



POLICY ANALYSIS

INSTITUTIONAL MODELS OF MANAGING COHESION POLICY – A PROPOSED MODEL FOR SERBIA



European Movement
Serbia

SEPTEMBER
2015

CONTENT:

Summary3
Introduction5
The state and challenges of functioning of the systems for managing EU Instruments of Pre-Accession Assistance in the Republic of Serbia.	6
Key factors affecting the choice and efficient functioning of models of managing cohesion policy.	9
A survey of the existing institutional models of managing ESI Funds – What is the best choice for Serbia?	11
Concluding remarks and the recommended model of managing ESI funds in the Republic of Serbia	16
Endnotes.	19
ANNEXES	
Annex 1	21
Annex 2	22

Ognjen Mirić *
Ivan Knežević **

Institutional Models of Managing Cohesion Policy – a Proposed Model for Serbia

Summary

The European Union envisaged the total of 351.8 billion euros for the implementation of cohesion policy for the 2014–2020 budgetary period. EU candidate countries are preparing for the implementation of this policy during the negotiation process, Chapter 22 – Regional policy and coordination of structural instruments. One of the key elements of negotiations in this chapter is the institutional framework for cohesion policy management.

The Republic of Serbia put much effort into creating institutional structure which will enable efficient coordination of reforms supported through projects financed from EU funds. As stipulated by the 2007-2013 IPA Implementing Regulation, The Republic of Serbia was obliged to establish appropriate institutions which would manage the EU funds through the Decentralised Implementation System (DIS). The Decision of the European Commission from March 2014 transferred the competence for the implementation of the 2013 National Programme for the Republic of Serbia within IPA component I to DIS institutions. However, a year after the accreditation was granted, there are significant delays of the 2013 IPA program contracting. Furthermore, the Republic of Serbia is facing numerous system challenges in using EU pre-accession funds; the most serious challenges are inadequate institutional framework in terms of cohesion policy requirements at the central and local levels, and overlapping competences of bodies that are in charge of tasks of interest to cohesion policy etc.

* Ognjen Mirić is an expert in strategic planning, regional development and EU funds.

** Ivan Knežević is president of the Research Forum of the European Movement in Serbia.

Experience of the countries which finished the EU membership negotiation process suggest that the selection of the appropriate cohesion policy management model depends on several factors, and the most important ones are legal and institutional frameworks of the country and division of competences between different levels of government. Furthermore, based on the practical experience of countries that became EU members in the fifth enlargement (in 2004 and 2007), it is obvious that the system of managing the post-accession Cohesion Fund and Structural Funds is based on the system of managing pre-accession funds. Depending on the decision on operational programmes, it is also possible to ascertain types of models of the institutional framework for managing European Structural and Investment Funds (ESI), i.e.: sector or territorial; centralised or decentralised; concentrated or deconcentrated; a combination of these models. Apart from the institutional models, an important question that should be taken into account in the process of establishing the institutional framework is the decision on the type of the administrative system, which can be parallel, integrated, or a combination of these two models (harmonized). The model and the type of the administrative system will affect the administrative costs.

It is very important to define the model of cohesion policy management and to start the process of making institutional framework as soon as possible, due to the amount of work, administrative procedures for the establishment of ESI structures and the time necessary for putting them into operation. The purpose of this analysis is to ascertain the principles and the optimal model of the institutional framework for managing ESI Funds that would be applicable in the Republic of Serbia. This analysis does not define the current institutions which will form the managing structure of ESI Funds. The authors think that the best possible model of managing ESI Funds in the Republic of Serbia immediately after its accession to the EU in financial perspective would be the following: sector, centralised, concentrated and mixed. Although the integral model would be the ideal solution, unfortunately, it is unrealistic to expect that the entire public policies and budget funds planning and implementation system could immediately be adapted to the requirements of cohesion policy. For that reason, it would be realistic to aim at a mixed system which would be applied in the first years of Serbian EU membership. The Republic of Serbia should have a coordinating body, i.e. a particular institution which would coordinate the establishment of a system for managing ESI and would be in charge of other tasks that fall under the competence of the coordinating body. Managing authorities should be established within ministries, while institutions specialized in project management in certain areas would act as intermediary bodies. After the first stage of the system's functioning and overcoming initial problems in the financial perspective that would follow after the financial perspective in which Serbia will become an EU member, the proposed model of managing ESI Funds in the Republic of Serbia could be sector, centralised, deconcentrated and integrated.



1. Introduction

The cohesion policy of the European Union (EU) is one of the most important instruments of overall development of the Union as a whole and of the Member States. The European Union envisaged the total of 351.8 billion euros for the implementation of cohesion policy for the 2014–2020 budgetary period. Building administrative capacities in the pre-accession period is very important for the states accessing the EU, because it will allow them to efficiently manage the financial resources of the pre-accession funds and to prepare for using EU funds (European Structural and Investment Funds – ESI Funds) after EU accession. Institutions and human resources involved in planning, programming, contracting, implementation, monitoring, evaluation and auditing of EU-funded projects in a particular state are the most important benchmark against which to measure the absorptive capacity of the state to manage ESI funds. However, experience from the previous EU enlargement circles have shown that many candidate countries faced difficulties in absorbing the resources allocated from the EU budget, especially in the first years of their EU membership. Problems in using the resources allocated by the EU were mostly due to the following reasons: lack of a comprehensive and long-term strategic framework at state and regional/local levels; lack of resources for pre-financing and co-financing of projects; inefficient, and in some cases non-existent horizontal and vertical coordination between ministries and various levels of government; unprepared project technical documentation and finally, lack of competent human resources in the administration who would manage the EU resources.¹

In January 2014 the Republic of Serbia started EU membership talks, and the process of analytical screening of legislation by negotiation chapters ended in March 2015. Candidate countries for EU membership prepare for cohesion policy through Chapter 22 – Regional policy and coordination of structural instruments. The amount allocated from the EU budget that the Republic of Serbia will be able to use to finance its development as a EU Member State will largely depend on the outcome of the talks on this chapter. Drafting of the Negotiation Position for this chapter, in which the EU *acquis* consists mostly of framework and implementation regulations which do not have to be transferred to domestic legislation is expected in next stages of talks. One of the crucial elements of the talks will be the institutional framework for managing cohesion policy, which is something that candidate countries must establish before becoming EU Member States. Defining the institutional framework entails defining and establishment of all institutions necessary for managing structural and investment funds as prescribed by the regulations, with clear definitions of tasks and responsibilities of the bodies involved (planning, programming, contracting, implementation, monitoring, assessment and auditing). Institutional framework also requires establishment of an efficient mechanism for interministerial coordination, inclusion and consultations with a wide range of interested parties during the preparation and implementation of the programme.



