

Impact Assessment of EU Financial Assistance to the Republic of Serbia: Time for Change?

By Vesela Ćurković and Dragiša Mijačić
September 2012¹

No. 1/2012



Introduction

What is the impact of EU financial assistance on socio-economic and political change in the Republic of Serbia? Although the EU has awarded €4.6 billion to support structural changes in Serbia since the turn of the millennium, as yet there has been no reliable analysis of the primary and secondary long-term effects produced by this assistance, whether positive or negative, direct or indirect, intended or otherwise. The reason for this is, quite simply, that neither the European Commission nor the Government of Serbia has the necessary tools in place to assess the impact of the EU-backed development efforts on Serbian society in general.

Impact assessment is defined differently according to the point at which it occurs during the project cycle of a development intervention. At one end of the cycle is ex-ante impact assessment, which is carried out during the preparation phase of a new or renewed intervention, and refers to the process of gathering evidence to inform decision-makers on the potential advantages and disadvantages of a range of possible policy options. At the other end, ex-post impact assessment is a process that focuses on the identification and evaluation of the impact of public interventions on long-term socio-economic and political changes once an intervention has been concluded. Impact assessment is an important element of development assistance as recognised by the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

This paper argues for the necessity of a comprehensive impact assessment of EU financial assistance to Serbia to-date, with the parallel goal of designing better instruments for measuring impact, and thereby contributing to improved policy design for the country's socio-economic development and future EU accession. The paper explores the scale of EU assistance in Serbia, giving an overview of the history of EU development cooperation over the time period 2000-2012, before going on to provide an analysis of the tools currently used for assessing impacts of the Instrument for Pre-accession Assistance (IPA). The paper ends with conclusions and policy recommendations for including impact assessment as an integral element of all EU-assisted operations.

Portfolio Analysis of EU Assistance to Serbia

The Republic of Serbia has become a recipient of significant international support since the democratic changes that occurred in late 2000. According to the Intersectoral Development Assistance Coordination Network (ISDACON), which manages an information system facilitating communication on international assistance to the Republic, development aid to Serbia in non-refundable bilateral and multilateral grants over the period 2000-2011 is estimated at €4.3 billion.² During the period 2001-2012, international financial institutions (IFI) allocated Serbia €4.8 billion in soft loans, of which €2.9 billion, or 60%, have already been realised.³

The European Union is the largest actor providing financial assistance to Serbia. In the period of 2000-2011, the EU allocated €6.5 billion to the Republic, of which €4.6 billion, or 70.8%, has already been disbursed.⁴ This assistance has taken the form of humanitarian aid, soft loans and non-refundable grants (including macro-financial support for the budget of the Serbian Government).

¹ The authors are researchers of the Institute for Territorial Economic Development (InTER). Please send your comments to dmijacic@lokalnirazvoj.org.

This policy brief was produced under the auspices of the TRAIN programme (Think Tanks providing Research and Advice through Interaction and Networking), organised by the German Council on Foreign Relations (DGAP) in 2012. The authors are grateful to the following individuals that contributed with feedback on earlier versions of this paper: Martin Kern and Adriano Martins from the Delegation of the European Union to the Republic of Serbia; Ognjen Mirić and Ana Ilić from the European Integration Office of the Republic of Serbia; and Theresia Töglhofer, Natasha Wunsch and Cornelius Adebahr from the German Council on Foreign Relations. Many thanks to Olivia Lalonde for her valuable comments and support with proofreading and English language editing.

² Source: ISDACON website <http://www.europe.gov.rs/>, last accessed on 3 June 2012.

³ *Ibid*

⁴ *Ibid*

Until 2004, humanitarian assistance was provided through the European Community Humanitarian Aid Office (ECHO), amounting to €105.2 million in total. Soft loans were provided by EU-led financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Over the period 2000-2011, the EIB allocated €2 billion of soft loans to Serbia, of which €1.3 billion (or 63.8%) has been realised so far. In the same period, the EBRD allocated €1.1 billion of soft loans, of which only €616 million (or 52.6%) have been distributed to date. In summary, EU-led financial institutions allocated €3.2 billion in soft loans to Serbia, comprising about 70% of the total soft loans provided by IFIs to the Republic.⁵

The European Union also provides non-refundable grants through programmes such as CARDS (Community Assistance for Reconstruction, Development and Stabilisation; 2000-2006) and IPA (2007-2013). During the period 2000-2011, the European Union allocated €3.2 billion of non-refundable grants to Serbia, of which €2.6 billion (81.1%) have already been disbursed.⁶

