



technopolis

Evaluation to support the preparation of pre-accession financial instruments beyond 2013

Final Report

13 June 2011

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A report submitted by GHK and Technopolis (European Policy Evaluation Consortium)

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List of acronyms

AAA	Ankara Association Agreement
AL	Albania
BA	Bosnia and Herzegovina
BC	Beneficiary Country
BoP	Balance of Payments
CAO	Competent Accrediting Officer
CAP	Common Agricultural Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-Border Co-operation
CBIB	Cross-Border Institution Building
CEB	Council of Europe Development Bank
CF	Cohesion Fund
CFCU	Central Finance and Contracting Unit
CoA	Court of Auditors
COFOG	Classification of the Functions of Government
CSO	Civil Sector Organisation
CVM	Mechanism for Cooperation and Verification of progress in the areas of judicial reform and the fight against corruption, money-laundering and organized crime
DFID	UK Department for International Development
DG	Directorate-General
DG AGRI	Directorate-General for Agriculture and Rural Development
DG DEVCO	EuropeAid Development and Cooperation Directorate-General
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG ELARG	Directorate-General for Enlargement (Élargissement)
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG REGIO	Directorate-General for Regional Policy
DIS	Decentralised Implementation System
EAGGF	European Agricultural Guidance and Guarantee Fund
EARDF	European Agricultural Rural Development Fund
EBRD	European Bank for Reconstruction and Development
ERDF	European Regional Development Fund
EC	European Commission
ECB	European Central Bank
ECLO	European Commission Liaison Office
EDIS	Extended Decentralised Implementation System
EEA	European Economic Area
EEC	European Economic Committee
EIB	European Investment Bank

EIDHR	European Instrument for Democracy and Human Rights
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPEC	European Policy Evaluation Consortium
ERA	European Research Area
ERDF	European Regional Development Fund
ESC	Economic and Social Cohesion
ESF	European Social Fund
ETC	European Territorial Cooperation
EU	European Union
FDI	Foreign Direct Investment
GBS	General Budget Support
GDP	Gross Domestic Product
HR	Croatia
IA	Impact Assessment
ICG	International Crisis Group
ICJ	International Court of Justice
ICT	Information and communications technology
ICTY	International Criminal Tribunal for the former Yugoslavia
IFI	International Financial Institution
IfS	Instrument for Stability
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession in Rural Development
IS	Iceland
ISPA	Instrument for Structural Policies for Pre-Accession
JMC	Joint Monitoring Committee
JGF	Joint Grant Facility
JLF	Joint Lending Facility
MA	Managing Authority
MC	Monitoring Committee
ME	Montenegro
MEDA	MEsures D'Accompagnement
MFA	Macro-Financial Assistance
MFF	Multi-Annual Financial Framework
MIFF	Multi-Annual Indicative Financial Framework
MIPD	Multi-Annual Indicative Planning Document
MK	Former Yugoslav Republic of Macedonia
MS	Member State(s)
NAO	National Authorising Officer
NF	National Fund

NGO	Non-Governmental Organisation
NIPAC	National IPA coordinator
NMS	New Member State
NPAA	National Programme for the Adoption of the Acquis
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OHR	Office of the Higher Representative
OSCE	Organisation for Security and Co-operation in Europe
PA	Public Administration
PAO	Programme Authorising Officer
PAR	Public administration reform
PFG	Project Financiers Group
Phare	Poland and Hungary Assistance for the Restructuring of the Economy
PIU	Programme Implementation Unit
PO	Policy Option
PPP	Public Private Partnerships
PraG	Practical Guidance
RCC	Regional Cooperation Council
R&D	Research and development
RS	Serbia (Republic of)
RTDI	Research, technological development and innovation
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SAPARD	Special Accession Programme for Agriculture & Rural Development
SBS	Sector Budget Support
SF	Structural Fund(s)
SIGMA (OECD)	Support for Improvement in Governance and Management
SMART (objectives)	Specific, Measurable, Achievable, Realistic and Time-bound
SMC	Sector Monitoring Committee
SME	Small and medium sized enterprise
TA	Technical Assistance
TACSO	Technical Assistance for Civil Society Organisations
TAIB	Technical Assistance and Institution Building
TEU	Treaty on European Union
TPA	Turkey Pre-accession Assistance
TR	Turkey
UN	United Nations
UNSCR	United Nations Security Council Resolution
USAID	United States Agency for International Development

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WB	Western Balkans / World Bank
WBIF	Western Balkans Investment Framework
WBGF	Western Balkans Guarantee Facility
XK	Kosovo (under UNSCR 1244)

Executive summary

Introduction

This is the Final Report for the forward-looking evaluation on the future pre-accession financial instrument beyond 2013, commissioned by Directorate-General for Enlargement (DG ELARG) of the European Commission (EC). The work was carried out between December 2010 and May 2011 by the European Policy Evaluation Consortium (EPEC), and led by the EPEC grouping member GHK with support from EPEC partner Technopolis. The work has been undertaken under the guidance of a Reference Group chaired by DG ELARG and including representatives of other DGs of the Commission.

The purpose of the ex ante evaluation was to assist the EC in the preparation of the future of pre-accession assistance instruments within the planning for the EU's Multi-annual Financial Framework (MFF), to be implemented after 2013 by informing an Impact Assessment on the successor instrument to be prepared by the Commission services. The evaluation:

- Provides a definition of the problem to be addressed: including underlying drivers of the problem and stakeholder groups affected, as well as a baseline scenario and EU added value that could accrue.
- Outlines policy objectives: defining general and specific objectives, and establishing consistency with key EU horizontal objectives and policies (primarily the Europe 2020 Strategy).
- Describes four policy options, specifically: a 'zero option'; a 'status quo/continuation' option; an option with limited resources, focusing on 'support for meeting Copenhagen criteria'; and, an option with 'increased resources'.
- Assesses and compares policy options: focusing on their likely effects on achieving the policy objectives, economic and social impacts, as well as their feasibility.
- Presents the preferred option: including the proposed strategic orientation, programme design, suggestions for specific modifications of the delivery arrangements, as well as the volume of resources required.
- Outlines proposals for monitoring and evaluation: comprising the core indicators of progress and a broad description of the monitoring and evaluation arrangements.

The report also incorporates - in the discussion of the current instrument - a description of the future needs of beneficiaries and, the key findings of the stakeholder consultations that were carried out as part of the assignment.

The study has been informed by a review of a wide range of secondary sources including: evaluation reports; policy documents; studies of the effects of enlargement; available statistics; interviews with stakeholders, focus groups and an on-line consultation survey that generated 338 responses from beneficiaries and Member States, public sector, business representations and the third sector.

Background to the instrument

Since 2007, EU pre-accession funding has been channelled through a single instrument, the Instrument for Pre-accession Assistance (IPA) and covers beneficiaries that are both candidate countries and potential candidates. Turkey, Iceland, Croatia, the former Yugoslav Republic of Macedonia and Montenegro have candidate status. Albania, Bosnia and Herzegovina, Kosovo (under UNSCR 1244) and Serbia are potential candidates.

The current legal basis for IPA is the Council Regulation 1085/2006 (IPA Regulation), adopted on 17 July 2006. Implementing rules are further detailed in Commission Regulation 718/2007 as well as in Commission Regulation 80/2010. The overall objective of IPA is to assist beneficiaries in *"their progressive alignment with the standards and policies of the EU, including where appropriate the *acquis communautaire*, with a view to membership."* The instrument directly addresses the compliance of beneficiaries with the 'Copenhagen criteria': political accession criteria; economic accession criteria; and; fulfilling the obligations as a (future) Member State. IPA, as a development aid tool, is also used to promote social inclusion and reduction of poverty to the extent possible given the funds available.

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IPA is intended to assist candidate countries and potential candidates in meeting the accession criteria and addressing the needs by interventions under five Components: (I) Transition Assistance and Institution Building; (II) Cross-Border Co-operation; (III) Regional Development; (IV) Human Resources Development; and, (V) Rural Development. The last three components, which specifically prepare for the implementation of the EU cohesion and rural development policies, are currently available to candidate countries only.

Assistance funded from the IPA can take various forms, inter alia (i) grants for public investment projects, people-to-people projects and civil sector organisations etc.; (ii) twinning operations; (iii) support for participation in Community programmes or agencies; (iv) budget support (granted exceptionally and subject to supervision); and (v) Technical Assistance.

