the management of cross-border cooperation programmes within the framework of IPA II; Division for combating irregularities and fraud in the handling of EU funds for the Body for combatting irregularities and fraud in dealing with EU funds.
- In the Ministry of agriculture and environmental protection:
  1. Division for rural development, for the Managing Authority within the operational structure for the management of the rural development programme in the field of agriculture (IPARD) under IPA II;
  2. Directorate for Agrarian Payments for IPARD Agency within the operating structure for managing rural development programmes in the field of agriculture (IPARD programme) within IPA II.[58]

6.2.4. Implementation of IPA in Serbia

As there were a few IPAs, from IPA I to IPA III which still is in the implementation, evaluations at the end of IPA I and IPA II contributed to process of learning and they enhanced programming for future steps in cooperation. It was noticed that during the period of the IPA II implementation, the coherence between IPA Programs at the national and regional level was improved

[57] Authors would like to thank **Prof. dr Tatjana Miščević**, Ministar for european integrations in the Government of the Republic of Serbia and IPA coordinator in Serbia **Ms. Marija Oros Janković** from the Department for planning, programming, monitoring and reporting on EU funds and development assistance in the Ministry for european integrations RS, for their big assistance and comments.
[58] Ministry of European integrations, MEI - National IPA Coordinator, Internet, https://www.mei.gov.rs/eng/serbia-and-eu/who-is-who/national-ipa-coordinator/, Accessed 20/02/2024.

significantly, comparing to period of IPA I. Even the programming of EU assistance, was more focused, more strategic, especially analysing the connection between fulfilment of targeted goals at one side and enhancement of the effectiveness of programming.[59]

The analyses for the period 2011-2018, which falls within the duration of both IPAs, the IPA I (2007-2013) and IPA II (2014-2020), the European Union programmed EUR 1.2 billion through the IPA national programme.[60]

By the Revised Indicative Strategy Paper, the agriculture for IPA II was a part of the sector 5 — Competitiveness and Innovation, agriculture and rural development. The Revised ISP had seven sectors: (1) Democracy and Governance, (2) Rule of Law and Fundamental Rights, (3) Environment and Climate Action and Energy, (4) Transport, (5) Competitiveness and Innovation, agriculture and rural development, (6) Education, Employment and Social Policies, and (7) Regional cooperation and territorial cooperation.[61] This classification was prepared to provide more transparent evidence of individual sectors and detailed analysis about the results of the EU assistance in every sector, individually. Among other differences of the IPA I and IPA II, there was also a difference in the positioning of the Agriculture. In IPA I, Agriculture was classified as Private sector development, agriculture and rural development. In IPA II, it was in the group Competitiveness and innovation agriculture and rural development.

Although the allocation of funds under the IPA I and IPA II was in line with the Indicative Strategy Paper (ISP), funds oriented towards sectors, or at least, comparable sectors, were mutually different, with significantly noticeable increase of funds for the Rule of law and fundamental rights, and Democracy and governance sectors, which were more than doubled, almost tripled. The Agriculture and rural development with the Competitiveness and innovation attracted more funds during the IPA II comparing to IPA I, although that rise was only 54%.

Table 19. Comparison between IPA I and IPA II programming

IPA I	EUR millions	IPA II	EUR millions	Difference	
				EUR millions	%
Justice and home affairs	117.0	Rule of law and fundamental rights	246.2	129.2	110
Public administration reform	164.0	Democracy and governance	446.4	282.4	172
Social development	171.0	Education, employment and social policies	123.7	-47.3	-28
Private sector development, agriculture and rural development	218.0	**Competitiveness and innovation agriculture and rural development**	336.5	118.5	54
Transport	146.0	Transport	64.8	-81.2	-56
Environment, climate change and energy	192.0	Environment, climate change and energy	321.8	129.8	68

Source: European Commission, *Strategic, Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 25

During the duration of the IPA I 2007-2011, over 1,400 projects, in the form of grants and concessional loans were active. Beside the EU, in its realization were included 30 partners from

[59] European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 4.
[60] European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 18.
[61] European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 21.

different groups, as bilateral and multilateral partners.[62] The greatest donors were EU and International financial institutions (IFIs), as representatives of multilateral donors, World Bank, EIB and EBRD. In the group of bilateral donors, granting or lending more than 40 million EUR each, the most dominant were Germany, United States, Italy, Sweden, Norway and Switzerland.

Lessons learned during the phase of IPA I were a good basement for changes in IPA II. For example, during the first phase, there were many donors included, but the main characteristic of their engagement was their limited coordination, because, each of them had its own strategies, priorities, preferences, procedures.[63] Among these numerous active projects of 1,432 in 2007-2011, the most represented were 1,346 individual grant donations. The number is significantly lower concerning the concessional loans, only 86. The proportion of their values is quite different. In the total sum of 4.2 billion EUR, grants stand out with the level of 1.8 billion EUR and loans with 2.4 billion EUR. The largest recipients of these funds were sectors as Transport, which is followed by Public administration reform and Environment and energy. The sector of Agriculture was not on the list of the greatest recipients during the IPA I, but the main items for future reforms of this sector were prepared: Institutional preparedness (IPARD Agency and Payment Authority), Safety and standards, Agricultural competitiveness, Forestry and fishing, Sustainable rural development.[64]

6.2.4.1. Agriculture and rural development in the period 2007-2011

Although strategically important, the sector of Agriculture in Serbia still is not realizing its full potential, burdened with the list of causes as a legacy of limited technical investments especially during the end of the XX century when this process was dominant source for this sector` development. At the supply side, there is a domination of small households and farms with small or even without surpluses with non-standard quality, heterogeneous by its structure. Problems with the privatization process which made unbalances in agricultural value chains, even on domestic market, should be added too. With so many bottlenecks, the agriculture sector is limited in terms of entering the foreign market and rising its competitiveness.

During the period 2007-2011, the EU has been the main source of support, implemented in Serbia`s Agriculture and rural development sector (ARD) through the program of Official Development Assistance (ODA). With this fund they supported institution-building, food safety, food chain and eradication of animal diseases and the rise of the competitiveness. Many bilateral and multilateral donors joined EU with their interventions, as Germany and the EU in "Effective Land Management" and Danish programme for "Support to the fruits and berries sector in South Serbia" and USAID Agribusiness project oriented towards fruit producers.[65]

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[62] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf

[63] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, p. 8.

[64] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, pp. 9-12.

[65] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, p. 49.

Table 20. Agriculture and rural development, ODA, 2007-2011 (in mill. EUR and %)

Sub-sector	Projects			Allocations			Disbursement		
	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
Agricultural competitiveness	30	2	32	58.1	38.7	96.8	41.8	28.0	69.7
Forestry and fishing	2	0	2	0.5	0.0	0.5	0.4	0.0	0.4
Institutional preparedness	8	0	8	16.8	0.0	16.8	6.1	0.0	6.1
Safety and standards	11	0	11	37.4	0.0	37.4	26.9	0.0	26.9
Sustainable rural develop.	15	0	15	3.6	0.0	3.6	3.2	0.0	3.2
Other or unallocated	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**66**	**2**	**68**	**116.4**	**38.7**	**155.2**	**78.3**	**28.0**	**106.3**

Source: Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, p. 49.

The ODA funds were grouped in five main issues, as it was in a table. During the period 2007-2011, these funds were the main basement for improvements of the ARD in Serbia, oriented mainly to the increase of the competitiveness and reinforcement of safety standards. Under its umbrella, 68 projects started its implementation or even were completed.

The final conclusion concerning the ODA implementation was the overall conclusion about the bottlenecks in Serbian ARD sector. The major mark was the low level of the ODA efficient utilization, provoked by the lack of efficient managerial capacity and numerous delays in implementation of projects designed to support competitiveness, as STAR, World Bank`s Transitional Agriculture Reform project and Danish support to fruit sector. Even the IPA projects met barriers provoked by delays, asking for no-cost extensions, especially for the issue of animal health and plant protection. The ODA support resulted with limited progress in creating the structures necessary for the IPARD programme in future.[66]

6.2.4.2. IPARD

The program IPARD appeared as the instrument of the European Union` support to the agriculture and rural development. It was specified for the sector of agriculture at the basement of the Instrument for Pre-Accession Assistance. The main aims of the IPARD are: implementation of reforms, harmonizing laws and regulations with EU regulations, strengthening the capacity of employees in this sector and the primary production. Beside this, the IPARD is oriented towards very modern items, as the health and the animal welfare. Always popular topic as the increase of the food safety should be added too.