EU assistance to Serbia started with the "Schools for Democracy" Programme and subsequently the "Energy for Democracy" Programme, both launched in early 2000 by the Commission under the OBNOVA 2000 Programme. However, the inflow of development assistance only became significant following the change of government in October 2000, and especially after the Zagreb Summit of 24 November 2000, when the Federal Republic of Yugoslavia⁷ was given the opportunity to join the CARDS Programme.⁸

CARDS was established under Council Regulation No 2666/2000, with the objective of supporting the countries of the Western Balkans to participate in the Stabilisation and Association Process (SAP).⁹ It was in operation from 2000 to 2006, and primarily managed by the then European Agency for Reconstruction. Between 2000 and 2006, the EAR disbursed a total of €1.15 billion as part of the CARDS portfolio in Serbia.¹⁰ Serbia further benefited from the regional CARDS Programme, which supported actions of common interest across the Western Balkans.

In 2007, CARDS was replaced by IPA, established by Coun-

cil Regulation No 1085/2006 for the period 2007-2013, and under the auspices – from 2008 – of the Delegation of the European Union in Belgrade. The aim of IPA is to enhance the efficiency and coherence of aid by means of a single framework in order to strengthen institutional capacity, cross-border cooperation, economic and social development and rural development. Pre-accession assistance supports the stabilisation and association process of candidate countries and potential candidate countries while respecting their specific features and the processes in which they are engaged. The overall IPA budget for 2007-2013 is €11.5 billion, of which the total allocation for the Republic of Serbia is €1.4 billion, with annual awards progressively increasing from €189.7 million in 2007 to €214.7 million in 2013.

In addition to its national IPA Programme, Serbia receives support via the IPA multi-beneficiary programme 2007-2013, which provides financial aid for projects that foster collaboration between member countries and the countries of the Western Balkans.

Furthermore, there is a range of other EU programmes active in the Republic of Serbia, including but not restricted to, the European Instrument for Democracy and Human Rights (EIDHR), the LIFE Programme, the Sixth and the Seventh Framework Programmes for Research and Technological Development, the Competitiveness and Innovation Framework Programme (CIP), the PROGRESS Programme and Erasmus Mundus.

Measuring the Impact of EU Assistance to Serbia

Despite the vast sums of money invested by the Commission in assisting the countries of the Western Balkans to accede to the European Union, there are, surprisingly, no mechanisms in place to measure the impact of this assistance on beneficiaries' progress towards accession or on the resulting socio-economic changes in the countries concerned. Instead, the focus in assessing the performance of EU IPA-funded projects is on process-monitoring exercises, both internal and external,¹¹ which measure the relevance, efficiency and effectiveness of EU-funded interventions and gather information on the use of resources, the way the activities are conducted, and their progress. At the time of writing, there are no monitoring instruments in place that focus on evaluating the impact and sustainability of the implemented measures in a significant way.

Aside from process-monitoring systems such as Results-Oriented Monitoring (ROM), the Commission does not require evaluations of individual projects or programme interventions that are funded within the scheme of pre-accession assistance. Nonetheless, in the past the Commission has organised a number of ad-hoc programme evaluations, such as the retrospective evaluation of CARDS programmes in the Republic of Serbia (2009), the Interim/Strategic Evaluation of the EU IPA Pre-Accession Assistance to Serbia (2010), and a handful of single-project evalua-

5 In addition to EIB and EBRD, the World Bank is also a significant provider of soft loans, with a total allocation of €1.351 billion to the Republic of Serbia, of which €929.90 million has already been released. Source: ISDACON website <http://www.europe.gov.rs/>, last accessed on 3 June 2012.

6 Source: ISDACON website <http://www.europe.gov.rs/>, last accessed on 3 June 2012.

7 At that time, together with Montenegro, Serbia was a part of the Federal Republic of Yugoslavia.

8 Community Assistance for Reconstruction, Development and Stabilisation (CARDS). More information on CARDS is available at: http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/cards/index_en.htm, last access on 3 June 2012

9 The Stabilization and Association Process is the main policy framework, in which the Western Balkan countries progress towards achieving candidate status and eventual EU membership.