Key challenges

There are major challenges in realising the objectives of IPA to further enlargement of the EU and to ensure that enlargement is a success.

Firstly, the beneficiaries are very heterogeneous in terms of size, wealth, recent economic performance, the strength of governance, needs and the extent to which they currently meet Copenhagen criteria. Many of the beneficiaries have socio-economic conditions that are considerably worse than those of the countries that have recently joined the EU. The responses of stakeholders shown below indicate the wide-ranging and divergent needs of the beneficiaries with respect to political criteria.

Significance of needs by beneficiary (in percentage) – Political criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Democracy	71	82	90	74	92	86	87	79
The rule of law	76	81	90	76	88	86	92	91
- Fight against organised crime	82	79	80	67	80	87	93	83
- Fight against corruption	81	76	90	73	93	86	100	93
The promotion and the protection of human rights and fundamental freedoms	62	71	75	71	68	79	72	73
Respect for and protection of minority rights	55	57	72	58	55	77	83	60
The promotion of gender equality and non-discrimination	53	58	76	79	59	75	72	55
The development of civil society	66	61	81	73	82	79	86	88
Reconciliation, confidence-building measures and reconstruction	50	32	60	62	52	79	79	48
Total respondents (number)	38	36	21	48	28	24	15	29

Needs of individual beneficiaries exceeding the beneficiary average by more than ten percentage points are bold and shaded green. Needs assessed below the average by more than 10 percentage points are in italics and shaded pink.

Secondly, there is ambivalence towards further enlargement amongst the EU population and reluctance on behalf of some Member States to support the accession of additional countries to the EU. Problems arising within the most recent accession countries - Romania and Bulgaria - have led to

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more guarded views within the EU on the benefits of enlargement. For certain beneficiaries the prospect of accession is distant.

Thirdly, the IPA has been designed to meet the need to ensure the proper use of EU financial resources and the variety of needs of the beneficiaries to progress towards EU membership. The successful implementation of IPA requires strong commitment from beneficiaries, good administrative structures and capacities, strong coordination and close links with political negotiations. These conditions do not apply in all beneficiaries.

Fourthly, the financial support received by beneficiaries is coupled to planning and implementation procedures that are relatively complex and that have contributed to some delays in implementation.

Fifthly, given the weak economic conditions, relatively fragile governance and underdeveloped administrative capacities in some beneficiaries, adopting EU standards at this stage may add significant costs to public activities and can inhibit the short-term competitiveness of productive activities.

Key assumptions

For the purposes of the forward-looking evaluation it has been necessary to make a number of assumptions concerning developments in the post-2013 period. It is assumed that the EU policy objectives will remain as at present, that Croatia will accede to the Union prior to 2014, and that there will be no additional IPA beneficiaries, whilst no beneficiaries will withdraw from the accession process. There will also be a post-economic crisis recovery and a gradual improvement in the economic conditions in the EU and beneficiaries.

If IPA was not continued, the beneficiaries would receive support under the European Neighbourhood and Partnership Instrument (ENPI), amounting to around half of the IPA allocations foreseen for 2013 in the current financial planning documents.

Key conclusions

Taking account of the relative merits and impacts of the four policy options considered, the preferred option is the continuation of the current programme with similar levels of EU resources (i.e. around 2,000 million euro per annum in 2014, and slightly growing in consecutive years, in line with the growth of the overall EU budget) divided amongst 7 beneficiaries (Albania, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Montenegro, Kosovo, Serbia and Turkey). The allocation of resources between components and intervention areas would be similar to that envisaged during the current financing period. The economic and wider benefits to the EU of enlargement involving the current beneficiaries would more than offset this cost to the EU.

There is a strong rationale for a future pre-accession financial instrument beyond 2013. Three reasons underpin this:

- Firstly, enlargement brings benefits to the EU through increased trade, improved security, the better management of migration and environment externalities.
- Secondly, there are major gaps in socio economic conditions between Member States and beneficiaries and it is unlikely that most beneficiaries would have the economic and financial means to reduce these gaps without external support.
- Thirdly, there is a considerable 'distance to travel' by many beneficiaries to be ready to meet the obligations of EU membership and, given current macro-economic conditions, external financial support is necessary to progress this.

There is a strong rationale for a financial intervention at the EU level. Having an EU instrument enables the realisation of European added value, as the management of financial support at the EU level provides: (i) an opportunity to closely link financial support to progress with political criteria; (ii) the means for the EU to act as a catalyst for supranational and interregional cooperation; and, (iii) the means for the EU to act as a broker for drawing on the expertise of different administrations and agencies within the EU (e.g. twinning).

Furthermore, continued EU support coupled with the prospect of accession is likely to be effective in leveraging other (international) financial support, as well as public support in beneficiaries towards further necessary reforms.

The aim of a future IPA is achievable with the continuation of current funding levels. The assessment of the alternative policy options concluded that a reduction of assistance would undermine impacts but that increases in resources over current levels would offer diminishing returns. This is because progress on meeting political criteria is not linearly related to external financial support. Also, administrative resources and capacities, including good project pipelines, management skills and financial resources for co-financing are required if resources are to be absorbed and used effectively.

To increase the effectiveness and efficiency of the instrument, some modifications are needed to the implementing mechanisms. Stakeholder views generally support the proposed modifications, though opinions vary according to the perspectives of different stakeholder groups.

Key recommendations

1 Strategic orientation and resource allocation

1.1 The current instrument (not necessarily with the same name) should continue post 2013 with similar levels of resources and a similar range of activities.

The future instrument should provide support for both institutional and socio-economic development. This is because institutional development is prerequisite for accession and support for socio-economic development provides leverage over the necessary commitment to reforms to meet accession criteria.

1.2 The role of regional/multi-beneficiary programmes should be strengthened within the future instrument.

The relevance and added value from the regional/supranational approach was endorsed by stakeholders – regarded especially important for the Western Balkans - although beneficiary public administrations are not strongly in favour. . This recommendation may not mean major reallocation of funding, but should maximise opportunities for cooperation, peer learning and eventual integration with the EU.

2 Planning

2.1 The sector approach should be maintained and strengthened

This should increase the coherence of the medium and longer-term planning process, provide a better basis for donor coordination, and could serve as an anchor for private sector expectations and stimulate and steer private investment.

2.2 There should be multi-annual planning of Component I activities

The Multi-Annual Indicative Planning Documents (MIPDs) should become genuinely multi-annual documents, largely based on the sector approach. There should be mid-term reviews rather than the current annual reviews.

2.3 There should be strengthened beneficiary and stakeholder involvement in programming

This would be facilitated by: strengthened and transparent communication between EC services and beneficiary countries on priorities; National IPA coordinators (NIPACs) having authority and stronger internal capacities; strengthen national development planning and coherent public investment programmes; and, more involvement from non-governmental actors.

3 Incentives

3.1 Mechanisms should be put in place to 'reward' good performance

A performance reserve of 10% of the future instrument's resources should be set to be allocated to beneficiaries on the basis of the findings of a mid-term review. The performance criteria should relate to the achievement of strategic targets by the beneficiaries as well as absorption.

3.2 More systematic use should be made of conditionalities

The future instrument should achieve both EU strategic goals and meet the needs of beneficiaries. The deployment of EU resources should be dependent upon meeting prior agreed conditions at country, sector strategy and project levels. Disbursements should be withheld if conditionalities are not met.

4 Future IPA structure

4.1 There should be no strict differentiation between beneficiaries in terms of their access to components and management arrangements.

There would be benefit in all beneficiaries having access to all Components when they willing and able to implement them. There should be a pragmatic and phased approach to the decentralisation of management (centralised management, decentralised management with or without ex-ante control).

4.2 The EC should consider revising the Component structure

Whilst there is no need for major revision of structure and rules, the Component structure should not constrain the effective use of resources. In practice support under Component I may be required for preparing for Components III-V. There is a continuing need for good coordination between the various DGs involved in the management of the instrument.

5 Relations with IFI and donors

5.1 The EC should continue to use a future pre accession instrument to help coordinate and mobilising IFI and other donor funds

Emphasis needs to be placed on 'indirect' strategic approaches and policy actions that create the right environment for investment under the sector approach. Direct cooperation at the project level should continue but may be less effective in meeting the aims of a future instrument. There is a need to ensure that selected projects are within well-crafted national public investment strategies and longer-term strategies.