Although at this stage of negotiations Serbia is not obliged to have an established institutional framework for managing ESI Funds, the greatest problem is that it is still not known what kind of institutional framework Serbia is planning to establish so as to make the most of the period before the accession and to strengthen all structures defined in the chosen model. Considering administrative requirements to establish structures which would manage ESI Funds and the time needed for their strengthening, any delay in selecting the model of institutional framework or choosing an inadequate institutional framework can have a long-term impact on the ability of the Republic of Serbia to efficiently and effectively use ESI Funds when it becomes an EU Member State. As it has been noticed in many examples, states beneficiaries which adequately use the allocated EU resources have a very good opportunity to implement the necessary reforms and to enhance their economic development and social cohesion.²

It is important to note that the choice of the institutional framework will also depend on the moment of Serbia's accession to the EU, on the cohesion policy rules in force at that moment and on the decision on priorities for financing from the ESI Funds. For that reason, the purpose of this analysis is not to identify the current institutions which will make up the managing structure of the ESI Funds, but to ascertain the principles and the optimal model of the institutional framework that can be applied in the Republic of Serbia.

This analysis will focus on the existing models of the institutional framework for managing cohesion policy in the EU Member States. Our research will analyse advantages and disadvantages of certain models, their efficiency and efficacy, and we will define the best model proposal for Serbia, bearing in mind all distinctive features of its current administrative system and the current level of institutional development.

2. The state and challenges of functioning of the systems for managing EU Instruments of Pre-Accession Assistance in the Republic of Serbia

The Republic of Serbia has used Pre-Accession Assistance of the EU since 2000 and by now a lot of effort has been put into establishing an institutional structure at the national level which will be able to efficiently coordinate reforms supported through EU-funded projects. However, like any other country aspiring to become an EU member, Serbia is facing constant challenges in developing sustainable and responsible administration and institutions with adequate capacities that would manage the EU funds.

During the said period of using Pre-Accession Assistance of the EU, the role of national administration in the entire system of the EU pre-accession funds managing was changing. In the period of implementation of the CARDS Programme, the European Commission was in charge of programme planning and implementation, while after switching to the new Instrument Pre-Accession (IPA) 2007–2013, the Government of Serbia assumed a more active role in IPA Funds planning.

According to provisions of the IPA 2007–2013 Implementing Regulation, the Republic of Serbia was obliged to establish appropriate institutions for managing EU

funds through the so-called Decentralised Implementation System (DIS)³, in order to be able to use all IPA components. The Decision of the European Commission from March 2014 transferred the competence for the implementation of the EU's Pre-Accession Assistance programme from the 2013 National Programme for the Republic of Serbia within IPA component I to DIS institutions.

However, a year and a half after being granted accreditation for taking over the competence for the implementation of projects by the local administration included in DIS, there was an obvious standstill in contracting the IPA 2013 projects. Furthermore, the European Commission suspended financing the 2013 IPA projects in June 2015 due to insufficient capacities of the Audit Authority. The table given below outlines current advantages and disadvantages of each individual element in the process of managing EU's pre-accession funds in the Republic of Serbia (legislative framework, institutional framework, administrative capacities, programming, monitoring and evaluation and financial management, control and auditing).

Table 1.
Review of advantages and disadvantages of the system of managing EU's Pre-Accession funds in the Republic of Serbia against the requirements of Chapter 22.

ADVANTAGES	DISADVANTAGES
Legislative framework	
<ul style="list-style-type: none"> - Established legislative framework for the functioning of structures within IPA Components 1 and 2 (IPA Framework Agreement, Budget System Law, Decrees for IPA Components I and II, agreements between persons in charge, procedures) 	<ul style="list-style-type: none"> - Necessity to align the current legal framework with IPA II requirements (a new IPA Framework Agreement, etc.) - State bodies have different attitudes towards the legal framework - Appointees' competences are not recognized in the public administration system - Sector legislation is not in compliance with the requirements of Chapter 22
Institutional framework	
<ul style="list-style-type: none"> - Established operational structures for IPA Components I and II (appointments of executives and internal departments) and other bodies (e.g. Audit Authority Office of EU funds) 	<ul style="list-style-type: none"> - Unstable institutional framework - Insufficient coordination between 'IPA bodies' and 'other national bodies' - Inadequate institutional framework in certain sectors (e.g. environment) and at the local level
Administrative capacities	
<ul style="list-style-type: none"> - Preserved capacities after several rationalizations in public administration - Launching training programmes - Sufficient number of capacity building projects 	<ul style="list-style-type: none"> - Shortage of staff - No retention policy and brain drain - Frequent changes in key positions (NIPAC, NAO, SPO) - Insufficient practical knowledge
Programming	
<ul style="list-style-type: none"> - Successful programming of 1.5 bn. euros; IPA II programming has begun - Adopted elements of sector approach (e.g. NAD 2014–2017/20 and sector working groups) - Adopted Methodology for Selection and Prioritization of Infrastructure Projects, established National Investment Board - Mechanism for cooperation with CSO 	<ul style="list-style-type: none"> - Unclear priorities (over 105 strategies at the central level, 874 at the local level) - Insufficient number of available projects - Insufficient coordination between certain institutions - Incompatibility of IPA and programme budgeting sectors - Sector priorities and local priorities are not complementary - IPA is seen as a parallel system

ADVANTAGES	DISADVANTAGES
Monitoring and evaluation	
<ul style="list-style-type: none"> - Establishment of internal departments entails tasks of monitoring and evaluation 	<ul style="list-style-type: none"> - Deficient indicators and great discrepancies in quality of different sectors - National system does not recognize the necessity of monitoring and evaluation - Project beneficiaries are often not sufficiently included in the implementation of project activities - No Monitoring Information System (MIS)
Financial management, control and audit	
<ul style="list-style-type: none"> - Establishment of internal department entails tasks of monitoring and evaluation - EC decided on accreditation of decentralised system in early 2014 - First invitations to tenders - Audit Authority Office of EU funds performed first system auditing of the decentralised system 	<ul style="list-style-type: none"> - Establishment of internal department entails tasks of monitoring and evaluation - Functionality of the decentralised system still facing high risks. Obvious standstill in contracting. - IPA is seen as a parallel system - The manager responsibility principle and internal control standards are not well understood - No mechanisms of co-financing or pre-financing have been established

Regarding the institutional framework for managing Pre-Accession Assistance of the EU, apart from the said problems, it is important to highlight that depending on the current needs and sources of financing, there has been a strong tendency to establish various institutions for managing programmes since 2000; some of these institutions are: Municipal Infrastructure Agency⁴, Ministry of National Investment Plan⁵, Corridors of Serbia⁶, 'Research and Development' Project Implementation Unit Ltd.⁷, Project Implementation Unit of the Ministry of Education⁸, the World Bank Project Management Unit of the Ministry of Health, Government Office for reconstruction and Flood Relief⁹, etc. Many of these structures no longer exist and they were commonly terminated through merger with other bodies or were shut down after finishing the projects.