The support of the EU to the agriculture and rural development sector, as part of the IPA, is oriented, similarly to other sectors` support, at harmonizing laws and other regulations with EU regulations and towards implementation of reforms, strengthening the capacities of employees in the sector of agriculture, strengthening primary production, increasing food safety and the health of animals and plants, etc. Closely specialized for the sector of agriculture and rural development`s support is special IPARD (Instrument for Pre-Accession Assistance in Rural Development) Program.

After the fulfilment of all requirements and gaining of the EU candidacy status, some funds are directed towards Serbia. During the period 2012 and 2025, the EU was engaged in 11 projects

[66] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, pp. 50-53.

oriented towards Agriculture and Food sector.[67] The institutional framework was set up too with the aim to enable receiving and usage of the IPA pre-accession funds and apart this, the integration of Serbian agriculture with the complex system of the Common Agricultural Policy (CAP) of the EU, when the Serbia becomes full member of the EU. The financial side of the CAP is based at two funds work, as European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD).

The IPARD Programme has been realized through three phases, the last one IPARD III is still ongoing. The predecessor of this program was IPARD II, implemented during the period 2014-2020, amount of 175 million EUR, with the aim to strengthen the competitiveness of the food production and processing sector. This amount was also planned to support gradual adjustment to EU standards in heterogeneous areas of hygiene, food safety, veterinary medicine and environmental protection. Beside this, Programme follows contemporary topics within CAP such as diversification of the rural economy. The period of this Programme`s implementation partly coincided with the period of the Strategy for agriculture and rural development in Serbia, 2014-2024. They both are sharing same values and aims, partially in following areas: increase of competitiveness for the agricultural and food sector, development of the sustainable land management practices, mostly obvious in support for the organic production, then, sustainable rural development.

Considering that the objectives of IPARD are numerous, certain measures of IPARD II should be pointed out, within the framework of which assistance was provided.

- **Measure 1 (M1)** - Investments in the physical assets of agricultural farms – (technical improvements and investments for new machinery and technology with the aim to increase productivity and competitiveness of agriculture production).
- **Measure 3 (M3)** - Investments in physical assets related to the processing and marketing of agricultural and fishery products (supporting investments oriented towards modernization of processing capacities, with the final aim to increase productivity and competitiveness of this sector).
- **Measure 7 (M7)** - Diversification of agricultural holdings and business development (creating new opportunities for employment in rural areas, using diversification mostly in rural tourism).
- **Measure 9 (M9)** - Technical assistance (provides technical assistance and covers costs which arise during the implementation of the IPARD program.

After the end of the IPARD II, this process of supporting agriculture and rural developments was continued with the IPARD III programme which was planned to be implemented during the period 2021-2027. European Commission with the Decision C (2022) 1537, March the 9th 2022, has accepted the IPARD III for Republic of Serbia. The planned amount for the investment support was 580 mill. EUR. The sources of these financial resources are multiple: one part, 288 mill. EUR will be the contribution of the EU, 90 mill. EUR should be the result of the financing from national sources, or national co-financing and the third part of 203 mill. EUR would come from users of these funds themselves. [68]

Among 13 measures offered by EC to candidate countries, in Republic of Serbia, through the IPARD II, started the implementation of already mentioned four measures (M1, M3, M7, and M9). Starting the implementation of the IPARD III, it was expected that this list would be expanded by three new measures (M4, M5, and M6). The IPARD III program started with the implementation of some new measures, in addition to the ones already mentioned. These are:

- **Measure 4 (M4)** - Agro-ecological-climatic measure and organic production (implies the obligation to respect the agro-ecological practices for exactly specified period of 5 years).

[67] https://www.euzatebe.rs/en/map, (08.02.2024.)
[68] https://ipard.rs/ipard-iii-program-u-srbiji/ (20.02.2024.)

All these requests are formed with the aim to protect and to improve the environment on the land which is used as important resource.

- **Measure 5 (M5)** - Implementation of local rural development strategies - LEADER approach (creation of jobs in small rural areas, mostly by establishing new small businesses).
- **Measure 6 (M6)** - Investments in rural public infrastructure (main aim is providing support for rural population, mostly by improvement of water supply and waste management, with positive implications on the rural environment).

As the IPARD III still is in the process of the implementation it is hard to predict results of its implementation. However, a group of three new measures that are consider as new measures which should make closer CAP in EU and Serbian agriculture on the other side, certainly would be a source for rural development with strengthening organic production`s capacity. These items are main topics in further reforming of the CAP.

6.2.4.3. Transport in the period 2007-2011

Transport is a sector which is critical in linking Serbia and its companies to the export market of the EU. This is visible if we look at the total money allocated to Serbia as a financial support by EU. The data are presented in the table 5 and show that total allocations in the observed period for transport were 2,224.3 million euro but total disbursement was 916.3 million of euro.

Table 21. Transport, ODA, 2007-2011 (in mill. EUR and %)

Sub-sector	Projects			Allocations			Disbursement		
	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
Air Transport	1	4	5	10.0	105.0	115.0	2.7	88.8	91.5
Inland waterways transport	3	0	3	16.8	0.0	16.8	14.1	0.0	14.1
Intermodal transport	2	0	2	2.1	0.0	2.1	1.9	0.0	1.9
Policy framework for transport	10	1	11	207.7	32.5	240.2	35.9	32.5	68.4
Rail transport	6	6	12	8.6	384.3	392.8	7.0	136.0	143.0
Road transport	6	15	21	14.1	1360.4	1,374.5	7.9	517.9	525.8
Other or unallocated	5	1	6	48.3	84.5	132.8	27.2	44.4	71.5
TOTAL	33	27	60	307.6	1,996.6	2,274.3	96.7	819.6	916.3

Source: Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, p. 55.

All project actions identified for the period are relevant to building a modern transport system compatible with EU standards. Most of the money was directed to road transport projects, around 525.8 million of euro. The concentration of spending on Corridor X, especially road investment, has meant that other identified priorities such as inland waterways transport and non-Corridor secondary roads or rail feeder networks have received less funding. However, air transport is the most advanced in harmonisation with Serbian law, with 22 regulations passed to implement the requirements under the first transitional phase of the European Common Aviation Area (ECAA) agreement, which received only 91.5 millions of euro in the observed period.

ODA funding has helped to successfully address specific major bottlenecks and reduce travel times (For example, the Belgrade by-pass, rehabilitation of the Gazela Bridge, and construction of the ADA Bridge). On the other side, the ODA-funded rail track condition analysis, which should serve as one of the elements for the prioritisation of maintenance and investments in the railway infrastructure, and IFI loan arrangements have modernised air transport, railways connections such as Belgrade-Šid line, Belgrade-Niš line and Niš-Dimitrovgrad, and supplied new rolling stock.

There has been an incremental impact of ODA 2007-2011 funding at the level of individual operations, in terms of capacity, travel times, safety standards, improved access and increased revenues (tolls).[69] For example, the Gazela Bridge in Belgrade now has a capacity of 200,000 vehicles per day which has greatly improved transport times, while the Ada Bridge over the Sava has reduced traffic levels both on the Gazela Bridge and in Belgrade city centre. With the Belgrade by-pass, the alleviation of transit traffic away from urban areas can have both positive and negative impacts for the various sections such as Batajnica–Dobanovci, connecting the Belgrade-Novi Sad highway (E75) in the north and Šid–Belgrade highway in the west (E70). Thanks to ODA, road safety standards have been raised, but the accident rate remains very high.[70]

6.2.5. Conclusions

Serbia is a candidate country for EU membership and has a very favourable trade regime with the EU. Serbia received significant financial assistance during the process of accession to the EU, which puts EU at the first place as a most important donor for Serbia with the amount of the 3.6 billion EUR in grants. EU is the key trading partner, participating with more than 60% in Serbia`s foreign trade, but also it participates in investing in Serbia with two-thirds of all foreign investment in Serbia.

Most significant assistance programme of the EU is an Instrument for Pre-Accession Assistance (IPA), which has 3 cycles. Starting from 2007, European Union used Instrument for Pre-accession Assistance (IPA) as the source for the financial support for candidate countries and for potential candidates for EU membership. The main aim of this instrument`s usage was enabling and facilitating their efforts for more decisive and successful reforms oriented towards meeting the requirements for joining the EU.

During the period 2007-2011, the EU has been the main source of support, implemented in Serbia`s Agriculture and rural development sector (ARD) through the program of Official Development Assistance (ODA). With this fund they supported institution-building, food safety, food chain and eradication of animal diseases and the rise of the competitiveness. The use of this assistance was crucial for the development of Serbia`s agricultural sector.

Transport is a sector which is critical in linking Serbia and its companies to the export market of the EU. Transport sector of infrastructural development receive huge amount of EU aid. All project actions identified for the period are relevant to building a modern transport system compatible with EU standards. This is crucial in moving Serbia closer to EU standards and level of development that is recorded in the EU.