5.2 The EC should continue and strengthen cooperation with IFIs

Dialogue with donors and IFIs is required on approaches and expectations, national strategies, sector focus, funding requirements, and conditionalities. There is a need for IFIs to align programming/project funding cycles and procurement rules and regulations.

6 Monitoring and evaluation

6.1 The approach to monitoring and evaluation should be organised at three levels.

These levels are: (i) Progress relative to the path to accession; (ii) Progress relative to national strategies; (iii) Progress in achieving programme, sector and measure level results.

1 Introduction

1.1 Purpose of the report and study objectives

This is the Final Report for the forward-looking evaluation on the future pre-accession financial instrument beyond 2013, commissioned by Directorate-General for Enlargement (DG ELARG) of the European Commission (EC). The work was carried out by the European Policy Evaluation Consortium (EPEC), and led by the EPEC grouping member GHK with support from EPEC partner Technopolis. The work was undertaken during the period December 2010 to May 2011. The work has been undertaken under the guidance of a Reference Group Chaired by DG ELARG and including representatives of DG Regional Policy (DG REGIO), DG Employment, Social Affairs and Inclusion (DG EMPL), DG Agriculture and Rural Development (DG AGRI), DG Budget and the Secretariat-General of the Commission.

The main purpose of the evaluation, as specified in the Terms of Reference, was to assist the Commission in the preparations regarding the future of pre-accession assistance instruments in connection with planning for the EU's Multi-annual Financial Framework (MFF), to be implemented after 2013.

The Terms of Reference for this study required the contractor to assess, with a specific focus on Component I: (i) the needs of the enlargement countries; (ii) the catalytic effects of EU funding and the absorption capacity of beneficiaries; (iii) the added value of EU enlargement policy and funding; (iv) the scope, priorities and strategic objectives of the pre-accession financial assistance and the results expected; (v) the suitability of the structure and internal coherence of the current pre-accession instrument, and more particularly its strengths and weaknesses to achieve its purposes; and, (vi) the policy options and instruments available as well as the most appropriate methods of implementation.

The study was also to inform an Impact Assessment on the successor instrument to be prepared by the Commission services. Considering the information needs of an Impact Assessment, the work and this evaluation report has been designed to address the combined requirements for an ex ante evaluation and Impact Assessment, i.e.:

- Providing the definition of the problem to be addressed: including underlying drivers of the problem and stakeholder groups affected, as well as a baseline scenario and EU added value.
- Outlining policy objectives: defining general and specific objectives, and establishing consistency with key EU horizontal objectives and policies (primarily the Europe 2020 Strategy).
- Describing policy options, in specific: a 'zero option', the 'status quo/continuation' option, an option with limited resources, focusing on 'support for meeting Copenhagen criteria', and an option with 'increased resources'.
- Assessing and comparing of policy options: focusing on their likely effects on achieving the policy objectives, economic and social impacts, as well as their feasibility.
- Presenting the preferred option: including the proposed strategic orientation, programme design, suggestions for specific modifications of the delivery arrangements, as well as the volume of resources required.
- Outlining proposals for monitoring and evaluation: comprising the core indicators of progress and a broad description for monitoring and evaluation arrangements.

The report also incorporates, in the discussion of the current instrument: a description of the future needs of beneficiaries; arguments for modifications of the pre accession programme; and, the key findings of the stakeholder consultations that were carried out as part of the assignment.

1.2 The EU's enlargement policy

1.2.1 The rationale for enlargement

The rationale for continuing with the enlargement of the EU is described in the Council conclusions on enlargement/stabilisation and association process of 14 December 2010: *"Enlargement reinforces peace, democracy and stability in Europe, serves the EU's strategic interests, and helps the EU to better achieve its policy objectives in important areas which are key to economic recovery and sustainable growth."*¹

For the past 50 years the EU has simultaneously pursued integration and enlargement, increasing from six members and a population of less than 200 million to the present 27 Member States (there have been five rounds of enlargement since 1957) and a population of more than 500 million people. The Council conclusions reiterated that there should be no conflict between deepening and widening, stating that with the Lisbon Treaty entering into force the EU can at the same time pursue its enlargement agenda and maintain the impetus of deeper integration.

Enlargement serves as a key driver for political and economic reform, and moves forward at a pace which is largely determined by the candidate countries and potential candidates' respect of the Copenhagen criteria² and their proven capacity to take on the obligations of membership. Coherent implementation of the renewed consensus on enlargement which is based on the consolidation of commitments, fair and rigorous conditionality, better communication and the EU's capacity to integrate new members, continues to form the framework for EU action at all stages of the enlargement process, with each country being assessed on its own merits.

1.2.2 Current candidates and potential candidates

Today's enlargement policy covers nine beneficiaries - candidates or potential candidates mostly from the Western Balkans region, and also Iceland and Turkey - that have applied for EU membership.

In 1999, the EC set out a vision for relations between the EU and the Western Balkans, moving from its previous Regional Approach to a new tool, the Stabilisation and Association Process (SAP). Apart from aiming for political and economic stability and regional cooperation, SAP has gradually incorporated enlargement instruments to bring the countries of the region closer to the values and standards of the EU.

The Feira European Council in June 2000 acknowledged that Western Balkan countries participating in the SAP were 'potential candidates' for EU membership. The European perspective of these countries was further confirmed by the Thessaloniki European Council in June 2003 which endorsed the "Thessaloniki Agenda for the Western Balkans". This agenda remains the cornerstone of the EU policy towards the region.

At the Sarajevo EU-Western Balkans ministerial meeting on 2 June 2010, the EU reiterated its commitment to the European perspective of the Western Balkans and stressed that the future of these countries lies in the EU.

Of those countries that initially came under the SAP, Croatia, the former Yugoslav Republic of Macedonia and recently Montenegro gained candidate status, while Albania, Bosnia and Herzegovina, Kosovo (under UNSCR 1244) and Serbia are potential candidates.

Other countries that were given an EU accession perspective include Turkey, which applied already in 1987 and which was granted applicant status in 1999; and Iceland, which applied in 2009 and was granted applicant status in 2010.

¹ Available online at: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/118487.pdf

² These criteria are elaborated in Section 1.2.3.

1.2.3 Requirements for accession

The three key requirements for accession are set out in the conclusions of the European Council in Copenhagen in 1993 (the so-called "Copenhagen criteria"). These are:

- (i) Stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- (ii) The existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union; and
- (iii) The ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union).³

Also, the Madrid European Council in December 1995 referred to the need "to create the conditions for the gradual, harmonious integration of [the applicant] countries, particularly through the development of the market economy, the adjustment of their administrative structures and the creation of a stable economic and monetary environment".⁴ Prospective members have to meet the Copenhagen criteria before membership negotiations can begin.

The EC, mandated by the Member States to manage the enlargement process, supports the candidates and potential candidates to meet the accession requirements and monitors the countries with respect to meeting all requirements. Table 1.1 gives an overview on the current status of the accession process.

Table 1.1 State of accession process of candidate countries and potential candidates (April 2011)

Beneficiary	Signature of association agreement	Membership application	Granting of candidate status	Start of negotiations	Chapters closed
Croatia	2001	2003	2004	2005	30
Turkey	1963	1987	1999	2005	1
Iceland	1994	2009	2010	2010	0
former Yugoslav Republic of Macedonia	2001	2004	2005	–	–
Montenegro	2007	2008	2010	–	–
Albania	2006	2009	–	–	–
Serbia	2008	2009	–	–	–
Bosnia and Herzegovina	2008	–	–	–	–
Kosovo*	–	–	–	–	–

* under UNSCR 1244

³ Available at:
<http://europa.eu/rapid/pressReleasesAction.do?reference=DOC/93/3&format=HTML&aged=1&language=EN&guiLanguage=en>

⁴ Available at:
<http://europa.eu/rapid/pressReleasesAction.do?reference=DOC/95/9&format=HTML&aged=1&language=EN&guiLanguage=en>

The path towards access process is elaborated in Annex 1 and Annex 2 provides more details on the position of each candidate country and potential candidate.