Although it was absolutely justified to establish some of these structures, what is also indicated by the extension of their competence (e.g. competences of 'Research and Development' Project Management Unit Ltd. were extended to housing of refugees), the said practice of establishing and subsequent termination of project managing structures points to a lack of clear institutional framework for implementation of these tasks and to a lack of vision what it should be; at the same time, it also poses a clear danger of establishing unnecessary parallel structures for budget funds and/or managing loans and EU funds.

Coordination of policies poses a considerable challenge in Serbia¹⁰, because competences of bodies which make up the so-called centre of Government¹¹ are not clearly defined (e.g. the competence of Secretariat for Public Policies is defined as "providing of harmonization of proposals of strategic documents that determine public policies and draft laws with the adopted strategic documents that determine public policies in the process of their introduction", while the competence of the General Secretariat is to prepare "instructions and informative material intended for



the ministries and special organizations on standards to be respected while preparing strategic documents“; or Article 54a of the Budget System law prescribes that the Government shall upon the suggestion of the Ministry of Finance shall regulate in more detail the content, procedures for preparation and assessment of capital projects, upon which the Government, at the suggestion of the European Integration Office, adopted the Methodology for Infrastructure/Capital Projects Selection and Prioritization Financed from International Aid Resources in November 2013.

We can give a similar assessment to the state of local institutions which have an important role in the process of project defining and their technical implementation at the local level. In the previous years a specific process of establishing a network of regional development agencies which do not cover the territory of Serbia according to a pre-defined model was underway at the local level. These agencies have neither a clearly defined set of tasks nor a sustainability model. Furthermore, a great majority of local government units have special departments involved in project managing within local development offices, while those that do not have them often establish working groups for project preparation and implementation, or depending on the project, they may assign its preparation or implementation to a particular body of the city/municipal administration. In practice, there is also a mixed concept, which combines units for project preparation and specialized working groups. It can also be said that small municipalities rely on outsourcing in accordance with their means, that city municipalities “depend” on the city bodies in charge of construction projects, while big cities and municipalities have fully-fledged bodies for preparation of city planning, designing and project technical documentation¹².

Apart from repercussions on efficient and effective use of the Pre-Accession Assistance, this situation also has a great impact on choosing an adequate institutional framework for managing ESI Funds in Serbia and making this framework capable of managing ESI Funds when Serbia becomes an EU Member State. Functioning of the structures established for managing EU’s pre-accession funds is of crucial importance for the selection of the appropriate model of managing ESI, since structures that manage pre-accession funds should be the starting point in order to ensure efficient transition from one system to the other. In the process of choosing the potential structures it should be good to take into account the overlapping functions, to ensure continuity of the institutions and to take care of the staff who are already involved in EU funds management.

3. Key factors affecting the choice and efficient functioning of models of managing cohesion policy

As we have already stated, at this stage of EU membership negotiation process Serbia is not obliged to have and established institutional framework for managing ESI Funds. However, it is very important to define a model of managing ESI Funds as quickly as possible and to embark on the process of establishing institutional framework for managing cohesion policy due to administrative requirements to establish ESI structures and the time necessary for building their capacities. Decision on institutional framework for managing ESI Funds of strategic importance, and changing the existing model when its implementation is underway is strongly advised against.

Experience of the countries that finished the EU membership negotiation process suggest that selection of the appropriate model of managing ESI Funds depends on several factors, and primarily of legal and institutional framework provided by the state and division of responsibilities between different levels of government. With regard to diversity of legal and institutional frameworks of EU Member States, the legislative framework of the EU which regulates this matter is flexible enough to take into account the differences of institutional and administrative frameworks of EU Member States, which makes it possible to adapt the model to each country's needs and capacities¹³. In establishing the managing system of ESI Funds, simplicity and efficiency should be the starting point, and at the same time, the existing structures should be relied upon, while establishment of completely new structures should be avoided. Establishment of new structures involves additional costs and potential problems in overlapping tasks and coordination with the already functioning institutions.¹⁴

In addition, practical experience of the EU countries that became Member States in the fifth enlargement (2004 and 2007) in managing EU funds show that the preparatory stage during the pre-accession period is immensely important for the creation of an efficient institutional framework and adequate capacities for EU funds absorption. In these cases it is obvious that the managing systems of pre-accession and cohesion funds are based on the managing pre-accession funds system (like instruments such as CARDS, Phare, ISPA, Sapard and IPA), which is understandable, because apart from supporting reforms, these instruments were meant to gradually enable candidate countries to manage the funds following their EU accession.

Apart from that, experience of these countries suggest that the success of the chosen institutional model of managing ESI Funds primarily depends on five additional factors:

- Political dedication of top government officials (Prime Minister and ministers), state secretaries, assistant ministers and civil servants in internal units that manage EU funds;
- Appropriate administrative capacities – adequate number of staff able to work on tasks of managing EU funds and are motivated through an appropriate retention policy;
- Consolidated strategic framework – financial means can only be provided if there are a clear vision and well-defined priorities formulated in an adequate number of strategies. Concentration of priorities is of crucial importance for effective use of financial means and for simplification of documents and structures;
- Adequate approach to making project documentation in the sense that there must be projects accompanied by full technical documentation, which will enable quick approval by the competent institutions of the Republic of Serbia and the European Commission;
- Good financial management – existence and implementation of procedures which will enable accurate, transparent and efficient operation of competent bodies¹⁵.
- Constructive partnership with the European Commission – so as to enable clear understanding of the situation regarding Chapter 22 and future expectations.

It is very easy to conclude that there is a cause-effect relationship between the said factors. Political dedication is necessary to ensure the appropriate institutional and administrative capacity that will enable adequate programming, an adequate approach to the preparation of project documentation and managing funds. Therefore, it is important to emphasize that if conditions for operation of these five factors are not provided, it will be difficult for Serbia to use ESI Funds regardless of the chosen institutional framework model of managing ESI Funds.