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[69] Slađana Benković, et al "Risks of project financing of infrastructure projects in Serbia" (2011), *African Journal of Business Management* Vol. 5(7), pp. 2828-2836, 4 April, 2011 http://www.academicjournals.org/AJBM.

[70] Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector, Final Report, SWE14/OC01-18, Internet, http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf, p. 55-58.

Aleksandar MILOŠEVIĆ[71]

6.3. The roadmap from the Economic Reform Programme towards the EU economic governance

Since the year 2015, states in the Western Balkans and Turkey, which are potential candidates for membership in the European Union, have been mandated to prepare Economic Reform Programs (ERPs). The primary objective of these programs is to prepare said states for future engagement in coordinating economic policies at the Union level (Breugel 2023). ERPs have replaced Pre-accession Economic Programs (PEPs) and are an integral component of the reformed process of European economic governance. ERPs are critical to the accession process, as they provide a channel for economic policy dialogue and coordination through the European Semester, an annual cycle of fiscal and economic policy coordination for EU member states (Hallerberg, Marzinotto, and Wolff 2012).

The fundamental idea behind these programs is to prepare candidate countries and potential candidates to fulfil the Copenhagen criteria, which involves having a "functioning market economy and the capacity to cope with competitive pressure and market forces of the Union" (European Council 1993). ERPs should also help to "improve competitiveness, foster job creation, facilitate social inclusion", and overcome significant economic challenges in these nations (European Commission 2021).

After completing the programs, the European Commission and the European Central Bank assess the submissions, after which a multilateral dialogue commences. The dialogue includes representatives of EU member states, candidate states, potential candidates for EU membership, and representatives of the European Union institutions. The dialogue culminates in a high-level dialogue where joint conclusions are formulated. These conclusions contain guidelines for improving country-specific policies following the general program of priority reforms.

The program consists of three main parts: the Macroeconomic Framework, the Fiscal Framework, and the Structural Reforms. The third part of the program is crucial due to the need to align with the logic of the European Semester and establish a stronger connection between inclusive growth and fiscal stability. The Structural Reforms aim to contribute to sustainable development and inclusive economic growth in various areas, including Public Financial Management, Green Transition, Digital Transformation, Business Environment, Research, Development and Innovation, Economic Integration Reforms, Energy Market Reforms, Transport Market Reforms, Agriculture, Industry, and Services, Education and Skills, Employment and Labour Market, Social Protection and Inclusion, and Healthcare Systems (DG NEAR 2024).

6.3.1. European Commission guidelines for ERPs for the period 2024-2026

The "Guidance for the Economic Reform Programs 2024-2026" is a document that aims to establish a framework for creating a program of priority reforms in the coming years for candidate countries and potential candidates. The competitiveness and economic growth of the countries in the region are at risk due to various events and processes, such as the coronavirus pandemic, the war in Ukraine, and ongoing geo-economic fragmentation. These events are producing significant economic consequences and changing the social circumstances in the region, which is already facing various challenges, such as low levels of economic development,

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deindustrialization, significant unemployment rates (especially among young people), and considerable levels of corruption.

Implementing stable macroeconomic and fiscal frameworks and carrying out structural reforms should help candidate countries and potential candidates for EU membership "to improve institutional capacity for economic policymaking, to make candidate countries and potential candidates familiar with economic policy coordination in the EU and to support them in gradually meeting the economic accession criteria" (European Commission 2023, 2).

Special attention in the Economic Reform Programs (ERPs) will be focused on structural reforms that should help in the achievement of these goals. This includes eliminating or significantly reducing existing obstacles to competitiveness and inclusive growth of the countries in the region. The analysis of the structural reforms will be approached from three aspects: a) competitiveness, b) sustainability and resilience, and c) human capital and social policies, with a maximum of two priorities identified in each field. Each of these fields contains several subfields (European Commission 2023, 4-5):

- **Competitiveness**
  - Business environment, and reduction of the informal economy;
  - Reform of State-owned enterprises
  - Economic integration reforms
  - Agriculture, industry, and services;
  - Research, development, and innovation;
- **Sustainability and resilience**
  - Green transition/digital transformation
  - Energy market reforms
  - Transport market reforms
- **Human capital and social policies**
  - Education and skills
  - Employment and labour market
  - Social protection and inclusion
  - Healthcare

This document envisages that the financial assistance provided by the European Union and international financial institutions will be aimed precisely at their realization, whereby it would be necessary to sequence the reforms for a period of three years with a clear definition of specific goals that need to be achieved every year.

6.3.2. Economic Reform Program of the Republic of Serbia for the period 2024-2026

In late 2023, the Serbian government created and submitted the Economic Reform Program for the years 2024-2026 to the European Commission. This document outlines Serbia's reform priorities, by the guidelines set by the Commission.

This program suggests that macroeconomic policies should be strong, with a focus on reducing the inflation rate. It is expected that the growth in the period of 2024-2026 will be mainly influenced by domestic demand, which will be driven by an increase in disposable income leading to growth in private consumption and investments. It is also estimated that annual exports will grow by 10%. Industries, the service sector, as well as construction, are expected to be the major sources of growth. According to the estimates, potential GDP should grow at an average rate of 3.8% (Ministry of Finance of the Republic of Serbia 2024, 30-31, 41-46).

Fiscal policy is expected to contribute to reducing inflation, which corresponds to the planned fiscal deficit of 3% for 2023. The reduction of state intervention in the energy sector has created room for reducing the fiscal deficit and improving the standard of living of various categories of the population, from government employees to pensioners. The general fiscal rules that limit the government deficit to debt are expected to be implemented until 2025. Serbia's fiscal policy in the following period is expected to focus on reducing the tax burden on work and investing in significant infrastructure projects, as well as the growth of pensions and wages.

The most important part of this program is the description of structural reforms, so the largest part of the text will be devoted to them.

6.3.3. Structural reforms

6.3.3.1. Competitiveness

Regarding the first field of Competitiveness, the Government of Serbia proposed two structural reforms:

- Improvement of business conditions, business environment, and the market of industrial products of the Republic of Serbia
- Improvement of the regulatory framework and infrastructure for the development of the knowledge-based economy

The aim of the first structural reform in this field is to improve the market conditions and market environment for economic entities and other actors operating in the territory of the Republic of Serbia, to increase their competitiveness in the regional market, the EU market, and the world market, and thus fulfilling the economic criteria for membership in the European Union. In addition, the implementation of this structural reform should contribute to the growth of Serbia's foreign trade through the facilitation of trade, that is, the reduction or removal of existing trade barriers (Ministry of Finance of the Republic of Serbia 2023, 75). This structural reform consists of five measures:

The aim of the first structural reform in this field is to improve the market conditions and market environment for economic entities and other actors operating in the territory of the Republic of Serbia, to increase their competitiveness in the regional market, the EU market, and the world market, and thus fulfilling the economic criteria for membership in the European Union. In addition, the implementation of this structural reform should contribute to the growth of Serbia's foreign trade through the facilitation of trade, that is, the reduction or removal of existing trade barriers (Ministry of Finance of the Republic of Serbia 2023, 75). This structural reform consists of five measures:

- **Measure 1:** Improvement of conditions and elimination of obstacles to trade
- **Measure 2:** Improvement of the strategic framework of the quality infrastructure and integration in the EU single market, as well as the strategic framework of conformity and safety of products in all stages in the supply chain, including import and digital supply chains
- **Measure 3:** Improvement of competitiveness of agriculture
- **Measure 4:** Improvement of sustainable and efficient management of companies owned by the Republic of Serbia
- **Measure 5:** Improving the efficiency of the misdemeanour procedure

The plan of this reform envisages the implementation of 13 activities (Annex - Planned activities: Structural reform 1).

The second structural reform from this field implies the creation of a resource-efficient knowledge-based economy that should be competitive on the global market thanks to the production of superior products and services. The foreseen measures should contribute to the creation of conditions for the creation and development of infrastructure, which should lead to the establishment of a multidisciplinary framework to support the development of new technologies in the fields of biomedicine, bioinformatics, and biodiversity, as well as all phases of startup development (Ministry of Finance of the Republic of Serbia 2023, 84). This structural reform consists of four measures:

- **Measure 1:** Creating conditions for the development of biosciences and economy through the construction of the BIO4 Campus
- **Measure 2:** Development of the start-up ecosystem
- **Measure 3:** Support the development of talents and creative industries by establishing the multifunctional innovative-creative centre Ložionica
- **Measure 4**: Setting the infrastructure and environment for the creation and application of innovative IT solutions

The plan of this reform envisages the implementation of 7 activities (Annex - Planned activities: Structural reform 2).