1.3 Past EU support to the pre-accession process

The alignment of beneficiaries with accession criteria requires considerable efforts in terms of public investment (partly co-financed by the EU) and access to in-depth knowledge and expertise. The EU assisted candidates and potential candidates financially and technically via pre-accession instruments ahead of the fifth enlargement of 2004.

In the preceding EU financial planning period 2000-2006, pre-accession support was provided through a number of separate instruments, the main ones were:

- Phare (originally: Poland and Hungary Assistance for the Restructuring of the Economy): support for institution building measures and associated investment in candidate countries. It also funded measures promoting economic and social cohesion and cross-border co-operation.
- Instrument for Structural Policies for Pre-Accession (ISPA): support for large-scale environmental and transport infrastructure projects in candidate countries.
- Special Accession Programme for Agriculture & Rural Development (SAPARD): support for agricultural and rural development in candidate countries.
- Community assistance for reconstruction, development and stabilisation (CARDS): applied to the countries of the Western Balkans, its wider objective was to support participation of the countries concerned in the SAP.

Turkey received assistance from the EU through a range of financing instruments, partly similar to the above, with their own budget lines and procedures. Most relevant of these was the Turkey Pre-accession Assistance (TPA). Turkey also participated in the regional MEasures D'Accompagnement (MEDA) programme. Details of these predecessor programmes are given in Annex 3.

1.4 The Instrument for Pre-accession Assistance

Since 2007, EU pre-accession funding has been channelled through a single instrument, the Instrument for Pre-accession Assistance (IPA). This simplification and rationalisation was initiated as part of the revised external aid framework for the 2007-2013 financing period with the aim of ensuring greater efficiency and coherence in aid delivery. IPA replaced all the earlier programmes and covers both candidate countries and potential candidates. This evolution is illustrated in Table 1.2.

Table 1.2 Evolution of the general architecture for EU pre-accession assistance

Beneficiaries	2000-2006	2007-2013
Candidate countries	Phare	<i>IPA</i>
	Phare Cross-Border Cooperation	
	ISPA	
	SAPARD	
	Pre-accession financial assistance for Turkey ⁵	
Potential candidates	CARDS	

⁵ Including TPA

The current legal basis for IPA is the Council Regulation 1085/2006 (IPA Regulation), adopted on 17 July 2006. Implementing rules are further detailed in Commission Regulation 718/2007 as well as in Commission Regulation 80/2010.

1.4.1 Programme design

The overall objective of the instrument is, as indicated in the IPA Regulation to assist beneficiaries in *“their progressive alignment with the standards and policies of the EU, including where appropriate the *acquis communautaire*, with a view to membership.”* At the practical level, IPA is there to ensure that the enlargement process runs as smoothly and successfully as possible, that beneficiaries are well-prepared for integration and that, correspondingly, accession will maximise benefits for both existing Member States and new joiners.

The instrument directly addresses the compliance of beneficiaries with the Copenhagen criteria. The focus of assistance is normally put on the three aspects of the Copenhagen criteria, whilst addressing a number of key needs under each:

- Political accession criteria
 - strengthening democratic institutions and the rule of law, including the fight against corruption and organised crime
 - protecting human rights and fundamental freedoms, respecting minority rights, promoting gender equality and non-discrimination
 - public administration reform
 - development of the civil society
 - reconciliation, confidence-building and reconstruction
- Economic accession criteria
 - ensuring the existence of a functioning market economy
 - strengthening beneficiaries’ capacity to cope with competitive pressure and market forces within the Union
- Fulfilling the obligations as Member State
 - support for the progressive alignment with, adoption and implementation of the *acquis communautaire*, including the ability to enforce EU legislation
 - help in preparing for the implementation and management of the EU’s cohesion and rural development funds

IPA, as a specific development aid tool, is also used to promote social inclusion and reduction of poverty to the extent possible considering the funds available.

Assistance funded from the IPA can take various forms, inter alia (i) grants for public investment projects, people-to-people, projects, civil sector organisations etc.; (ii) twinning operations; (iii) support for participation in Community programmes or agencies; (iv) budget support (granted exceptionally and subject to supervision); and (v) Technical Assistance (measures to support the implementation process and management of the programmes).

IPA is intended to assist candidate countries and potential candidates in meeting the accession criteria and addressing the needs listed above by interventions under five Components:

- (I) Transition Assistance and Institution Building
- (II) Cross-Border Co-operation
- (III) Regional Development

(IV) Human Resources Development

(V) Rural Development

The last three components, which specifically prepare for the implementation of the EU cohesion and rural development policies, are available to candidate countries only. Benefiting from Components III to V is considered to be learning experience for the management of such EU funds upon accession based on the 'learning by doing' principle. Potential candidates can benefit from similar social, economic and territorial development measures but they are implemented through Component I.

Table 1.3 provides an overview of the structure of the Components. Annex 4 provides further details of the content of the Components.

Table 1.3 The Component structure of IPA

Component	Objectives	Responsibility for management within EC
<i>Available for all beneficiaries</i>		
(I) Transition Assistance and Institution Building	Capacity and Institution building in the political, economic, administrative and judicial area * Social, economic and territorial development for beneficiaries not benefiting from Components III to V	DG ELARG * Delivered through Country programmes and Multi-beneficiary programmes
(II) Cross-Border Co-operation (CBC)	Good neighbourly relations with Member States and among beneficiary countries, stability and security. Sustainable development across regions, addressing common challenges.	DG ELARG (cooperation between beneficiaries) DG REGIO (cooperation between beneficiary and Member State)
<i>Available for candidate countries only</i>		
(III) Regional Development	Sustainable regional development through economic competitiveness, strengthened transport infrastructure and environment protection. Preparation for the implementation of the cohesion policy and management of the European Regional Development Fund and the Cohesion Fund.	DG REGIO
(IV) Human Resources Development	Strengthening human capital through employment, education and training and social inclusion. Preparation for the implementation of the cohesion policy and management of the European Social Fund.	DG EMPL
(V) Rural Development	Sustainable adaptation of the agricultural sector and rural areas Preparation for the implementation of the Common Agricultural Policy and related policies and management of the European Agricultural Fund for Rural Development	DG AGRI

1.4.2 Programming

The specific intervention strategies in the individual beneficiaries are based on the 'enlargement package'. This comprises the annual Enlargement Strategy of the Commission identifying overall priorities, which is informed by country-specific Progress Reports and in line with the policy documents Accession/European Partnerships.

The overall budget, national allocations and funds for regional programmes are given in the three-year rolling Multi-Annual Indicative Financial Framework (MIFF).

On the basis of the policy, strategic and financial frameworks described above, the Multi-Annual Indicative Planning Documents (MIPDs) outline for each country the priorities for a rolling three-year period. MIPDs are implemented through annual programmes under Component I and via multi-annual operational programmes for other Components. The strategic directions for activities under the Components III and IV which are both related to the Cohesion Policy, are harmonised in a Strategic Coherence Framework and Component V is implemented within National Rural Development Strategies.

1.4.3 Delivery mechanisms and monitoring arrangements

The delivery of IPA involves both centralised and decentralised approaches, depending on the Component, type of project and the country context.

Article 10 of the IPA Implementing Regulation envisages a fund management system for the implementation of IPA that is decentralised to the beneficiary country. Exceptions to this are the regional/multi-beneficiary projects under Component I which are centrally managed from Brussels.

Under a decentralised system for the management of funds, the Commission confers management powers to the beneficiary. Under this arrangement the Commission applies ex-post control only, while tendering, contracting and payments processes are the responsibility of the beneficiary, together with ex-ante controls as appropriate.

The advantage of decentralised management is that it builds administrative capacity (through learning by doing) while increasing country ownership of the programme. However, it is dependent upon appropriate administrative capacity. As indicated in the 2009 annual report on the implementation of the IPA, a *"decentralised management by the beneficiaries is the 'target' management mode, to be achieved as soon as their administrative capacities are considered sufficiently developed, and the appropriate management and control systems are in place to ensure sound financial management"*.⁶ To allow for a decentralised implementation system (DIS), the beneficiary country must obtain "conferral of management" based on DIS accreditation criteria. This is a prerequisite for the signature of financing agreements for IPA Components III, IV and V.

For Components I and II, centralised management (or alternatively joint or shared management) may be used as appropriate. However, the 2009 annual report confirmed that steps were being made towards (further) decentralisation management.