4. A survey of the existing institutional models of managing ESI Funds – What is the best choice for Serbia?

EU Member States are expected to establish adequate systems of managing, control and auditing ESI Funds on its territory by appointing mandatory authorities (managing authority, certifying authority and audit authority) and optional authorities (coordinating body and intermediary body),¹⁶ which form the institutional framework for managing ESI Funds. It is important to emphasize that many experts in this field are of the opinion that there is no universal model of the institutional ESI Funds managing framework that is applicable in all EU Member States¹⁷. However, there is no doubt that the current legal and institutional frameworks of a Member State and/or its internal organization and distribution of competences affect the institutional framework for managing ESI Funds¹⁸. The core of the decision regarding the institutional framework for managing ESI Funds refers to defining managing authorities, intermediary bodies and (non)existence of a coordinating body. Decision on the number and type of operational programmes affects the number of managing authorities. One managing authority is almost always in charge of one operational programme. Depending on the decision on operational programmes¹⁹, it is possible to identify different models of institutional framework for managing ESI Funds²⁰:

- sector or territorial;
- centralised or decentralised;
- concentrated or deconcentrated;
- a combination of the said models.

A sector model involves operational programmes focused on one or more sectors (sector approach or sector concentration), while territorial model entails operational programmes focused on one or more regions (territorial approach or geographic concentration). A centralised model involves managing authorities at the central level, while decentralised model involves managing by regional bodies. In the authors' opinion, concentrated model involves a limited number of operational programmes, and/or managing authorities (up to three within ERDF framework and one in ESF), while deconcentrated model entails more operational programmes (OP), and/or managing authorities than concentrated model. Annex 2 provides key features of each institutional model in relation to key features that affect absorption of ESI Funds²¹.

In most cases sector model entails centralised management, and territorial involves decentralised. Concentration of OPs means that the number of managing authorities is limited and there might be more intermediary bodies than managing authorities. However, even in that case, implementation of projects financed from OP falls under competence of bodies (i.e. intermediary bodies) which are in charge of a particular domain. On the other hand, this model requires coordination between more institutions by the managing authority during OP preparation and its implementation. Before deciding on the adequate model it should be taken into account that one of the biggest problems in the initial stages of operation of the institutional framework for managing ESI Funds is lack of qualified administrative staff²², which implies that centralised and concentrated models have advantages over decentralised and deconcentrated at this stage. However, in the course of time and as coordination between institutions develops, possibilities for de-concentration²³ of the institutional framework will increase.

There is no doubt that central-level bodies of the EU play an important role in managing EU funds in all Member States. At least, ministries are involved in monitoring the drafting of programmes, financing, monitoring and evaluation. However, central-level bodies have very important roles in managing EU funds in some Member States. This is often the case in the Member States where regional development is mostly managed at the central level. Although some competences are transferred to other bodies, central-level bodies most often act as managing authority; they organize and monitor the work of the Monitoring Board and decide on allocation of resources. Table 2 presents models of managing ESI Funds in countries which joined the EU during the 2004-2013 enlargement.

Table 2.
Models of managing ESI Funds 2007–2013

State	Model
Bulgaria	Mostly sector, centralised and deconcentrated
Estonia	Sector, centralised and concentrated
Hungary	Mixed, centralised and deconcentrated
Poland	Mostly regionalni, mostly decentralised and deconcentrated
Romania	Mostly regionalni, decentralised and deconcentrated
Slovakia	Mostly sector, centralised and deconcentrated
Slovenia	Mixed, centralised and concentrated
Czech Republic	Mostly regional, centralizovan and deconcentrated
Croatia	Sector, centralised and concentrated

Note: 'mostly' can also be interpreted as 'mixed', because in some cases it also involves territorial programmes.

As we have already said, appointment and/or establishment of a coordinating body is not obligatory²⁴ and it results from the necessity to provide better coordination. However, the new system of managing ESI Funds demands a coordinating body with wide powers and political support²⁵. Establishment of these bodies turned out to be a good practice in the previous programme period, especially in countries with complex systems of managing a large number of operational programmes so as to ensure harmonized action of all bodies and synergy of their activities. That is to say, apart from operational programmes, Member States are expected to draft Partnership Agreement, which ensures that ESI Funds are in compliance with EU objectives, that ex-ante measures and instruments for monitoring them have been defined, that there is coordination between cohesion policy and the relevant national, sector and regional policies, and coordination between ESI Funds and other EU funds, e.g. resources agriculture and rural development, EIB interventions and other financial instruments. These obligations are at the same time the main tasks of the coordinating body. Concerning Serbia, it is important to emphasize that coordination of policies poses a serious challenge,²⁶ and this can affect efficient functioning of systems of managing ESI Funds. At this moment, coordination of policies is divided between the Secretariat for Public Policies, General Secretariat of the Government (Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process and main negotiating team), European Integration Office and the Ministry of Finance.

An EU Member State can assign managing of part of an operational programme from a managing authority to an intermediary body/bodies. In spite of the transfer of competences, the managing authority still has full responsibility. The scope and content the transferred competence (e.g. calls for tenders) are defined by an agreement between the managing authority and intermediary body. Although ministries can act as intermediary bodies, these bodies are usually specialized in implementation of certain types of projects, e.g. national employment services, specialized agencies, environmental funds, state-owned companies, regional administration etc. The number of intermediary bodies depends on the institutional framework of the Member State and on capacities and knowledge necessary for performing the tasks of managing ESI Funds. More institutions definitely mean better quality of work with target groups and more efficient implementation of policies, but if the capacity is insufficient, mistakes are possible, and the damage has to be compensated from the treasury.²⁷ At this moment, Serbia does not have intermediary bodies in terms of cohesion policy requirements, which is quite normal. At this moment, tasks related to public procurement procedures, contracting, payments, audit, contract implementation monitoring and financial reporting on procurement of services, goods, works and grants financed from IPA Funds are in charge of the Department for Contracting and Financing of EU Funded Programmes within the Ministry of Finance. However, it is already possible (and necessary) to define an institutional framework at the level of intermediary bodies against the support areas which will be financed from ESI Funds and the existing institutions. Table 3 provides a list of potential intermediary bodies against the support area financed from ESI Funds. The proposal of potential bodies is indicative and is based on competences of the said institutions and their previous experience in using EU Instruments of Pre-Accession Assistance.