The total costs for the implementation of these two structural reforms are shown in Table 22.

Table 22. Estimated costs of financing (Competitiveness – Structural reforms)

Competitiveness: Structural reforms	2024	2025	2026	Total
Improvement of business conditions, business environment, and the market of industrial products of the Republic of Serbia	22.3 million	59.5 million	59.1 million	140.9 million
Improvement of the regulatory framework and infrastructure for the development of the knowledge-based economy	114.5 million	211 million	135.5 million	461 million

6.3.3.2. Sustainability and Resilience

Within the second field, Sustainability and Resilience, two structural reforms are foreseen:

- Greening the Energy Sector through Increasing Energy Production from Renewable Sources and Improving Energy Efficiency
- Greening of the Road and Rail Transport in the Republic of Serbia

The **first** structural reform in this field refers to the transformation of the energy production process from fossil fuels to renewable energy sources, with the intended improvement of energy efficiency. The ultimate goal would be the process of a "green" energy transition in Serbia (Ministry of Finance of the Republic of Serbia 2024, 102). This very demanding goal should be achieved by fulfilling two measures.

- **Measure 1:** Increasing energy production from renewable energy sources
- **Measure 2:** Improving the efficiency of the energy sector

The plan of this reform envisages the implementation of 5 activities (Annex - Planned activities: Structural reform 3).

The **second** structural reform from this field involves improving the transport service market and reducing harmful gas emissions, which would be achieved by increasing the availability and attractiveness of public transport (road and rail) for passengers and/or goods (Ministry of Finance 2024, 105). This reform envisages two measures:

- ○ **Measure 1:** Improvement of the intercity road passenger transport system
- ○ **Measure 2:** Improvement of railway infrastructure

The plan of this reform envisages the implementation of 5 activities (Annex - Planned activities: Structural reform 4).

The total costs for the implementation of these two structural reforms are shown in Table 23.

Table 23. Estimated costs of financing (Sustainability and Resilience – Structural reforms)

Sustainability and Resilience Structural reforms	2024	2025	2026	Total
Greening the Energy Sector through Increasing Energy Production from Renewable Sources and Improving Energy Efficiency	2.2 million	41.5 million	24 million	67.7 million
Greening of the Road and Rail Transport in the Republic of Serbia	72 million	138.7 million	65.1 million	257.8 million

6.3.3.3. Human Capital and Social Policy

The third field, Human Capital and Social Policy includes two structural reforms:

- *Education for sustainable development and work readiness*
- *Improved conditions for a greater share of youth in the labour market*

The **first** structural reform in this field implies the establishment of a stronger connection between the needs of the market and the educational system by improving its relevance and strengthening its connection with practical work. The special goal of this reform is to reduce youth unemployment through the harmonization of educational qualifications with the needs of employers while promoting dual education and the concept of learning through work. The process of improving the conditions for the development of knowledge and practical skills through the equipping of existing laboratories (at the level of primary and secondary education, especially) is also important, to strengthen the creativity of students and their ability to deal with the processes of scientific research. This initiative is aimed at improving the success of students in the fields of chemistry, biology, and physics with the ultimate goal of directing them further toward science, engineering, and mathematics (Ministry of Finance of the Republic of Serbia 2023, 75). This reform includes two measures:

- ○ **Measure 1:** Qualifications oriented to the needs of the labour
- ○ **Measure 2:** Improvement of the conditions for the development of knowledge and skills in the education system.

The plan of this reform envisages the implementation of 7 activities (Annex - Planned activities: Structural reform 5).

The **second** structural reform that belongs to this field is closely related to the previous one and involves improving the status of young people in the labour market by making it easier to find an adequate job. The next goal would be the creation and development of local infrastructure (through the development of integrated services) that would improve the capacity of local units (youth office, youth associations, and associations for youth) to help young people improve their professional development, including non-formal youth education (Ministry of Finance 2024, 120). This reform includes two measures:

- ○ **Measure 1:** Piloting the Youth Guarantee
- ○ **Measure 2:** Development of integrated services for young people at the local level.

The plan of this reform envisages the implementation of 7 activities (Annex - Planned activities: Structural reform 6).

The total costs for the implementation of these two structural reforms are shown in Table 24.

Table 24. Estimated costs of financing (Human Capital and Social Policy – Structural reforms)

Structural reforms Human Capital and Social Policy	**2024**	**2025**	**2026**	**Total**
Education for sustainable development and work readiness	32.9 million	37 million	6,663	70 million
Improved conditions for a greater share of youth in the labour market	2.4 million	2.2 million	2.4 million	7 million

6.3.4. Recommendations

- In order to successfully conclude multilateral negotiations on WTO membership, along with certain bilateral negotiations, it is imperative to consider amending the Law on genetically modified organisms.
- Collaboration with partners from the CEFTA agreement and representatives of the European Commission is crucial to facilitate the unblocking of the CEFTA Joint Committee.
- The expedited issuance of necessary permits for the construction of key infrastructure units, as part of the second structural reform, is essential. Additionally, the significance of the new infrastructure support network for start-ups in all stages of development ought to be promoted.
- It is imperative to enhance the use of renewable energy sources and implement the decarbonisation process. To that end, restructuring of public companies in this sector and the improvement of existing power plants are necessary.
- Organizing targeted promotional activities that aim to acquaint interested actors (employers, trade unions and representatives of youth organizations) with the benefits of dual education and the importance of partial qualifications is essential.
- Strengthening the National Employment Service by hiring new personnel and introducing novel online services targeted at young people is necessary.

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ANNEX: Serbia - Planned activities

Structural reform 1: Improvement of business conditions, business environment, and the market of industrial products of the Republic of Serbia (Ministry of Finance of the Republic of Serbia 2024, 77-78)

No.	Planned activities	2024				2025				2026			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
	Measure 1												
1.	Accession negotiations with theWTO												
2.	Implementation of the process of trade facilitation and implementation of CEFTA Additional Protocols 5 and 6, as well as adoption of Additional Protocol 7 on the resolution of disputes												
	Measure 2												
3.	Development and adoption of the IC Strategy 2024-2030 with the Action Plan 2024-2025												
4.	Creation of conditions for a full integration of the Republic of Serbiainto the EU single market for three groups of industrial products (electricand electronic products, machines and PPE) and signing of the ACAA for these groups of products												
5.	Efficient implementation of market surveillance activities												
	Measure 3												
6.	Preparation and adoption of laws andby-laws for implementation and improvement of rural infrastructure												
7.	Adoption of laws and by-laws concerning organic production, quality schemes for agricultural products and foodstuffs; adoption of by-laws on the basis of the Law on Managing Agricultural Market												
8.	The preparation and adoption of laws on land consolidation and laws on agricultural land; adoption of by-laws concerning land consolidation and implementation of expert surveillance in land consolidation procedures and implementation of the piloting of land consolidations												
9.	Digitalization and development of aradio system for management and control of incentives for the purpose of preparations for the EU Common Agricultural Policy (linking the Register of Agricultural Holdings with the Register of Animals and theLand Parcel Identification System, development of a Geo-Spatial Application (GSA) and other elements of the IACS, other than theArea Monitoring System (AMS).												
	Measure 4												
10.	Adoption of by-laws for the application of the Law on the Management of Enterprises Owned by the Republic of Serbia												
11.	Digitalization of the system of corporate governance of state-ownedenterprises												

	Measure 5												
12.	Amending the Law on Misdemeanours												
13.	Implementation of trainings of misdemeanour judges for misdemeanor proceedingsconcerning grey economy												

Structural reform 2: Improvement of the regulatory framework and infrastructure for the development of the knowledge-based economy (Ministry of Finance of the Republic of Serbia 2024, 85)

No.	**Planned activities**	**2024**				**2025**				**2026**			
		Q1	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***
	Measure 1												
1.	Construction and internationalvisibility of BIO4 Campus												
	Measure 2												
2.	Expansion and improvement of infrastructure of STP Niš, STP Čačak and STP Belgrade and RITP Kruševac												
3.	Implementation of the GovTech programme, along with the empowerment of startups forattraction of investments												
	Measure 3												
4.	Reconstruction of the Ložionica facility along with the development of different supportprogrammes												
	Measure 4												
5.	Construction of the Innovation District in Kragujevac												
6.	Implementation of the SmartCity Project												
7.	Creating the regulatory framework for autonomousdriving												

Structural reform 3: Greening the Energy Sector through Increasing Energy Production from Renewable Sources and Improving Energy Efficiency (Ministry of Finance of the Republic of Serbia 2024, 103)