⁶ http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/financial_assistance/2009/2009_ipa_annual_report_en.pdf

Table 1.4 indicates which delivery system is used under the IPA Components. The main structures and authorities involved in the management and implementation of IPA funds under DIS are outlined in Annex 4.

Table 1.4 Delivery systems applied under individual Components

Component	Delivery system
Component I	Options (as appropriate) <ul style="list-style-type: none"> Centralised management, especially for multi-beneficiary programmes Joint management <p><i>Medium term objective:</i> Decentralised implementation system</p>
Component II	Options (as appropriate) <ul style="list-style-type: none"> Centralised management Shared management with a Member State, for cross-border programmes involving Member States <p><i>Medium term objective:</i> Decentralised implementation system</p>
Component III	<i>Prerequisite:</i> Decentralised implementation system
Component IV	<i>Medium term objective:</i> Fully decentralised system (without ex-ante controls):
Component V	<i>Prerequisite:</i> Decentralised implementation system <p>Fully decentralised system from the launch of the Component (without ex-ante control by EC)</p>

The monitoring of EU funded pre-accession assistance is undertaken by a series of dedicated structures and procedures. The Commission monitors the implementation of pre-accession programmes through its services in DG ELARG, DG REGIO, DG EMPL, DG AGRI and through the Delegations in the beneficiary countries and the EC's Liaison Office (ECLO) in the case of Kosovo.

Various joint committees have been established comprising of officials from the Commission services and the beneficiary countries to monitor the implementation of IPA.

- The IPA Monitoring Committee (IPA MC) monitors the overall implementation of all components of the IPA programme. The Committee usually comprises public officials from the beneficiaries (the National IPA Coordinator (NIPAC), the National Authorising Officer (NAO), Programme Authorising Officers (PAO) and the Strategic Coordinator (SCO)), representatives of operational structures and representatives of the EC. The purpose of the annual Committee meetings is to improve the overall effectiveness, quality, and cohesion of all programmes and activities outlined in various programming documentation.
- Sector Monitoring Committees (SMCs) monitor the implementation of individual components or operational programmes. These are high level committees chaired by the beneficiary country, composed of representatives from public bodies and (for Components III to V) non-governmental organisations, with the Commission as observer, and meeting twice a year. Therefore the voting members of the Committee are public bodies and NGOs (mainly representatives of the potential beneficiaries of the programmes) and for Component V it was recommended that the number of NGO members should be higher than that of the public bodies.
- The Technical Assistance and Institution Building SMC (IPA TAIB SMC) monitors the implementation of Component I. The relevant central authority in each beneficiary responsible for strategy development and coordination of EU is responsible for submitting annual reports.

- Depending on the number of cross-border programmes, various Joint Monitoring Committees (JMCs) are established to monitor the implementation of Component II, monitoring the cross-border programmes with Member States and with other IPA beneficiaries.
- Separate monitoring committees also cover the implementation of trans-national programmes (e.g. the South-East Europe Transnational Cooperation Programme and the Mediterranean Transnational Programme).
- The process of monitoring the implementation of Components III and IV is undertaken at the level of each of the operational programmes (OPs). In Component III, there are OPs for transport, environmental protection and regional competitiveness. Each OP has its own sectoral committee that meets twice a year. There is a separate SMC for Component IV, which also meet twice a year.
- The SMC for IPARD, which meets twice a year, undertakes the monitoring of Component V. The relevant line Ministry with the mandate for agriculture and rural development submits annual reports six months after every full year that the programme has been in implementation.

1.4.4 Resources

The MIFF outlines the indicative three-year breakdown of funding proposed by the Commission in accordance with Article 5 of the IPA Regulation. It is published, based on the current status of the countries concerned, and does not pre-empt any decisions on: the status of countries that have submitted an application for membership (Albania, Iceland, Montenegro, and Serbia); a likely date of accession for any candidate country; or the inclusion of Iceland in the IPA Regulation. Once a candidate country accedes to the EU, any pre-accession funds provisionally allocated to that country from the year of accession onwards will no longer be available for this new Member State.

The total funding for the current financial framework (2007-2013) is €11.6 billion. IPA assistance by component and by year is indicated in Table 1.5 and Table 1.6, and the beneficiary allocations are illustrated in Figure 1.1. More detailed breakdown of funds by beneficiary and estimates on the allocation of funds to broad intervention areas, based on the indications contained in the latest available MIPDs, are given in Annex 4.

Table 1.5 IPA financial allocations by component and by year (in € million)

Component	2007	2008	2009	2010	2011	2012	2013	Total
Component I	867	1,008	987	903	966	954	988	6,673
Component II	39	51	55	59	70	71	73	419
Component III	220	234	253	324	391	469	492	2,383
Component IV	65	72	77	88	102	116	125	645
Component V	48	85	122	170	215	244	262	1,146
Support expenditure	45	52	48	47	52	81	85	409
Total	1,284	1,501	1,542	1,591	1,797	1,936	2,024	11,674

Source: MIFF 2011-2013 (latest available)

Table 1.6 IPA financial allocations by beneficiary and year (in € million)

Beneficiary	2007	2008	2009	2010	2011	2012	2013	Total	Annual average per capita**
Candidate countries									
Croatia	141	146	151	154	157	160	163	1071	34.5
former Yugoslav Republic of Macedonia	59	70	82	92	98	105	117	622	43.4
Iceland	-	-	-	-	10	12	6	28	12.5
Montenegro	31	33	35	34	34	35	35	236	53.6
Turkey	497	539	566	654	782	900	936	4,873	9.7
Potential candidates									
Albania	61	74	81	94	94	96	98	599	26.9
Bosnia and Herzegovina	62	75	89	105	107	109	112	660	24.5
Kosovo*	68	185	106	67	69	70	74	639	41.8
Serbia	190	191	195	198	202	206	215	1396	27.2
Regional/multi-beneficiary programmes	109	136	166	144	179	174	190	1098	-
Total***	1,263	1,496	1,517	1,593	1,796	1,936	2,024	11,674	15.1

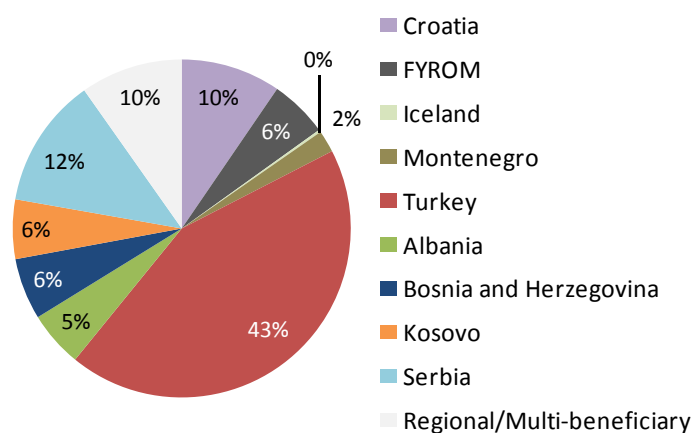
* under UNSCR 1244

** Calculations made on the basis of population as of 1 January 2009

*** Including support expenditure

Source: MIFF 2011-2013 (latest available)

Figure 1.1 IPA indicative financial allocations by beneficiary (2007-2013)



Source: MIFF 2011-2013 (latest available)

As stated in the MIFF 2011-2013, the approach used to allocate funding was that, in 2007, no IPA beneficiary would receive less than in 2006 under pre-accession instruments (or, for Albania and Bosnia and Herzegovina, less than the annual average of 2004-2006 funding, due to front-loading of funds in 2004).⁷

For 2008 onwards the figures were calculated on the basis of per-capita allocations, the level of which depend primarily on the possibility to allocate money to Components III to V (status of the country, readiness of decentralised management systems) and the size of the country.

Against this first measure, the per capita levels for potential candidates was initially planned to increase to above €23 (in 2004 prices) received under CARDS. For candidate countries, a level of over €30 per capita (in 2004 prices) was foreseen.

In Montenegro and the former Yugoslav Republic of Macedonia, the per capita levels of funding were then raised, to cover the fixed costs needed for adequate administrations, irrespective of the size of the country.

Regarding Turkey, a considerably lower level of per capita funding is made compared with other enlargement countries due to the large size of the country. A gradual increase in per-capita levels of assistance over 2007-2013 has been introduced to reflect the increasing absorption capacity of the country.