Table 3.
List of institutions which might function as intermediary bodies in Serbia

Support area	Potential intermediary body	Explanation
Traffic infrastructure	Road infrastructure: Putevi Srbije Rail infrastructure: ŽS Infrastruktura	Appointment of intermediary bodies will also depend on priorities in the traffic sector at the moment of EU accession.
Environmental infrastructure	Totally inadequate institutional framework. The only possible option is Water Directorate.	Projects financed by the EU are already being implemented (building water purification facilities)
Energy infrastructure	EMS/EPS	Appointment of intermediary bodies will also depend on priorities in the energy sector at the moment of EU accession.
Business and welfare infrastructure	'Research and Development' Project Implementation Unit Ltd.	Projects financed by EIB, CEB and EU are already being implemented (scientific and research infrastructure, housing and school renovation). Body accredited by CEB.
SBS, innovations, research and development support	Development Fund and/or Innovation Fund	Activities that support SBS and innovations are already underway. Innovation Fund is part of the accredited IPA system.
Active employment measures	National Employment Service	Active employment measures financed from the budget and IPA are already underway.

Support area	Potential intermediary body	Explanation
Education projects	Inadequate institutional framework. Possible option: Institute for Improvement of Education	
Social policy projects	Inadequate institutional framework. Possible option: Social Welfare Institute	
Technical assistance in the domain of public administration (including the rule of law)	Department for Contracting and Financing of EU Funded Programmes	It is realistic to expect that after joining the EU Serbia will have to strengthen its institutional capacities in the domain of public administration. Projects in this domain financed from IPA are already being contracted. Internal unit has been accredited.

The said provisional institutional framework at the level of intermediary bodies the support areas which will be financed from ESI Funds and the existing institutions does not take into account certain internal units which function as parts of other bodies (e.g. Department for Investments in Infrastructure Projects, Ministry of Economy) which could easily be integrated into a functional system; it also does not consider bodies whose activities do not fit into the expected support areas, and whose legal form and competences can be adapted to serve the current needs (e.g. The Building Directorate of Serbia).

The less questionable decisions in selecting the adequate model of managing ESI Funds are related to establishment of a certifying authority, which is part of the body in charge of managing public finance in the Member States, and establishing of audit authority, which is part of the body in charge of external auditing or a separate body in the Member States. The existing legal and institutional frameworks of the Member States or their internal organization and distribution of competences affect the decision on whether the bodies in question are at the national, regional or local level. Table 4 provides information on the number of institutions involved in managing ESI Funds on the bases of the chosen model of the countries that joined the EU between 2004 and 2013.

Table 4.
Number of institutions involved in managing ESI operational programmes (2007–2013)²⁸

State	Budget (bn. euros)	ERDF/CF budget (bn. euros)	Number of OP	Number of bodies involved in programme management	Number of bodies involved in certification	Number of bodies involved in auditing
Bulgaria	6,6	5,5	5	7	1	1
Estonia	3,6	3,0	2	16	1	1
Hungary	25,0	21,2	13	20	1	1
Poland	70,6	55,5	20	74	17	17
Romania	18,9	15,5	5	34	1	1
Slovakia	11,6	9,8	9	24	1	16
Slovenia	3,9	3,3	2	8	1	1
Czech Republic	26,5	22,5	14	24	1	1

In addition to institutional models, an important issue to bear in mind when forming the institutional framework is also decision on the type of administrative system which can be parallel, integrated or a combination of the two models (adjusted). In the parallel system, programmes and projects are governed by institutions, i.e. their internal units, founded to enforce implementation of EU funds. In the integrated system, the national system of planning and institutional programme and project management is used for managing EU funds as well. A mixed system implies that the managing system of EU and national financing is established and that it functions in a parallel, but also coordinated way. Integrated and mixed approach certainly contribute to greater strategic compliance of national and EU policies and contribute to exchange of experiences that can improve efficiency and reduce costs. However, where competences are concentrated in one authority and different sources of financing are coordinated, there is a greater risk of bureaucracy and complexity of the system²⁹.

A very important question for the formation, improvement, sustainability and functionality of an institutional framework are also administrative costs. It is estimated that overall administrative costs for managing cohesive policy (public bodies, employees, outsourcing, consultancy and overheads) amount to 12.5 billion EUR or 3–4% of the total eligible costs. It is estimated that the scope of work of public entities amounts to 170,000 people per year or 0.44 persons per year at a million EUR of the total eligible costs³⁰. In most states, i.e. operational programmes, an average annual costs per person are between 17,000 and 50,000 EUR. When the ERDF means are in question, it is estimated that one person manages with 8.8 to 21.5 million EUR³¹. However, the fact that all Member States use the means of technical aid for co-financing of administrative costs of salaries, bonuses or allowances³².

The type of administrative system affects the amount of administrative costs. In this respect, the advantage of a parallel system is in functioning of a unique system for implementation of operational programmes. In this way transparency and compliance of the system are promoted, and predictability and easier sustainability of administrative costs are ensured. However, a parallel system, by definition, implies higher administrative costs because of formation of new/parallel structures and procedures. Although it is easier to determine costs through this approach, the additional challenge is coordination with other national developing initiatives. The advantage of the integrated model is relying on the existing institutional framework. Theoretically speaking, the use of the existing administrative system and the existing knowledge and experience indicates lower costs of this system. The use of the unique system for domestic and EU sources of financing contributes to simplification of administrative processes. However, in practice, reviews show that the scope of work and costs are approximately the same regardless of the administrative system³³.

With regard to the amount of administrative costs of the respective models of managing structural and cohesive funds, it can be concluded that:

- The centralised model enables savings, standardized approach and the use of limited number of institutions. On the other hand, there is a greater pressure on administrative capacities on the central level. Likewise, adding new competences on the central level can lead to additional costs if the same jobs exist on lower levels.
- The decentralised model ensures less pressure on administration on the central level, and certain savings are possible through flexible, horizontal and focused implementation structure. However, this model leads to creation of a large number of institutions, a smaller approach standardization and provides less space for savings. Likewise, this model leads to accumulating the administrative levels and doubling competences.
- The mixed model can contribute to potential savings by distributing competences on several levels, but coordination between the central and a regional level incurs additional costs.

5. Concluding remarks and the recommended model of managing ESI funds in the Republic of Serbia

Apart from the conclusions resulting from the analysis presented in the previous part of the text, and the review of the current situation in Serbia, there is a certain number of assumptions that must be taken into account to define recommendations applicable for Serbia. The assumptions to be taken into account are the following:

- Ensured efficient and effective functioning of the system for managing EU pre-accession funds;
- The sector approach shall remain the main IPA guidance³⁴;
- The sector budget aid shall not become the preponderant form of IPA planning and implementing;
- Institutional framework for managing ESI funds shall not undergo important changes in the period after 2020;
- Bearing in mind the size of Serbia and of its administration, one OP for all ESI funds is not an applicable option for the EC.