No.	**Planned activities**	**2024**				**2025**				**2026**			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
	Measure 1												
1.	Allocation of incentives for newRES capacities through the auction procedure for wind power plantsand solar power plants												
2.	Optimisation and digitalisation of administrative procedures/services in the area of the green agenda/renewable energy sources												
	Measure 2												
3.	Technical assistance for the implementation of tender procedures in the field of energy efficiency												
4.	Development of a technical, economic and legal study with energy efficiency surveys												

5.	Investment implementation - contracting, construction works in selected residential communities, monitoring and supervision of works												

Structural reform 4: Greening of the Road and Rail Transport in the Republic of Serbia (Ministry of Finance of the Republic of Serbia 2024, 106)

No.	**Planned activities**	**2024**				**2025**				**2026**			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
	Measure 1												
1.	A detailed analysis of the currentstate of play of the IPT system												
2.	Harmonisation of national legislation regarding passenger transport in IPT in accordance with EC 1370/2007												
3.	Application of the new Methodology for Accessing the IPT Market -Digitalisation												
	Measure 2												
4.	Increasing the number of kilometres of electrified railways in the Republicof Serbia												
5.	Procurement of new electric tractioncompositions												

Structural reform 5: Education for sustainable development and work readiness (Ministry of Finance of the Republic of Serbia 2024, 117-118)

No.	**Planned activities**	**2024**				**2025**				**2026**			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
	Measure 1												
1.	Expanding the network and improving the competencies of CG&C team coordinators in order to improve the quality of CG&C activities in dual education												
2.	Establishment, infrastructural organisation and equipment of regional training centres												
3.	Networking of education levels through social dialogue - "Youth to Younger"												
4.	Connection of the NQFS Register with the European qualifications portal												
5.	Digitalisation of the methodology for the development of sector profiles as an analytical basis for decision-making by institutions and bodies from the NQF system												
6.	Preparation of proposals for the introduction of partial qualifications into the NQF system												
	Measure 2												
7.	Preparation of video materials containing instructions and demonstrations of all laboratory exercises prescribed by the current regulations for the subjects of												

Structural reform 6: Improved conditions for a greater share of youth in the labor market (Ministry of Finance of the Republic of Serbia 2024, 121)

No.	Planned activities	2024				2025				2026			
		Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
	Measure 1												
1.	Introduction of online (pre)registration and statistical profiling in the NES and upgrading of the system												
2.	Piloting the Model for reaching out and activating NEET youth outside the system - implementation of outreach activities by civil society organisations (CSOs)												
3.	Development of additional / complementary employment services in the NES												
	Measure 2												
4.	Development of a system for professional development of youth workers												
5.	Establishment of a quality assurance system for youth work programmes and non-formal youth education												
6.	Establishment of youth spaces that operate in accordance with defined standards												
7.	Improvement of the quality of workof youth offices												

CONCLUSIONS AND RECOMMENDATIONS

Conclusions and recommendations

The presented research chapters within this book titled "**The EU Regional Policy and Regional Policy Challenges in Czech Republic, Hungary, Poland, Slovak Republic, Montenegro and Serbia**" focuses on sharing experiences, transferring knowledge, and recommending further regional and local development policies from the Visegrad group countries to Montenegro and Serbia (i.e. to the whole Western Balkans region), as well as the estimation of readiness of mentioned candidate countries for the membership obligation in the area of chapter 22. Regional policy and coordination of structural instruments.

The European Union's regional policy covers financial support to countries and regions for their implementation of projects whose objective is to strengthen economic, social, and territorial cohesion, with a special emphasis on: (1) increasing economic and social cohesion by reducing gaps between the EU regions; (2) increasing regional competitiveness with the view to ensuring the Union's global competitiveness; and (3) European territorial cooperation aimed at promoting cooperation between EU regions.

The EU regional policy, as it already mentioned, is a cornerstone of the European Union's efforts to promote balanced and sustainable development across its member states. At the same time, the EU regional policy is a composite policy of the utmost importance for **the candidate countries** and their local communities on their European integration path. By addressing regional disparities and fostering economic, social, and territorial cohesion, the policy aims to ensure that all regions can thrive and contribute to the overall prosperity of the EU and Europe.

The negotiating chapter 22. **Regional policy and coordination of structural instruments** contains framework regulations that define rules for the preparation and granting of operational programmes whose implementation is funded from the European Structural and Investment funds, bearing in mind the territorial organisation of each country.

Absorption capacities of the ESI funds and IPA

The next table provides an overview of the total absorption of the 2014-2020 budget by Member State. It is an overview of the EU budget's absorption under "shared management" programmes in terms of net EU payments for mentioned funds.

The Common Provisions Regulation (CPR) 2014-2020 funds included in this table are:

- Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), European Regional Development Fund (ERDF), European Social Fund (ESF), Fund for European Aid for the Most Deprived (FEAD), and Youth Employment Initiative (YEI).

The EAFRD data provides net payments for the rural development programmes 2014-2020, prolonged until 2022 under the transitional rules. The EAFRD allocation and payment amounts currently combine 2014-2022 MFF and the European Union Recovery Instrument (EURI) amounts. "ERDF" includes national and Interreg funding. TC = Territorial Cooperation / Interreg funded by ERDF in EU-28. Payments to third countries under IPA and NDICI are not included.

REACT-EU amounts under ERDF, ESF and FEAD are not included in this tabular overview.

Table 25. MFF 2014-2020 - EU payment overview by MS (cumulative 2014 to date - updated each working day - statys 26/05/2024)

	Total allocation of programmes	Allocation in %	Total net payments paid from 2014 to now	Implemen-tation rate	GNI 2014-2020	Total allocation/sum GNI 2014-2020	
AT	6,440	1.3	6,031	93.64	2,536,900	0.3%	AT
BE	3,051	0.6	2,727	89.39	3,073,373	0.1%	BE
BG	10,702	2.1	9,145	85.45	359,175	3.0%	BG
CY	986	0.2	936	94.98	131,579	0.7%	CY
CZ	24,658	4.9	24,233	98.27	1,248,717	2.0%	CZ
DE	31,746	6.3	28,941	91.16	23,005,356	0.1%	DE
DK	1,897	0.4	1,483	78.20	2,061,224	0.1%	DK
EE	4,690	0.9	4,508	96.12	161,482	2.9%	EE
ES	43,578	8.7	37,230	85.43	7,993,191	0.5%	ES
FI	4,784	1.0	4,596	96.05	1,568,629	0.3%	FI
FR	33,219	6.6	29,697	89.40	16,208,110	0.2%	FR
GR	23,454	4.7	22,122	94.32	1,243,349	1.9%	GR
HR	11,567	2.3	10,430	90.17	329,714	3.5%	HR
HU	26,267	5.2	25,722	97.93	831,890	3.2%	HU
IE	4,266	0.9	4,069	95.36	1,601,410	0.3%	IE
IT	49,246	9.8	42,363	86.02	11,894,565	0.4%	IT
LT	9,088	1.8	8,626	94.92	285,479	3.2%	LT
LU	178	0.0	170	95.77	263,757	0.1%	LU
LV	6,045	1.2	5,621	92.97	188,902	3.2%	LV
MT	884	0.2	731	82.73	70,905	1.2%	MT
NL	2,294	0.5	1,991	86.78	5,143,278	0.0%	NL
PL	89,834	17.9	86,962	96.80	3,144,438	2.9%	PL
PT	27,421	5.5	26,443	96.43	1,319,722	2.1%	PT
RO	34,164	6.8	32,026	93.74	1,286,278	2.7%	RO
SE	4,257	0.9	3,875	91.03	3,302,634	0.1%	SE
SI	4,266	0.9	4,137	96.98	293,988	1.5%	SI
SK	15,905	3.2	14,077	88.51	584,510	2.7%	SK
TC	9,400	1.9	8,868	94.34			
UK	16,310	3.3	15,066	92.37	16,503,628	0.1%	UK
	500,596	100.0	462,826	92.45	106,636,183	0.5%	

Sources for fund data: https://cohesiondata.ec.europa.eu/stories/s/EU-budget-execution-overview/2jjj-66bt#--overview-by-member-state
Sources for GNI data: https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2014-2020/spending-and-revenue_en

The implementation rate within the projects from MFF 2014-2020 is very hith in Czech Republic (98,27), Hungary (97,93), Poland (96,80) and Slovakia (88.61).

Data are even better if compare them with GNI 2014-2020. **Total allocation of programmes as % of GNI 2014-2020** is 3.2%, 2.9%, 2.7% and 2.0% in Hungary, Poland, Slovakia and Czech Republic.