In 2008 and 2009, Kosovo received more IPA funding than the application of those criteria envisaged due to special circumstances (wider donor mobilisation of new funds and transfer from unused macro-financial assistance (MFA) appropriations).

1.5 Method

The report has been informed by a review of the relevant regulations, key policy documentation, position papers and evaluation results on the existing and previous programmes, most importantly the meta-evaluation of IPA that synthesises the results of all individual interim evaluations of aspects of IPA. The main objectives of these evaluations were notably the assessment of the intervention logic of assistance and the performance (to date) of assistance, and were based on extensive on-the-ground research at the level of beneficiary countries, involving a wide range of interviews with stakeholders. Table 1.7 indicates the evaluations and Court of Auditor reports consulted.

Table 1.7 List of evaluations and Court of Auditor reports assessed

Author	Document
<i>Current programme</i>	
COWI (2010)	Interim Evaluation of Cross-Border Programmes between Candidate/Potential Candidate Countries (Intra-Western Balkan Borders) under the Cross-Border Cooperation Component of IPA. Report I - Governance Structures
Ecorys (2011)	Evaluation Twinning versus Technical Assistance
HTSPE (2011)	Mid-term Meta Evaluation of IPA Assistance, which synthesises findings from following evaluations: <ul style="list-style-type: none">▪ 9 ex-ante evaluations covering operational programmes under Components III-V▪ 8 interim evaluations of beneficiary programmes under Component I

⁷ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0543:FIN:EN:PDF>

Author	Document
	<ul style="list-style-type: none"> an interim evaluation of regional cooperation under Component I an interim evaluation of cross border programmes (Component II) an ad hoc report on donor coordination 3 evaluation reports mapping beneficiaries' national strategies (Croatia, former Yugoslav Republic of Macedonia, Turkey)
<i>Predecessor programmes</i>	
DRN Consortium (2004)	Evaluation of the assistance to Balkan countries under CARDS Regulation 2666/2000
MWH Consortium (2007)	Ex-post evaluation of Phare support allocated between 1999-2001, with a brief review of post-2001 allocations
Deloitte (2008)	Ad-hoc evaluation of the CARDS regional programmes in the Western Balkans
COWI (2008)	Ad hoc evaluation of the CARDS programmes – Albania
COWI (2009a)	Retrospective evaluation of the CARDS programmes – Kosovo
COWI (2009b)	Evaluation of the CARDS programmes – Montenegro
European Court of Auditors (2004)	Special Report No 5/2004 on Phare support to prepare Candidate Countries for managing the Structural Funds
European Court of Auditors (2007)	Special Report No 5/2007 on the Commission's Management of the CARDS programme
European Court of Auditors (2008)	Special Report No 12/2008, The Instrument for structural policies for pre-accession (ISPA)
European Court of Auditors (2009)	Special Report No 16/2009, The European Commission's Management of Pre-accession Assistance to Turkey

The study also builds on: existing evidence derived from studies on the benefits of enlargement and beneficiary needs; statistical data obtained from Eurostat, OECD (on Official Development Aid); and, a set of indicators of public administration performance and socio-economic development published by Transparency International, Freedom House etc. The studies included inter alia the Sussex European Institute's 5th Enlargement Impact Study, and the Commission's report "Five years of an enlarged EU – economic achievements and challenges". Several consultation exercises with stakeholders were undertaken. These include:

- An online survey, with 338 responses obtained from: Member State representatives; beneficiary public administrations and non-public stakeholders; the EC; donors and international financing institutions; other international organisations; NGOs, researchers, experts and interest groups. Annex 5 provides the results of this consultation.
- A series of focus groups, in particular: one high-level working group; 4 mixed groups comprising officials from various Directorate-Generals as well as external stakeholders; 3 special focus groups to cover Components II, III+IV combined, and V; and, a meeting with Member State representatives (members of the IPA Management Committee).
- Consultations with: individual Commission officials; Heads of Operations at the EU Delegations in beneficiary countries; supporting structures providing Technical Assistance or policy support (CBIB, RCC, TACSO, SIGMA); NIPAC offices; donors;

International organisations (European Stability Initiative, International Crisis Group, OSCE); and, NGOs at EU level.

The feedback obtained from stakeholders played a decisive role in shaping the arguments for or against possible amendments and substantiating these arguments with evidence.

1.6 Structure of the report

The report is structured as follows:

- Section 2* describes the problems addressed, covering the costs of non-enlargement to the EU, the development challenges of beneficiaries and weaknesses of the current pre-accession financial assistance instrument.
- Section 3* provides the baseline scenario, explaining the key assumptions and presenting funding needs and absorption capacity of the beneficiaries. It also discusses the added value of EU intervention.
- Section 4* defines the proposed policy objectives for the future instrument, expressed in terms of general and specific objectives, and assesses their consistency with key EU objectives and policies, notably the Europe 2020 Strategy.
- Section 5* presents the policy options considered.
- Section 6* contains the assessment and comparison of the policy options, based on the performance of the individual policy options against specific objectives, the extent to which the options result in economic, social and environmental benefits relative to costs and their technical and political feasibility.
- Section 7* articulates the preferred option as well as a range of possible modifications to the delivery of the programme.
- Section 8* identifies indicators that could be applied to assess the results and impacts of the instrument, and outlines basic monitoring and evaluation arrangements.
- Annex 1* Path towards EU membership
- Annex 2* Background on beneficiaries
- Annex 3* Pre-accession programmes prior to IPA
- Annex 4* Component structure and delivery mechanisms of IPA
- Annex 5* The findings of the online consultations
- Annex 6* The benefits of enlargement and costs of non-enlargement
- Annex 7* Contains a comparison between the trends in development of current beneficiaries and selected new Member States.
- Annex 8* Detailed budget assumptions of the policy options.
- Annex 9* Presents a draft intervention logic supporting the development of monitoring and evaluation indicators.

2 The problems addressed

2.1 Introduction

This section provides, an overview of the main problems that the proposed instrument is designed to tackle. The broad purpose of the prospective instrument is to further the enlargement of the EU; specifically through supporting the beneficiary countries in preparing for accession. The main rationale of the IPA and predecessor programmes is that without EU financial support enlargement and accession would be considerably slower and potentially less successful than with these programmes.

Accordingly, this section discusses the economic and related costs that would incur in the absence of enlargement; the problems arising from the considerable development gap of beneficiaries and their limited capacity to overcome these from their own resources; and, the remaining weaknesses in the design and delivery of the current IPA.

2.2 Problem 1: The need to realise the benefits of enlargement

Enlargement brings benefits to both MSs and the acceding countries. The consecutive enlargement waves are considered major successes on the road of European integration. A review, five years after the fifth enlargement of the EU in 2004,⁸ concluded that: the latest enlargements brought greater prosperity for all EU citizens and made Europe a stronger player in the world economy; the institutional and legal frameworks and the common policies of the EU played a vital role in ensuring success; entrepreneurs and citizens experienced clear benefits; and, the enlarged EU is better prepared to address current and future challenges.

However, despite these benefits, politicians and the media often talk about an 'enlargement fatigue', arguing that the resources of the EU should currently be used to resolve the economic and labour market problems that characterise the aftermath of the financial crisis of 2008/2009, and the ongoing debt crises of certain Member States (e.g. Greece, Portugal, Ireland, Hungary, Romania and Latvia). Support for enlargement amongst the EU population has also weakened considerably since 2004.⁹

The benefits of enlargement are: economic; political; social; cultural and environmental. These are reviewed briefly here. Further evidence and analysis is given in Annex 6.

2.2.1 Potential economic benefits

Enlarging and diversifying the Internal Market

Enlargement brings economic benefits primarily through the expansion of the internal market. The combined GDP of the candidate countries and potential candidates was 551 billion euro in 2009, corresponding to 4.7% of the EU-27 GDP.

Given a continuation of current relatively high growth rates the prospective GDP (at market prices) of enlargement countries is likely to be close to 850 billion by 2014, more than 6% of the corresponding EU-27 figure. It is estimated that enlargement of the beneficiaries could lead to an annual surplus in GDP of about 5 billion euro per annum in the EU-27; and an annual additional growth of 1.5-2% (about €13-17 billion) in the acceding countries.