The European Integration Office, being a coordinating body for Chapter 22, should initiate discussion within the negotiation group for Chapter 22 about, among other things, on optimal number of operational programmes and managing authorities, future intermediary bodies and (non)existence of a coordinating body.

As it was already stated, this analysis is not aimed at determining the existing institutions that will form the managing structure of ESI funds, but at establishing principles and an optimal model of institutional framework applicable for the Republic of Serbia. Again, it is essential to mention that the decision on institutional framework on the level of the coordinating body and managing authority shall be affected by the time of the accession of Serbia to the European Union and by the rules of Cohesion Policy valid at that time together with the decision on priorities for ESI financing as well as the political situation in the country at that particular moment (e.g. after the elections, the new Law on Ministries is to be adopted, and consequently the changes are made related to competences and structures of the ministries). Anyway, it is clear that internal units, currently involved in the ESI funds managing within the state bodies, will turn into structures involved in ESI funds managing within state institutions that will exist at the moment of accession of Serbia to the EU. Therefore, it is vital to enhance capacities of these internal units in order to enable them to carry out their tasks regardless of the institution they will be parts of.

The essence of the decision when it comes to the institutional framework for managing the Cohesion Policy refers to the selection of the model of ESI funds managing: sector, territorial or mixed, centralised, decentralised or mixed, concentrated or deconcentrated and to the position of the managing authority, intermediary authorities and (non)existence of the coordinating body in such a model. It is evident that the Ministry of Finance will carry out the duties of the certifying authority and the Audit Authority Office of EU funds will act as the audit authority.

The authors envisage that the model of ESI funds managing that would be best applied for the Republic of Serbia in financial perspective immediately after the accession of Serbia to the EU would be: sector, centralized, concentrated and mixed. In practice this would mean that:

- Up to three operational programs should exist and simultaneously up to three managing authorities under the ERDF and the Cohesion Fund and one operational programme and at the same time one managing authority under the ESF;
- Operational programs would be focused on one or more sectors;
- Institutions for ESI fund managing would be formed on the central level.
- Mixed managing system of EU and national financing would be established and would function parallelly but also in a coordinated way.

The argument for such a model results from the current way of planning, the administrative framework and from the state of the Serbian institutions included in the system of managing EU pre-accession funds, with regard to the requirements of possible models of managing ESI funds. Namely, planning of policies in Serbia is mostly based on sector strategies on national level (currently there are over 100 of them), while at the same time there is no transparent policy of territorial/regional development in Serbia. Currently, there are strategies of local and possibly of inter-municipal development while the Law on Regional Development remains inapplicable in practice. The application of the centralized model is supported by the fact that the IPA funds managing institutions which will “grow into” the institutions for managing ESI funds, have already been formed on the central level. Additionally, majority of competences over the jobs of interest for the ESI funds is on the central level (e.g. planning, budgeting, approval of project documentation for large projects, managing of capital projects), while the restricted jobs have been transferred to autonomous provinces and local self-government. Administrative regions are Belgrade and Vojvodina, but the institutions on these levels are neither trained for independent managing of EU funds, nor they currently manage any significant projects financed from other resources. Arguments for application of the sector model could be found in the fact that pre-accession assistance IPA II, used currently in Serbia, is based on the sector approach.

Beside the fact that the proposed model of institutional framework for managing ESI funds in Serbia should be centralized, it should also be concentrated in the phase after accession. The key reason for the selection of such a model is the lack of enough qualified staff in administration to carry out the predicted jobs in an efficient way. Besides, the IPA funds in Serbia are currently managed by a unique (single) operational structure. Disparity of current i.e. concentrated model would mean that „a new model“ is introduced for the first time and tested at the time of accession to the EU, which is a discrepancy from the recommendation that an institutional framework should be based on the structures already in place, and the costs and risks are additionally increased by duplicated functions. It should be noted, that even from the aspect of expenditures, the centralized model enables savings, which in the situation of an ongoing fiscal consolidation in Serbia, but also from the aspect of time necessary to reach fiscal stability, should also be taken into consideration when opting for a model of Serbia.

Although the ideal scenario would be the existence of an integrated model, unfortunately it is not realistic to expect that the entire system of planning and implementing of public policies and budgetary resources could immediately be adapted to the requirements of the Cohesion Policy. Therefore, it is realistic to opt for a mixed system to be applied in the first years of Serbian membership in the EU.

When it comes to the position of the managing authority, intermediary bodies and (non)existence of a coordinating body, based on the presented arguments in the previous analysis, the authors believe that in the initial phase, the Republic of Serbia should have a coordinating body as a separate institution to coordinate establishment of the ESI managing and to carry out other tasks that fall under its competence. Having in mind that in the process of establishment and in the initial period of functioning of the system for managing ESI funds there is a need of better coordination, the authors

believe that in case of Serbia, it would be advisable to set up this body in order to efficiently complete the process of system establishing and to ensure harmonized effect of all predicted structures. For the coordinating body to successfully carry out all the predicted jobs, it is necessary to have political power, which implies its positioning that enables it direct communication with the Prime Minister Cabinet.

Additionally, the managing authorities should be formed at the level of ministries, while the tasks of the intermediary bodies would be performed by institutions specialized in managing projects in particular areas. At this moment, it is already necessary to define institutional framework at the level of intermediary bodies in order to enhance technical capacities of these bodies and at the same time avoid creation of parallel structures according to the needs of certain investors or political elites of that particular moment. In this way, the institutional framework would be clearly defined at the level of intermediary bodies and in the period until EU accession it would enable strengthening of their capacities. For each of the authorities presented in Table 3, additional analyses should be performed to clearly establish pre-requirements to meet all the criteria for intermediary bodies (e.g. legal form, internal organization etc.). Their capacities should be strengthened by accepting the ways of work for the EU funds for these authorities (application of appropriate procedures, internal audit, etc.) and for a short time, all the projects in given areas, financed by the budget and international financial institutions would be implemented by these bodies (e.g. Investment framework for the Western Balkans). In the middle-term period the said authorities would also take over the activities of contracting and financing of IPA resources. In this way it would be enabled that upon accession of Serbia to the EU, these authorities shall openly manage the ESI funds in their respective areas.