Table 26. IPA II and IPA III in Montenegro on 31/03/2024 (indirect management and direct budget support)

IPA program	Available EU funds	Contracted	% of contracted
IPA II 2014	21,288,220	21,054,117	98.90
IPA II 2015	1,684,580	1,597,951	94.86
IPA II 2015 DBS	20,000,000	19,868,000	99.34
IPA II 2016	13,028,926	11,862,503	91.05
IPA II 2017	13,511,103	12,421,662	91.94
IPA II 2017 DBS	15,000,000	8,422,418	56.15
IPA II 2018	24,539,137	23,778,436	96.90
IPA II 2020	8,852,500	7,600,366	85.86
IPA II 2016/2017/2019 DBS	40,000,000	40,000,000	100.00
SOPEES	15,300,000	14,701,227	96.09
IPA II CBC MNE-ALB	10,710,000	7,529,307	70.30
IPA II CBC MNE-KOS	7,560,000	7,514,148	99.39
IPARD II	37,273,974	33,370,170	89.53
Total IPA II	**228,748,441**	**209,720,305**	**91.68**
IPA III 2021	9,675,000	0	0.00
IPA III 2022 DBS	22,500,000	7,500,000	33.33
IPA III 2023 DBS	30,000,000	27,000,000	90.00
IPA III CBC MNE-KOS	7,560,000	0	0.00
IPA III CBC MNE-ALB	10,710,000	0	0.00
IPARD III	63,000,000	0	0.00
Total IPA III	**143,445,000**	**34,500,000**	**24.05**
Total IPA II i IPA III	**372,193,441**	**244,220,305**	**65.62**
BDP 2014-2024	**29,165,137,000**		
Available IPA II/BDP 2014-2020	**0.78%**		

Source: The first contribution to the EC Report 2024, Montenegrin Government, April 2024;

Montenegro's contracted amount of IPA II is 91.68% on 31/03/2024.

In addition, Montenegro is facing with some potential de-commitments of IPA II funds. For instance, the Commission noted in its 2022 Report that “the preliminary design work on Budva bypass section of the Adriatic-Ionian expressway progressed very slowly, hampered by Montenegro’s legislation on preliminary design requirements for complex infrastructure, which leads to excessive design costs and causes delays. As a result, the European Commission **cancelled the investment grant of 41.2 mil. €** (*WBIF project estimated in total about 200 million euro*), inviting for re-application should project maturity be attained”.

Recommendations of Czech Republic:

The 20 years long experience of Czech Republic in the EU regional policy can be summarized into a few recommendations:

- First, **the distribution of funds for regional development must be specific and targeted, and focused on real problems of the region**. Small differences in financial aid and the situation where disadvantaged regions receive 10% more funds on average do not lead to accelerated convergence of disadvantaged areas in the case of the Czech Republic. The targeting of funds should be better and disadvantaged regions should receive a significantly larger share of funds if they are to catch up with other parts of the republic.
- Secondly, **peripheral problems and weak infrastructure have a direct impact on the mood of the population and their approach to European integration as such**. Anti-European sentiments appear in areas where the development of the region fails to start sufficiently. Limiting yourself to the contribution of the European Union only in financial resources and European funds is insufficient, and even if people appreciate the benefit of investments, in many cases the issues of national sovereignty and national pride may prevail.
- Thirdly, given the state of the discussion regarding the adoption of the euro in the Czech Republic, it is evident how **important the basic agreement among political currents is on the goals of EU membership.** The problem of the Czech Republic is that since joining the EU it has not had a clear and concrete goal where to go or what is actually an indicator of success. The very discussion about the euro shows that the individual elements of integration can become a political issue, especially if the integration steps are not fast and the discussion on the topic drags on disproportionately.
- **Recommendations for Montenegro and Serbia**: strengthening institutional capacities, aligning national strategies with the EU priorities, focus on smart specialization and innovations; promote sustainable development and invest more in the environmental protection; strengthen cross-border cooperation, employability and inclusive social policies; develop inclusive governance and stakeholder involvement; building effective communications and public awareness.

Pre-accession lessons learned from Hungary:

The sooner the host country authorities and local experts gain ownership of the project selection and execution process, including the supervision of the implementation process**, the better it is for speed and efficiency in developing project cycle management.** But aside from this, the PHARE significantly contributed to establishing institutional and human capacities familiar with principles and practices of implementing EU funds assisted implementation of projects.

Managing Authorities have been developed based on the Project Management Units in line ministries. At the same time, the PHARE coordination unit within the Prime Minister's Office became a new institution called the "**Office of National Development Plan and EU Grants"** with a strengthened coordinative function both over the implementation of the operational programs, and the preparation for the next 7-years programming cycle.

The PHASE institutional resources from the pre-accession period had to be reinterpreted after 2004 and approaching to MFF 2007-2013. Even though pre-accession funds contributed significantly in setting up the institutions and – through experience and trainings – developing human resources necessary to efficiently implement the OPs after accession, their implementation mechanisms differed significantly from those of the EU Structural Funds. The the project-based approach and the strict supervision of project development and implementation carried out by foreign experts turned out to be inappropriate when it came to a significantly larger scale programming and implementation. Neither the planning methodology, nor the selection mechanism of projects will be able to support the large-scale programming and implementation of Structural Fund support, considering that new member states face significant autonomy in the implementation of the assisted programs right after the accession.

The importance of SAPARD is underlined by the fact that it was the first program in Hungary to be implemented according to the EU's general rules, i.e. according to a methodology that, opposite to PHARE's, remained valid after the accession. During **the accession negotiations**, the EU's position prevailed in many respects. However, the Hungarian negotiating party managed to achieve concessions on certain points. Regarding direct payments, the EU payment rate for Hungarian farmers reached 100% in 2013 after a nine-year transition period, starting from a 25% rate. The change in circumstances due to EU accession (the competition on the larger markets) brought to light the significance of information and knowledge in enhancing efficiency, especially in rapidly changing market conditions. It was observed in the years following accession that **agricultural actors were not adequately prepared** for the EU membership and encountered competitiveness challenges due to insufficient organization, outdated technology, and logistics systems.

The chapter "Free movement of workers" necessitated direct discussion and bargaining between the incumbents involving some old members and the applicants, rather than simply negotiating the chapter with the Commission. What eventually mattered was the labour market demand and the political attitude of the given incumbent member state. The British government, for instance, welcomed Hungarian (and other CEE) job seekers immediately in 2004, while German and Austrian labour markets were fully opened only in 2011, at the end of the 7-year derogation period. However, the opening of labour markets for new member state's workers was only one side of this coin. Besides, it seems necessary to be prepared for **the danger of "brain drain"** in countries joining the Union. Well-trained professional civil servants who manage large funds will receive great job offers by the civil sector that should be counterbalanced by developing their career perspectives inside the civil service (or even by the EU institutions) to preserve human capital in the institutions. This is easier said than done, as brain drain is still a huge issue in the CEE region even today, but not preparing for this inevitability is one of the worst mistakes an applicant country could make.

Recommendations of Hungary as the Member State:

One of the most important dilemmas is **the preferable organizational and decision-making structure of a host country to manage EU funds**. The advantages associated with centralized resource allocation are speed and better focus. The practice, however, proves that when the size of EU funds starts to grow and gets channelled into numerous sectors and regions of the country, a single responsible organization to oversee the whole project preparation and funding allocation procedures in a top-down fashion becomes an oversized organisation. The Hungarian history of the governance pattern has been a process of pendulum to and from (top-down or bottom-up). At present the system has become highly centralized – and not without its customary defects.

A similar dilemma is **the policy choice between high absorption and proven additionality**. When the present centralized resource allocation was devised in Hungary, one of the key motives was to speed up the process of disbursing EU funds and to maximize the amount the country can draw from the EU budget (high absorption). Concentration of decision rights into top cabinet levels has certainly accelerated the project generation, approval and drawing-down processes. Yet, one cannot but notice that absorption of EU funds, as a success indicator, can hurt efficiency in the longer term. Too large projects may emerge for the simple reason that if the speed of tapping the EU funds becomes the key political priority, then big investments and country-wide uniform schemes will absorb available funds, crowding out smaller but perhaps more useful, locally better appreciated, more additional projects. Thus, it is not recommended to define speedy drawdown of EU funds and maximum absorption as success indicators. It seems easier to plan, design, and approve **large scale projects** rather than generate multiple smaller ones in a bottom-up fashion; and the drawdown of EU funds is certainly faster in case of mega-projects. However, oversized projects are prone to cost overruns and delays, and concentration of limited funding on a few areas may distort the structure of the economy. A spatial and sectoral diversification may be a better approach on the condition that fragmentation of the scarce resources can be avoided through proper project overseeing.