10 Retrospective evaluation of CARDS programmes in Serbia - Final Evaluation Report, p.1.

11 The main external monitoring instrument is so called Results-Oriented Monitoring (ROM).

tions.¹² The Commission even conducted an ex-post evaluation of macro-financial assistance to Serbia and Montenegro in 2008. However, it is arguable that none of these evaluations has made a significant contribution to the proper analysis and measurement of direct or indirect, intended or unintended impact of EU assistance in Serbia.

There are, however, indications that the European Commission is conscious of the need to measure impacts in pre-accession countries. In 2010, for instance, the Delegation of the European Union in Montenegro reviewed impact indicators from all projects in the IPA Component I pipeline and created permanent mechanisms for the efficient and effective impact evaluation of all IPA Programmes in that country. Moreover, in the same year in Serbia, the need for ex-post monitoring of IPA interventions was listed as a recommendation in the Interim/Strategic Evaluation of EU IPA Pre-Accession Assistance.

Regardless of the objective merits of doing so, there are a number of issues that pose challenges to any attempt at assessing EU assistance in this way. Key among these is the difficulty of designing appropriate methodologies to encompass a combination of actions undertaken by different development actors in any given environment.¹³ This is compounded by a lack of reliable statistics and inadequate technical capacity at the domestic level.

Further difficulties in identifying and measuring impact are caused by the inadequate design of objectively-verifiable indicators at the level of the Multi-annual Indicative Planning Document (MIPD) and the Needs Assistance Document (NAD) sectors and project fiches.¹⁴ By assessing the quality of impact and outcome indicators of project fiches from the period 2007-2011, it can be concluded that a significant number of them were not adequately formulated nor measurable within the scope of the current statistical system of the Republic of Serbia. Moreover, a number of project fiches have no impact indicators at all. In addition, many of such indicators tend not

12 Although single-project evaluations were conducted for many interventions including MIR, PRO, EU PROGRES and Support to the Implementation of Anti-discrimination Legislation and Mediation in Serbia, in the majority of cases, these were initiated by internal rules of their implementing agencies, such as UNDP, UNOPS, etc. It is also important to mention that these projects were multi-donor interventions between the European Commission and bilateral donors such as Swiss Development Cooperation, Sida, the Norwegian Government, and others.

13 In order to overcome this problem, impact assessment should be organised as a joint multi-stakeholder initiative which reinforces collaboration and partnership among the development actors and provides information about the complementarities and coherences of the action.

14 While MIPD has identified seven priorities, NAD includes an additional sector: Civil Society, Media & Culture (which is considered by MIPD under the section "Others"). Only three sectors match well: Public Administration Reform, Transport, and Agriculture & Rural Development. The remaining four sectors characterise the fact that they are defined more broadly within MIPD than within NAD. Whereas MIPD covers the sectors of Justice & Home Affairs, Social Development, Private Sector Development and Environment, Climate Change & Energy, NAD focuses on Rule of Law, Human Resource Development, Competitiveness and Environment & Energy.

to be linked to the priorities of EU accession.¹⁵

The poor design of indicators suggests that there is limited human and institutional capacity to perform programming based on impact-oriented interventions in the Western Balkans. Recognising this as a problem, the European Integration Office of the Republic of Serbia (SEIO) has started preparing a set of indicators for use in each of the priority sectors in order to promote better impact measurement in future interventions. To that end, a first set of impact indicators has already been designed for each sector specified in the NAD.

Such progress notwithstanding, there remains a need for further work in the development of these indicators, including their testing, the creation of baseline data and monitoring mechanisms. Moreover, it is imperative to align the system of data-gathering already operated by the Republic of Serbia's Statistical Office with the SEIO's evolving requirements on indicators.

The SEIO has already established a Monitoring & Evaluation Unit, with responsibility for following-up development assistance in the Republic of Serbia, including EU IPA assistance. However, the capacity of this Unit is still insufficient, especially in relation to the particular complexities of monitoring and assessing the impact of donor assistance on socio-economic changes in the Republic.

Conclusions

The EU is currently the largest donor to the Republic of Serbia, with €4.6 billion disbursed through humanitarian assistance, soft loans and non-refundable funds in the period 2000-2011. However, there is a question mark over the impact of this assistance on socio-economic development in the country. Although Serbia today is very different from the country it was at the beginning of the second millennium and EU assistance has undoubtedly contributed to the positive changes that have occurred during the transition process, there is currently no institution within the EU or Serbia itself that can provide clear information on the extent to which these changes can be attributed to EU support.