After the initial phase in system functioning and overcoming the initial problems, in financial perspective following Serbian accession to the EU, the proposed model of ESI fund managing in the Republic of Serbia could be: sector, centralised, deconcentrated and integrated. In time and as coordination between the institutions develops, chances increase for the integration of the system of ESI managing into a national system of planning and institutional managing of programmes and projects and also for deconcentration, i.e. increase of number of operational programmes and inclusion of the lower level public administration into the system, primarily at the level of intermediary bodies. In the meantime, to achieve this, it is necessary to work on strengthening the administrative capacities at all levels of public administration in order to integrate the managing system and enable inclusion of lower levels of public administration in the intermediary bodies system.

Endnotes

- 1 Ivan Knežević, Absorption Capacity of Serbia for Use of EU funds: Practical Lessons from Slovakia, Pontis Foundation and the Centre for Democracy, Belgrade, July 2010.
- 2 European Commission's 2008. Cohesion report indicates that between 2000 and 2005 regions that were beneficiaries of Structural Funds recorded GDP growth per head that was by 50% faster than in the rest of the EU under the first Cohesion Policy Objective (Convergence). Furthermore, the unemployment rate fell by 3 pp. Changes from traditional sectors towards the so-called sectors of the future are also evident in the economic structure of the regions.
- 3 IPA II uses the term 'indirect management' instead of 'decentralised management'.
- 4 Formed in 2003 to provide assistance to municipalities and public utility companies founded by municipalities in pooling financial resources necessary for implementation of projects of top priority for the development of municipal infrastructure.
- 5 Formed in 2009 to implement projects financed from resources obtained from privatisation.
- 6 Formed in 2009 to implement traffic infrastructure projects financed from international loans.
- 7 Formed in 2010 to implement research and development projects within the public sector financed from international loans.
- 8 Formed in 2010 to implement school modernization projects financed from international loans.
- 9 Formed in 2014 to implement projects in flooded areas that are financed from domestic and international sources.
- 10 2014 Progress Report.
- 11 "The Centre of the Government" comprises Prime Minister's Cabinet, General Secretariat of the Government, Secretariat for Public Policies, Ministry of Finance and European Integration Office.
- 12 Ognjen Mirić, Analiza uticaja procesa pristupanja Srbije EU na lokalne samouprave – Oblast regionalne (kohezione politike), Stalna konferencija gradova i opština, 2015.
- 13 Peter Wostner, "European Policy Research Paper No. 64", in: The Microefficiency of EU Cohesion Policy, European Policy Research Center, Glasgow, June 2008, p. 19.
- 14 Ibid, p. 23.
- 15 N+3 rule is applied regardless of the institutional framework and the number of OPs. The time frame for implementation of all project activities, i.e. preparation of tender documentation, starting the procedure and tender implementation, signing contract, implementation of activities and payment, is strictly limited. For that reason, and especially in case of certain difficulties in using resources, the possibility for reallocation of resources is of crucial importance.
- 16 More information about the functions of managing authorities can be found in Annex 1.
- 17 A Study on the Efficiency of the Implementation Methods for Structural Funds- Final Report, ÖIR in association with LRDP and IDOM, 2003, p. 21.
- 18 It is more likely that centralised states will opt for one model, whereas states that have administrative regions will opt of the other. For example, territorial model is present in the countries with long tradition of administrative regions (e.g. Poland).
- 19 An important matter that affects the number of operational programmes and consequently on the of intermediary bodies is cost-effectiveness of creating operational programmes. Peter Wostner's research from June 2008 ("European Policy Research Paper No. 64", in: The Microefficiency of EU Cohesion Policy, European Policy Research Center, Glasgow) demonstrated that in order to achieve cost-effectiveness of creating operational programmes it should be taken into account that operational programmes be financially significant, which means they should be defined at the level between 140 and 280 million euros.
- 20 The analysis of operational programmes and managing authorities is provided in Annex 1 (Table 2).
- 21 Key features: Nature of operational programmes and concentration of priorities; Number of institutions involved in managing ESI Funds;

Responsibility over policies and involved institutions; Procedure and the time necessary for preparation and approval of one operational programme (inter-institutional consultations, consultations with partners, formal and informal consultations with EC and ex-ante evaluation); Project readiness at the moment of accession to the EU and time needed for their approval; Time needed for EDIS accreditation; Time needed for implementation of public procurement procedure; Possibility for reallocation of ESI Funds in case of delays, or difficulties in planning and/or project implementation.

22 Peter Wostner, *op. cit.*, p. 24.

23 *Ibid.*, p. 27.

24 Article 123.8 CRP

25 Peter Wostner, *op. cit.*, p. 27.

26 2014 Progress Report.

27 Peter Wostner, *op. cit.*, p.28.

28 Regionalno upravljanje u kontekstu globalizacije: analiza upravljačkih mehanizama i administrativnih troškova, SWECO International, 2010.

29 *Ibid.*

30 *Ibid.*

31 Report on co-financing of salaries, bonuses and allowances from structural funds for the period 2007–2013, EC, General Directorate for Regional Politics And Urbanism, 2014.

32 *Ibid.*

33 Regional governance in the context of globalisation: reviewing governance mechanisms and administrative costs, SWECO International, 2010.

34 In practice, the sector approach implies: defining national policy/strategy for each defined sector; clearly defined and functional institutional framework with the leading institution at the level of sectors; established mechanism of coordination of national institutions and donors; existence of medium-term budgetary perspective and link of the priorities with the financing sources; established monitoring mechanism for implementation of sector strategies and projects and assessment of their efficacy, and efficient/effective and transparent system of public finances and existence of projected macro-financial framework in which sector policies will be implemented as two preconditions particularly important in case of budgetary aid.