Having suggested the way to go forward in general in these matters, there are many **concrete recommendations** or interesting observations from Hungarian experience to be offered:

11. **Development policy measures** are more likely to be effective when they fit to existing sectoral / territorial policies, and line ministries have proper competence in defining crucial elements of the measures (like target group, eligibility and evaluation criteria, eligible costs and activities).
12. The more emphasis is put on **the impact mechanism of interventions** during their preparation, the more likely will intended impacts be realized. Lack of such preparation might lead to absorption being the only measurable result (without getting closer to the objectives, or even with opposite effects).
13. **Larger organizations** can better perform as intermediate bodies, as the periodically high workload generated by project applications can be better distributed among more employees and lead times can be significantly shorter.
14. The better elaborated **the project cycle processes**, the more efficient will be their implementation.
15. Evaluation of both **national policies and EU assisted programs** can significantly contribute to raising the effectiveness of development measures. Evaluations can contribute to better utilization of the funds not only through providing MAs with feedbacks on speed and efficiency of implementation procedures, but raise the effectiveness of measures through recommendations based on careful analysis of impact mechanisms. It is recommended to extensively evaluate policy measures before accession and channel findings into preparation process of planning EU funds (as finally these funds will contribute to the implementation of national policies).
16. Preparation for the implementation of **larger scale Structural Fund assisted programs** shall start years before the accession. A special emphasis should be placed on training professionals who could participate in both the program planning and setting the institutional design.
17. Having sound preferences related to **national policies and a skilled team of professionals** is essential to be successful not only in the pre-accession negotiation process, but also when it comes to preparation of own Operational Programs.
18. **Experts and civil servants** with relevant knowledge and skills in program planning and implementation are a scarce resource, especially a few years before and after accession when public administration is in highest need of this type of expertise. It is worth to elaborate a capacity building and development strategy to avoid scarcity (with regards to „brain drain” of EU institutions and private sector organizations).
19. Effectiveness starts with and is mainly rooted in **planning.** The better are the policies (i.e. measures are based on justified needs, clear intervention logic links the activities to expected results and impacts that are defined in form of measurable indicators) the easier to define effective measures to be implemented within the frameworks of EU assisted programs, and the more likely the development activities based on EU funding would contribute to – reaching the objectives of – sectoral policies. However, planning activities related to EU assisted programs can and will not replace conscious policy making, and will not lead to effective outcomes on their own.

20. **Evaluation** can provide very relevant and useful information both for program planning and implementation. Channelling the findings and recommendations of evaluators into the program development phase will help policy makers elaborate more effective interventions.
21. On matters of **agriculture**, higher institutional excellence and economic development are closely linked to a more efficient use of EU funds, with better long-term results. To make the institutional system of grants effective, a 'service approach' to governance is needed. This requires training, professionalization and improving the problem-solving skills of staff, but it is particularly important to speed up the decision-making process. This requires screening, transparency and simplification of institutional structures and improving the decision-making process. It is important to reduce bureaucratic complications. At the same time, the monitoring of CAP applications should be strengthened, taking into account compliance with approved and relevant CAP objectives and the development and application of related indicators.
22. From the **farmer's point of view**, the process of obtaining funding is not a short and easy procedure, but it is worth the effort, and it is advisable to seek the help of a (trustworthy) expert. Substantial and well-chosen investments can ensure long-term stability of the holding, but the advantages and disadvantages of such support, both financial and otherwise, must be carefully assessed. This requires a thorough training of farmers in the implementation of investment support. The transfer of knowledge to farmers needs to be constantly improved in the face of rapid change.
23. **The question of dominant retail chains, especially on food retail market**: agricultural producers are usually considered price takers rather than price setters, as their prices are determined by the demand for their products. Small-scale farmers, who have limited access to alternative large buyers, may have less bargaining power. The Hungarian Competition Authority and the National Food Chain Safety Office play important roles in preventing or mitigating numerous unfair market practices. A countries with an agricultural structure consisting of a relatively large number of small farms can position themselves well if producers are grouped in agricultural organizations or cooperatives. There are around 110 cooperatives in Hungarian agriculture, with over 30,000 members. In recent years, it has been demonstrated that **cooperatives** have business potential even at an early stage. The beneficial effects of cooperation are self-evident. However, there is potential to further increase stakeholders' interest in forming cooperatives, as voluntary cooperation is a key to competitiveness on the global market.
24. From the point of view of Hungary's agricultural economy and rural development, it is a fact that the accession to the EU proved to be an **enormously positive development**, as it opened up **unprecedented agricultural prospects**, with a wealth of opportunities and support. But nothing is without its issues, especially today with all the geopolitical risks and war in Ukraine.
25. On the experiences of the Hungarian accession procedure, to reach a good position during the budgetary debates before the closing of the negotiations (and later during the later MFF negotiations as well) **a strategic development of human capital** (negotiating and management team) and **institutional framework** were needed. The regional policy turned to be a field much more exposed to **brain drain** by the private sector than other negotiation chapters, so the establishment of proper incentives for the civil servants could be crucial.
26. Another component of the success was the **detailed knowledge and identification of local needs** and a good targeting of which aims to achieve. In this, the activity coalition building with the Member States could support the national efforts very much.
27. Hungary was among **the countries with highest absorption rates** in all 3 budgetary period between 2004-2020. A conscious and long process of building up planning and implementation mechanisms of territorial policy, and experiences from a successful economic development program were essential besides the lessons learned from pre-accession grants to build up a well-performing institution system, that keeps practical

elements of pre-accession funds' institutions and have the courage to recognize and replace/improve the non-practical ones. The impacts are more likely to be realized when the implemented measures fit into existing policies and are results of conscious planning.

28. **The framework of the cohesion and structural policies** changed by each new MFF. However, the future trends of these changes could be estimated by the amendments of the present-day financial support to the candidates like the comparison of **the new Growth Plan** (2023) and the existing IPA framework.

Recommendations of Poland as the Member State:

Prior to joining the European Union, states undergo pre-accession arrangements to prepare for membership. By learning and utilising these arrangements, states can expedite the process of meeting necessary requirements. As such**, it is essential for each stage of the integration process to build upon previous relationships and agreements between the country and the EU**. These arrangements serve to prepare for full integration and union. Additionally, **pre-accession funds** can be used towards developing and implementing reforms and standards, further facilitating the process.

The key aspect of joining the EU in the Polish case was establishing **many reforms, especially in the administration**. In Poland, this coincided with the political transformation, which, by itself, was a period of many political, economic and social changes. This factor has supported many reforms that were necessary for joining the EU; however, **the rapid and numerous changes have not always been favourably welcomed by the public**. The introduction of necessary reforms and administrative restructuring is required prior to accession to ensure administrative and institutional capabilities. The administrative reforms in Poland allowed **decentralisation and better allocation and management of regional funds**. Decentralisation itself is important to facilitate the structure for including regional governments in decision-making when it comes to regional funds.

Many of the reforms can be established prior to joining to facilitate a smoother transition and avoid introducing too many changes at once. Joining the negotiations with established reforms that align with general EU laws, values, and recent programme focus can help in accession negotiations and also public support. Current **priorities in cohesion policy** include a place-based approach, small- and medium-business support, climate objectives, just transition, digital and transport connectivity infrastructure, and a skill-based economy. Associated policies also need to maintain a balance between allocating funds for infrastructure and innovation. **National policies** can be implemented in a way that would avoid the sense of the EU 'imposing' regulations on new Member States.

As with aspects more related to the regional policies, introducing similar **agricultural standards** to the current EU regulations prior to accession can also ease the transition and give the farmers more time for adjustment. Some farmer groups have expressed concern that the EU's new priorities are at odds with long-standing practices and that the implementation timeline is too short. **Knowing the EU regional policy priorities** is a solid foundation for the establishment of standards prior to accession. Moreover, **stakeholder consultations** can ensure better collaboration and inputs to align local standards and practices with EU regulations.

Finally, **the knowledge-based approach to reforms is essential.** While in Poland, the accession caused a lot of fear among the public due to projected unforeseen consequences, the post-accession experiences of the CEE countries show **very positive effects of joining the EU**. Effective public campaigning is necessary to establish a link between the evidence and the public support, with a clear and persuasive message highlighting the benefits of EU membership and drawing from current Member States' experiences. Additionally, promoting social inclusion and avoiding the marginalisation of vulnerable populations, who may be at risk of higher Euroscepticism, can facilitate equal access to the benefits of EU membership.

One of the main tasks for implementing EU standards is to **prepare a comprehensive national and regional development strategies**, which plans an allocation of central-level funds and regional funds and their management system to support EU funding schemes. Preparing long-term strategies that integrate EU funds with domestic strategies and programmes will ensure that the domestic and EU programmes are cohesive and complement each other. The national strategies' drafts may also be useful in the negotiations.