⁸ "Five years of an enlarged EU – economic achievements and challenges" Comm. from the Commission to the Council, Parliament, European Economic and Social Committee, Committee of the Regions and the ECB, Adopted by the College on 20 February 2009

⁹ The question on whether citizens are for or against further enlargement is a standard question in the Eurobarometer surveys.

Access to a fresh and skilled labour pool

The EU faces the challenge of an ageing society. Only 67% of the current EU population is of working age (i.e. between 15 and 64 years) and this is anticipated to reduce to 57% by 2050. Enlargement would increase the growth potential of the European economy and reduce mounting pressure on national welfare systems. In the previous enlargement the overall effect of labour migration on both sending and receiving countries was positive.

Accelerating the upgrading of transnational infrastructure networks and cross-border cooperation

Most of the enlargement countries are small, and are thus more dependent on good connectedness to the outside world than larger countries. Transnational transport networks, the interconnection of oil and gas pipelines and electricity networks, access to power generation facilities abroad to ensure security of supply and the proper functioning of liberalised energy markets are key needs for countries of the Western Balkans. Meeting these needs would bring benefits to the EU.

2.2.2 Political benefits

Mitigating risk of political instability

Enlargement is a powerful lever to promote and preserve peace, stability, security, conflict prevention and democratic change for the benefit of all EU citizens. Several of the candidate countries and potential candidates have been involved in conflicts in recent years. These have generated casualties and major costs for the countries concerned, the EU and the international community, in particular the Bosnian War and the Kosovo conflict.

Avoiding changing political orientations of beneficiaries

In the absence of a clear accession perspective, some beneficiaries may forge new political alliances and strengthen their economic links with other powers.

Opportunity to increase the political weight of the EU in the world

The Commission's 2009 presentation of the benefits of enlargement emphasised that an enlarged EU would be in a better position in the global community to address global issues. A recent academic study concluded that enlargements in the past have *"strengthened the EU's influence without substantially undermining EU coordination at the United Nations"*¹⁰. The appeal of joining the "club", in combination with the corresponding conditionalities (accession criteria) has been a powerful tool in the peaceful and successful democratic transformation of Central and Eastern Europe.¹¹

2.2.3 Social benefits

Improved security of EU citizens and leverage on fighting organised crime

The EU's 'soft power' on countries wishing to join is considerable and is put to use to align candidate countries and potential candidates with European values and principles, including respect for human rights, minority rights, promotion of gender equality, adequate social protection focusing on social inclusion and reduction of poverty. Without enlargement and the associated exertion of soft power by the EU, there is a real risk that the fight against corruption and organised crime will be far less emphasised in the candidate countries and potential candidates.

¹⁰ Sussex European Institute's 5th Enlargement Impact Study

¹¹ See for example Milada Anna Vachudova, *Europe Undivided, Democracy, Leverage, & Integration after Communism*, Oxford University Press, 2005

Reduced migration pressures

The EU is the most preferred destination for irregular migrants and for those seeking asylum, putting a considerable burden on the Union, especially on those Member States who serve as the point of entry. The costs for Member States providing shelter, medical service, education, legal advice as well as border management are considerable. The candidate countries and potential candidates (with the exception of Iceland) are themselves very significant sources of asylum seekers and irregular migration. Enlargement would eliminate the related costs arising from candidate countries and potential candidates.

2.2.4 The benefits of cultural enrichment

With the accession 12 new Member States, the EU became culturally richer. The EU cultural model tends towards pluralisation and cooperation rather than homogenization or polarization and fears of incompatibility between cultures have not materialized.

Contacts amongst citizens of various Member States have intensified, travel has become both easier and cheaper and as a result, tourism and student mobility programme has increased. Further enlargement would bring additional cultural benefits. .

2.2.5 Environmental benefits: reduced negative externalities

Enlargement has also brought benefits in the area of environment protection including the adoption of EU standards that enhanced the quality of water, food safety, animal health and nuclear safety in the countries that joined the Union in 2004. Opportunities in connection with the enlargement to the South East of Europe may include: the better management of the natural resources (water resources, biodiversity); upgrading waste water treatment infrastructure; and, reduced levels of negative environmental externalities.

2.3 Problem 2: Gap between the conditions in candidate countries and potential candidates and those in the EU

It is reasonable to assume enlargement is more successful when the economic, social and institutional conditions in the acceding country are similar to those pertaining in the EU. This facilitates the operation of the internal market and reduces the likelihood of transition problems that may generate direct and indirect costs for the existing MSs and candidates after accession.

The fourth enlargement in 1995 (when Austria, Finland and Sweden joined the Union) went very smoothly and these countries are now the most developed members of the EU with all the conditions and resources for sustained long-term competitiveness.

In the fifth enlargement in 2004/2007, the accession countries with the most developed economies and the strongest democratic credentials, Slovenia, the Czech Republic, Malta and Cyprus (excepting the unresolved reintegration of the Northern part of the country), have all avoided a debt crisis, did not fall back on democratic values and three of them have already adopted the euro.

However, the candidate countries and potential candidates (except Iceland) are rather dissimilar to the current MSs and lag behind in all but a few aspects of socio-economic development, macro-economic stability, as well as democracy and good governance. And this gap is wide, not only in relation to the EU average, but also when performance is measured against most of the new MSs.

The previous accession group of countries, more specifically the 10 former countries from the Soviet bloc, provide an appropriate comparison with the current candidates. The reasons for comparison are as follows:

- They were all much poorer than the EU average when they joined (especially Romania and Bulgaria); as are most of the candidate countries and potential candidates today;

- They are all ex-socialist countries like the beneficiaries on the Western Balkans (Turkey was not) with all its implications for political and economic structures, e.g.: relatively weak democratic institutions resulting in a potential for political instability; limited respect for human rights; an underdeveloped civil society; a weak domestic private sector; and, foreign investments accounting for most of the modernisation in the economy.
- Many of them were not independent before the 1990's and had to newly establish or considerably strengthen their public administrations (e.g. Baltic states, Slovenia, Slovakia).

The comparison between candidate countries and potential candidates and new MSs shows that most of the beneficiaries lag behind considerably under key aspects that are instrumental for the future development and accession-readiness (the detailed analysis with graphs is given in Annex 6).

2.3.1 Socio-economic conditions

In terms of wealth - apart from Iceland - only Croatia reaches a level comparable with the joiners of 2004, with a GDP per capita figure of 64% of the EU average. The corresponding figure is much lower in the other countries of the Western Balkans, as well as in Turkey.

Many of candidate countries and potential candidates exhibit extremely low levels of employment and extremely high levels of unemployment (in close connection with their poor economic performance). Furthermore, these levels vary considerably over time. Only Croatia, Albania, Serbia and partly Turkey have employment figures that are relatively close to EU 'norms'.

Data on external trade does not show close economic integration with the EU bloc yet, and the relative significance of the EU as trading partner seems to have declined in the candidate countries and potential candidates. The EU is the target for only about 40-60% of their exports. The manufacturing boom experienced in Central and Eastern Europe has not yet unfolded in South East of Europe.

2.3.2 Strength of governance

The current enlargement countries exhibit clear gaps in the area of good governance – which is otherwise much needed in these countries to create the basic conditions for equitable social and economic development. Even the best-performing beneficiary country barely matches the levels that were reached by Romania. On the other hand, more or less all of the beneficiaries seem to have improved in recent years, some at quite impressive speed. It can be assumed that the progress was enabled by the enlargement perspective the candidates and potential candidates have and is supported by IPA.

2.3.3 Macroeconomic conditions

Most of the enlargement countries have few (or very few) free resources available to finance their socio-economic development needs and overall progress towards the accession criteria on their own. They are not only lagging behind but also have few opportunities to reduce poverty without EU resources. All enlargement countries have had current account deficits in the last decade, but the imbalances reached extreme levels in some of them. In 2009, three of the countries concerned, Montenegro, Kosovo and Albania, had deficits of above 15% of GDP. Montenegro had a dramatic deficit of 30% of its GDP, with 40% and 51% in the years before. Correspondingly, most of the Western Balkans countries are heavily dependent on external sources. The total external debt of most of the enlargement countries (including private sector debt) is at high levels. The external debt to GDP ratio of Croatia and Montenegro, two candidate countries, was already close to 100% in 2009. However, the extremely high government debt-to-GDP ratios in both the Western Balkans (in the post-war period) and in Turkey (in the post-financial crisis period) seem to have levelled off recently.