Annexes

Annex 1

Structures and functions of the authorities for managing ESI funds

Managing authority	Managing authority can be a public, national, regional, local, or even a private authority. One managing authority can manage one or more operative programmes. Managing authority is responsible for preparation and monitoring an operative programme in accordance with the principles of responsible financial managing and ensures easy/unrestricted implementation of operations that contribute to realisation of defined measures, goals and priorities. In that sense, it develops criteria for selection of operations in order to ensure their contribution to specific goals and priorities. It ensures that the suggested operations can be financed from adequate funds, including the estimation of administrative, financial and operative capacities of the applicant to whom it provides necessary information and support. It supports the work of the monitoring committee by providing necessary information and preparation of reports on implementation of operative programmes. In this respect, this authority manages adequate electronic system containing data relevant for monitoring, evaluation, financial management and audit.
Certifying authority	Certifying authority can be a public, national, regional, local authority whose responsibility is to verify statements of expenditure and request for payment and submit them to the European Commission (EC). In other words, this authority certifies the accuracy and veracity of the statement of expenditure accompanied by the appropriate documents and that all the costs are eligible and incurred in compliance with the relevant rules. The funds are paid to the account of this Authority and further transferred to the (principal) beneficiary (since it is possible to have several beneficiaries, it is necessary to define the one to receive payments).
Audit authority	Audit authority can be a public, national, regional or local authority, functionally independent from the previous two authorities, whose responsibility is to verify efficiency and responsible functioning of the system for financial and control management.
Monitoring committee	Member states shall also set up the monitoring committee to follow effectiveness and to ensure quality implementation of the operative programme together with the managing authority. Monitoring committee approves the criteria for project selection and approves reports on implementation of operative programmes that are submitted to the European Commission.
Coordinating body	Additionally, Member States are given an option, in line with their legal and institutional framework, to set up a coordinating body aimed at ensuring coordination and reporting to the European Commission, which coordinates activities of various authorities established to manage operative programmes.
Intemediary bodies	A state can entrust some or all of the activities carried out by the managing authority and certifying authority to intemediary bodies under relevant agreements. Intemediary bodies can be public or private, which means administrative bodies or even non-governmental organizations. Designation of these bodies is conditioned by existence of independent audit report which verifies that relevant criteria regarding financial management and control have been met.

Annex 2

Overview of key features for each of the possible institutional models

Key features	Sector model	Territorial model	Centralised model	Decentralised model	Concentrated model	Deconcentrated model
OP nature and concentration of priorities	The structure of the OP and the priorities are defined according to sectors. Regional and local development are horizontal topics.	The OP structure is defined according to regions. Priorities should be set according to the sectors important for the subject region.	Managerial structure of the OP belongs to the institutions on the central level.	Managerial structure of the OP belongs to the institutions on the regional level.	Concentration of priorities should provide better effects.	Deconcentration of priorities potentially decreases effects.
Number of institutions	Depends on the number of OPs, i.e. on the decision on concentrated or deconcentrated approach.	Depends on the number of regions and the decision on concentrated or deconcentrated approach.	The institutions are on central level and their number depends on the decision on concentrated or deconcentrated approach.	The institutions are on regional level and their number depends on the decision on concentrated or deconcentrated approach.	Up to three MAs for ERDF and one for ESF. The number of intermediary bodies shall depend on the number of priorities and measures, and on the number of bodies that can operate as intermediary bodies.	More than three MAs for ERDF and one for ESF or up to three MAs for ERDF and at least two for ESF. The number of intermediary bodies shall depend on the number of priorities and measures, and on the number of bodies that can operate as intermediary bodies.

Key features	Sector model	Territorial model	Centralised model	Decentralised model	Concentrated model	Deconcentrated model
Responsibilities for policies and involved institutions	Institutions bear overall responsibility for sector policies.	Institutions are responsible for the policies transferred to the regions. Central level institutions are responsible for national policies.	Institutions bear overall responsibility for sector policies. Necessary coordination for jobs transferred to the regions i.e. local self-government.	Institutions are responsible for policies transferred to the regions. Central level institutions are responsible for the national policies. Necessary coordination with central and local level.	Possible management by managing authority which is not directly responsible for all OP priorities and existence of intermediary bodies that belong to the different departments.	Higher probability that operative programme shall be managed by the body in charge. However, this approach decreases objectivity when making difficult decisions.
Procedure and time for OP preparation and approval	It depends on the decision of centralised or decentralised, i.e. concentrated or deconcentrated model.	It depends on the decision of centralised or decentralised, i.e. concentrated or deconcentrated model.	Probably simpler, because it implies horizontal and vertical top-down coordination.	Probably more complicated, because it implies horizontal coordination and vertical both top-down and bottom-up coordination.	Probably longer, because it includes greater number of bodies and partners. However, easier to achieve coordination of the priorities.	Possibly faster for each OP, because it includes fewer bodies and partners. However, it is harder to achieve coordination of the priorities.
Project readiness	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards
Time needed for the approval of projects	It depends on the decision of centralised or decentralised, i.e. concentrated or deconcentrated model.	It depends on the decision of centralised or decentralised, i.e. concentrated or deconcentrated model.	Probably faster, but entails a risk of delay in case of activities that depend on regional/ local level (e.g. city planning documents).	Longer in case of projects not under competence of regional authorities . There is a risk of delay in case of activities that depend on local level.	Probably faster, since the bodies coordinating project preparation and permits obtaining fall under the competence of a limited number of managing authorities.	Probably longer, because greater number of institutions that coordinate project preparation and obtaining of permits fall under the competence of greater number of managing authorities.

Key features	Sector model	Territorial model	Centralised model	Decentralised model	Concentrated model	Deconcentrated model
EDIS accreditation	Less probability that intermediary bodies do not have the adequated capacity.	Higher probability that intermediary bodies do not have the adequate capacity.	Simpler, because the relation between central and regional authorities is not subject to accreditation.	More complicated, the relation between central and regional authorities is subject to accreditation (the state bears final responsibility). If the NUTS II regions do not correspond to administrative regions, a combined system is introduced.	Potentially longer, but also for fewer institutions.	Potentially faster, but has to be carried out for each individual OP. In case of difficulties or EDIS delay more difficult to reallocate the funds.
Public procurement deadlines	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards	In accordance with current legislation and EU standards
Possibility of reallocation	More flexible in case of multi-sectoral OP. Less flexible in case of individual sectoral OPs.	More flexible in case of territorial OP with more sectoral priorities. Less flexible between territorial OPs.	Easier to reach an agreement between central level institutions.	Harder to achieve an agreement between the institutions on regional and/or local level. In most cases an agreement implies central level as well.	Within one OP with more priority areas it is much easier to reallocate funds between such priority areas.	Financing “locked up” on the OP level and impeded reallocation of the funds among OPs.

*Institutional Models of Managing Cohesion Policy
– a Proposed Model for Serbia*

Publisher

European Movement in Serbia
Kralja Milana 31
Belgrade
www.emins.org

For the publisher

Maja Bobić

Authors

Ognjen Mirić
Ivan Knežević

Editor

Ivan Knežević, president of the Research Forum

Executive editors

Jelena Ribać
Aleksandar Bogdanović

Translation, language editing and proofreading

Nenad Tomović

Design

Dunja Šašić

Belgrade, September 2015

The work of the Research Forum of the European Movement in Serbia is supported [in part] by a grant from the Foundation Open Society Institute in cooperation with the Think Tank Fund of the Open Society Foundations. Opinions and views expressed in this paper are those of authors and do not necessarily reflect the official views of the European Movement in Serbia, the Foundation Open Society Institute or the Open Society Foundations.