Much of the abovementioned policymaking requires an **evidence-based approach**. This includes assessing the current agricultural and regional situation for fair accession negotiations to balance protecting own interests with the alignment of EU priorities. **Identifying potential tensions** can help prepare for their mitigation and set up their own agenda for the negotiation phase. Moreover, the EU place-based approach requires **identifying regions that demand additional funding and maybe separate operational programmes**. In Poland, this has been closely related to the new administrative division of regions, and the identification of these regions resulted in a separate European Funds for Eastern Poland programme.

During the 2015-2023 Law and Order's government rule, the relationship between Poland and the EU was strained due to political disagreements over funding. To avoid any potential suspension of EU funds, it is advisable to **garner domestic support for consistent accession and development strategies that transcend political affiliations**. Such a move would guarantee that negotiation policies remain unchanged, even in the event of future government changes. Additionally, it is critical to **uphold EU standards** during the post-accession phase, irrespective of political interests.

Recommendations of Slovakia as the Member State:

Slovakia's experience with the EU cohesion policy reflects developments at the EU level. This particularly reflected continuous alignment of the Slovakia's cohesion mission, priorities, and objectives with the EU level strategies.

Wavering use of EU funds is behind weaker development of such crucial policy areas as innovations, digitalisation or research and development. Slovakia however progressively improved its processes of policy planning or governance building. It took a while to make use of opportunities offered by partnership and the integrated instruments of territorial development. However, nowadays, both of these areas look rather very promising raising anticipations regarding improvements in funds absorption pursuing Slovakia's development goals during the programming period 2021-2027. Ups and downs shall by no means be attributed solely to national shortcomings. Instead, Slovakia's programming and implementation mirror pros and cons at EU level, be it an evolving implementation of priorities or employment of the partnership principle and the integrated instruments of territorial development. Complexity of Slovakia's experience offers interesting learning experience which Slovakia shares through the targeted policy recommendations.

Pre-accession period:

- There is no better time and opportunity for testing and learning than the pre-accession period.
- Utilize your pre-accession experience as much as possible as it is a valuable source of learning providing room for improvements and advancements.
- If possible, transform your pre-accession institutional programming and implementation architecture into designing EU funds management.

- Continuity of key programming and implementation processes saves your administrative capacities' time otherwise dedicated to coming up frequently with inventing new processes. Instead, they should rather focus on updating or upgrading existing processes based on the experience gained already during the pre-accession period. Time saved translates in money saved.

Mission and objectives:

- The better articulated national priorities and aligned with the Country Specific Recommendations, the more successful negotiations with the Commission over programming priorities.
- Align your territorial development needs with the EU level flagship priorities as much as possible while providing reasonable justifications for specific needs which may not fully reflect EU level priorities.
- Set your priorities and targets clearly as possible and communicate them in the transparent manner among your stakeholders. Get their support so negotiating priorities and targets with the Commission is with their backing.
- Align your priorities with the thorough process of policy planning as efficient programming address 'what' as much as 'how' to implement.
- Regardless how much top-down the EU level mission and objectives are orchestrated, gather as much analytics and domestic support as possible by providing rationale for your policy choices and room for wider national and subnational discussions over your own national mission.
- Make sure efficient monitoring and evaluation mechanisms are in place. It is critical to distinguish between absorption and investments. Build analytical capacities and analytical expertise among your partners.
- In case of global challenging circumstances and their aftermath, be ready to join forces with other member states to initiate towards the European Commission or act your own in order to reflect present challenging circumstances in amendments of implementation rules.
- In the course of global challenging circumstances, ensure that all eligible segments of the society receive EU funding notably as other public sources are rather limited.

Governance and institutions:

- Establishing a set of institutions with distinguished roles and responsibilities (coordination, programming and implementation, control) is a precondition for sufficient funds absorption and efficient communication with the European Commission.
- Shall the two-track approach to pursue cohesion mission remain, meaning having to separate budgetary envelopes, one for cohesion policy, the other for the RRF, make sure that on the national level any competition between the two instruments is avoided. Either, provide a single institutional umbrella for both or, make sure that there is not only a division of responsibilities but also cooperative mechanism ensuring functionable synergies between them.
- There is mixed experience with the conditionalities. On one hand, some of the most criticised such ex-ante conditionalities and their successor of enabling conditions strengthen the control role of the Commission, on the other, Slovakia has benefited with improved preparation for implementation through policy planning, introduction of reforms, improved administrative processes for example in state aid or public procurement. At the same time, through horizontal conditionalities dedicated to marginal and vulnerable societal groups, policymaking becomes to some extent more sensitive to their needs. On the other hand, in our experience, performance framework of 2014-2020 was not a driver for better funds absorption. In fact, performance reserve has not been rewarded and the entire mechanism has little effect on the de-commitment rule.

- Having implementation mechanisms in place contributed to timely fulfilment of ex-ante conditionalities and approval of fulfilment conditions in case of performance framework by the Commission during the bargaining of the Partnership Agreement in 2013.
- Solid programming and implementation shall be underpinned by respecting the rule of law. As shows the case of Hungary, the EU currently shows to possess the sanctioning mechanism which the Commission does not hesitate much to employ against democratic backsliding.

Partnership principle:

- Central state administration is a key enabler in coordination. This however does not mean that the top-down policy approach is a universal solution. On the contrary, non-state actor shall be encouraged to act on their own will. They shall have room for initiation and leadership while being offered guidance, consultancy and coordination from the state.
- Although, or precisely due to its holistic nature and susceptibility to be easily overlooked and thus taken for granted, partnership as a cornerstone principle of the multilevel governance shall be harboured in the national legislative framework.
- It is convenient to devise methodologies to demonstrate systemic approach in organizing partnership towards engaging stakeholders in programming, implementing, and monitoring national and EU resources promoting regional development.
- Vital partnerships with a wide range of stakeholders not only contribute to better policy planning or implementation. It shows a clear commitment towards transparent use of EU financial resources e.g. by engaging experts from civil society to take part in project selection and evaluation.
- Use EU financing to building expert capacity among your social partners and other stakeholders from among civil society notably non-governmental organizations.
- Encourage stakeholders' active engagement through setting public fora, consultations and expert-level platforms.
- Institutionalise public consultations in policymaking related to cohesion policy. Working groups should reflect variety of stakeholders and should represent different levels of policymaking (expert and political level). Though formally set up and organized by the central level, they shall be by no means centralized. Equal participation of non-state and non-public actors shall be formally enshrined.
- Partnership shall be encouraged in different policy lifecycle phases during programming and implementation. Partners may contribute to a great variety of activities such as dissemination and public awareness raising campaigns or into control. The more room for participation the better identification of stakeholders with the mission of cohesion policy.
- Partnership greatly benefit when combined with thorough employment of the integrated territorial instruments.

Integrated territorial development:

- Territorial development is closely aligned with employing territorial instruments. Pursuing goals of territorial development is hard to achieve without specifically designed territorial instruments. Demand-driven calls are not a suitable implementation instrument to address territorial needs.
- Territorial instruments require a strong territorial policy planning underpinned by institutionalized territorial policymaking and decision-making mechanisms and procedures. This means establishing organisational platforms at all territorial levels.
- These platforms need to possess necessary expert authority, political legitimacy and need to pursue bottom-up practices of enforcing the partnership dialogue with all relevant stakeholders in processes of drafting and approving territorial strategies as well as in prioritisation of projects for implementation, their monitoring and evaluation.

- Where relevant, the central state level should provide all territorially embedded platforms with necessary expert, logistic, material and financial support while maintaining impartiality and fairness between national and subnational levels.
- Empowerment of territorial institutions and actors shall go hand in hand with accountability while there is a transparent division of implementation responsibilities between central state bodies and territorial levels. This is notably important in dealings with the European Commission.
- For the purpose of discussions with the Commission, it is highly convenient to have develop conceptual and methodological frameworks for employing integrated territorial instruments. These frameworks shall demonstrate bottom-up policy approaches underpinned by relevant institutional arrangements.
- Thorough employment of the integrated territorial instruments signals well-functioning partnerships as participating stakeholders is essential for the vital bottom-up policy approach. Therefore, engage with a variety of partners promising a diverse expertise and experience.

The final chapters, **Chapter 5 and Chapter 6**, are dedicated to the accession negotiations regarding EU regional policy in Montenegro and Serbia. These chapters provide an in-depth assessment of the readiness of Montenegro and Serbia to undertake the obligations associated with EU regional policy upon achieving full-fledged membership. They focus on evaluating the current state of preparedness, identifying key advantages, and outlining the challenges that Montenegro and Serbia may face in the medium term. The findings highlight the importance of strategic planning, capacity building, and aligning national policies with the EU priorities to ensure successful integration into the EU's regional policy framework.

Visegrad Fund

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