The Commission focuses its attention on the programming and implementation processes and on measuring the relevance, efficiency and effectiveness of its interventions. As a measure of development, impact can only be fully assessed at the end of a project or programme cycle. However, the Commission does not have a permanent system in place to evaluate development interventions in an ex-post manner. The few ad-hoc evaluations that have been conducted do not primarily focus on assessing impact and their findings are consequently rather anecdotal and based on assumptions of possible impact rather than firm analysis using reliable data.

There is a clear need to conduct a comprehensive impact

15 The Interim/Strategic Evaluation of EU IPA Pre-Accession Assistance to Serbia conducted in 2010 comes to a similar conclusion (see p.58).

assessment of EU assistance to Serbia; a fact that was also recognised in the 2010 Interim/Strategic Evaluation of EU IPA to Serbia, which made a recommendation to establish a programme for ex-post monitoring of IPA interventions, especially in areas with a high relevance for future programming. This impact assessment could be performed for the EU development intervention as a whole, or exclusively for those sectors in which assistance has been the most significant (such as energy, transport, private sector development, decentralisation, and local/regional development). From a methodological perspective, there is significant potential to conduct an impact assessment of area-based interventions in the domain of municipal and inter-municipal development, since there are regions in Serbia that are supported by EU assistance and others that are not which could be used as a control group.

The results of impact assessment from implemented projects and programmes could aid in improving the development performance of future interventions, and thus facilitate the implementation of the Acquis Communautaire and, by extension, Serbia's EU-accession process. Moreover, since IPA is a precursor to EU structural funding, insisting on continuous impact evaluations at this stage would allow for the better use of EU funds in the future. Impact assessments would also contribute to better policy design and policy delivery at national, regional and local levels. Findings of impact assessments will ultimately give enhanced visibility to EU interventions and thereby create a better linkage between institutions and the public, in turn further accelerating the EU accession process of the country.

Policy Recommendations

The following policy recommendations are proposed with the purpose of creating mechanisms for monitoring the impact of EU assistance on socio-economic changes in the Republic of Serbia and its future accession to the EU.

RECOMMENDATIONS TO THE EUROPEAN COMMISSION:

- Revise impact indicators of all IPA projects that are in the pipeline or under implementation. In order to be able to start measuring the impact of IPA programming at the earliest opportunity, it is essential to analyse the existing indicators of projects that are either under implementation or in the pipeline and revise them where necessary.
- Organise impact assessment(s) of EU assistance in the Republic of Serbia. Impact assessment could be conducted for EU intervention as a whole since 2000; for the IPA Programme (2007-2013); or for selected sectors (such as energy, transport, private sector development, decentralisation and local/regional development). In all cases, this

impact assessment should be organised in cooperation with the Government of the Republic of Serbia and other bilateral and multilateral actors providing development assistance to the country, as well as with universities, think tanks and any other public or private institutions that have an interest in the issue.

- Introduce impact assessment as a requirement in the implementation of all future IPA projects. In order to better understand the changes in Serbian society effected by the IPA Programme, there is a need to organise the impact assessment of every project intervention. Since the impact of a project can only be fully assessed following an intervention, such assessments should be organised and budgeted for separately from a project's implementation and with a sufficient time lapse (e.g. six months to a year after the project's completion).

RECOMMENDATIONS TO THE GOVERNMENT OF SERBIA:

- Continue upgrading the set of impact indicators for each sector that is specified in the Needs Assistance Document (NAD). This set of indicators should be developed in cooperation with all relevant stakeholders, especially with the consent of the Statistical Office of the Republic of Serbia, and tested before use. Baseline data should be collected for each indicator and mechanisms to verify these indicators established at an institutional level by the SEIO's Monitoring & Evaluation Unit. If needed, the Commission and/or bilateral donors should be approached for technical assistance in upgrading impact indicators and monitoring mechanisms.
- Strengthen the human and operational capacity of the SEIO's Monitoring & Evaluation Unit to assess the impact of EU financial assistance in Serbia. Although the Monitoring & Evaluation Unit has already been established within the SEIO, its human and operational capacity remain inadequate to assess the impact of development interventions. There is therefore a clear necessity to improve the Unit's capacity in both regards. If needed, the Commission or bilateral donors should be approached for technical assistance.
- Promote the necessity for impact assessment among the public administration, academia, think tanks, policy research centres and other interested parties. There is a need to raise awareness of the necessity for impact assessment among different stakeholders. In that regard, the Government of Serbia and its institutions (primarily the SEIO) should actively promote the need for assessing impact as well as the potential benefit to be obtained from the findings of such assessments.