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The countries of the Western Balkans have also begun to attract FDI. In 2009, the inflows reached significant levels in GDP terms in Albania, Kosovo, Serbia and Croatia. In Montenegro, the level of FDI was a staggering 32% of GDP.

Whilst there are some encouraging signs as well in the public finances of the candidate countries and potential candidates of South Eastern European, notably in their ability to reduce public debt and to attract foreign direct investment, they generally lack the capacity (some more and some less so) to finance the public investments and reforms necessary to stabilise their societies and economies and put them onto a sustainable development path.

There is therefore a strong need for a programme to help them, otherwise they will not be able to continue their alignment with European values and standards and to navigate successfully through the enlargement process.

2.3.4 Significance of external resources

The importance of IPA (and other EU sources) to the economies of the beneficiaries varies markedly. This has implications for the extent that IPA may lever policy change and influence and directly affect socio-economic development.

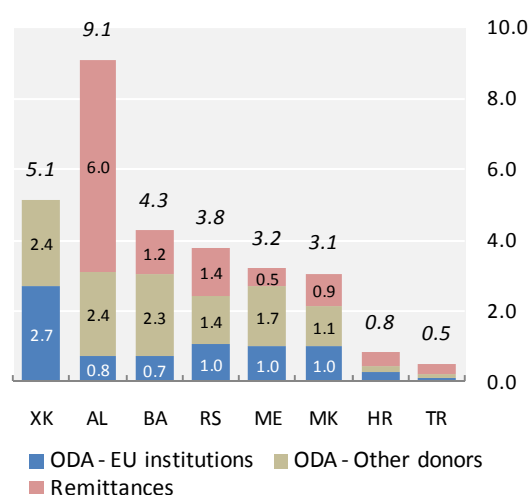
The importance of Official Development Aid (ODA) varies even more markedly. It represents 2.4% of GDP in Albania and Kosovo and just a fraction of 1% in Turkey. The significance of EU financial support compared with other ODA also varies. This has implications for the catalytic and coordination role of the EU.

Remittances from nationals working abroad, many of whom are likely to be working in the EU, also make an important contribution to the beneficiaries' economies. In some cases these contributions are much more significant

than the IPA resources. In Albania they are particularly significant. The relative scale of the remittances points to the importance of migration and issues such as visa liberalisation.

These variations indicate the heterogeneity of the beneficiaries and the challenge of IPA to be effective in different contexts. Key data are provided in Figure 2.1.

Figure 2.1 Key external resources, average 2007-2009, as percentage of GDP



Source: OECD

2.4 Problem 3: Lack of readiness to implement EU programmes and related obligations

The successful accession of individual candidate countries will ultimately be regarded as the overall success of any pre-accession assistance, i.e. enlargement occurring and subsequent difficulties to the detriment of the EU and its MSs avoided. This is what will be expected, even though this approach may not be well-suited to judge the merit of the instrument: achievements, or failures, of the accession process are only partly attributable to pre-accession aid. Progress towards achieving accession criteria depends largely on the extent to which beneficiaries do their 'homework', on uncontrollable political events, on external influences on their economies, and on the willingness of EU MSs to accept new members. These are different issues than the performance of the pre-accession instrument.

There is one important objective of pre-accession aid though where progress is more directly attributable to the instrument: this is how well it prepares beneficiaries to apply the overall programming and implementation framework and technicalities of post-accession EU funds.

As a result of accession, the candidate countries obtain access to all EU programmes, in particular the tightly regulated cohesion and rural policy instruments (ERDF, ESF, Cohesion Fund, EARDF) and are required to implement them rigorously. A significant proportion of the IPA resources are used to develop capacities in this respect.

The main aim of Components II, III, IV and V is to adequately prepare acceding countries for the management of the EU funds. Candidate countries allocate 60-70% of their total available IPA funds, 4.6 billion euro in total, for spending under these Components. In addition, activities under Component I can also contribute to preparing countries for launching Components III-V.

The components mirror Structural Funds and rural development fund rules almost exactly. Slight differences in the institutional setup include the key role assigned to the national Central Financing and Contracting Unit (CFCU) or agency instead of line ministry structures, and the ex-ante control of projects by the EU Delegations in the case of Components III and IV.

This approach was adopted to address criticism on earlier pre-accession programmes before the 2004 and 2007 enlargements, which were said not to prepare the beneficiaries well enough, even though this has meant more administrative burden and delays in implementing the OPs, including the national IPARD programmes (the programmes themselves were adopted in 2007/2008).

2.4.1 Lessons learnt in predecessor programmes

The predecessor programmes had indeed certain weaknesses, as they were simplified to avoid extensive 'red tape'.

Phare was aimed in part at preparing candidate countries for the management of funds upon accession: the Cohesion Fund and the Structural Funds (including the Guidance section of the European Agricultural Guarantee and Guidance Fund targeting rural development).

However, the Court of Auditors noted there were evident limitations on how far the specific procedures of the funds could be replicated under Phare. Its 2004 report found that that the programme had limited impact on helping the candidate countries become familiar with Structural Funds since the new instrument was not established to help the countries become acquainted with ERDF and ESF procedures.

Phare implementation structures did not reflect those of the SF establishing programmes aimed at promoting economic and social cohesion (ESC), i.e. ERDF and ESF type interventions. The Extended Decentralised Implementation System (EDIS) employed under Phare, intended to make possible candidate country learning to manage the programmes, did not materialise.

Due mainly to absorption capacity problems and competing priorities, the countries also did not allocate sufficient funding to prepare for future SF projects thus experiencing large difficulties in contracting funds before the deadlines. As a consequence of the lack of institutional development and outstanding decisions on who would be paying future agencies, the impact of institution-building projects was considerably reduced.

The main recommendation was therefore for the need for a clear strategy to prepare candidate countries for managing the SF and to increase efforts to bring Phare closer to the specific rules for the funds.

Even though the Commission achieved its target of delivering around 35 % of total financing for national programmes in the form of investment in ESC in most countries, the lack of mirroring SF rules reduced the impact of the Phare programme in contributing to preparation for the management of funds. The Commission, in its response, stressed that Phare

procedures mirrored ERDF and ESF measures to the greatest extent allowed by the external assistance provisions of the Financial Regulations, and that overall results were consistent with the original timeframe and that it is questionable as to whether arrangements similar to the later SAPARD and ISPA instruments would have served better.

The evaluation of the CARDS programme, conducted by the DRN Consortium in 2004, also presented amongst its main findings the need for decentralisation of programming and management in order to increase ownership and participation.

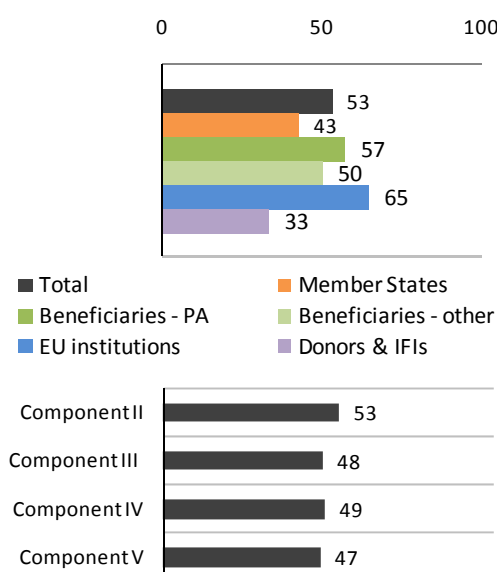
ISPA and SAPARD were set up later, and both were designed to be more focused on preparing candidate countries for the management of EU funds. In this regard, they performed slightly better. The synthesis evaluation of SAPARD 2000-2003 confirmed that, despite certain shortcomings such as bureaucratic procedures and slow implementation, SAPARD was an *“extremely useful learning process for national administrations and generally as a remarkable success with a view to the preparation for SF programmes after accession.”* The positive impacts in terms of job creation and maintenance of jobs and technological modernisation, as well as the introduction of environmentally friendly technologies in connection with EU standards were also confirmed.

The importance of piloting the EU funds was acknowledged by stakeholders, without much divergence in views.¹² 77-78% of the respondents to the online survey said that this preparatory exercise is a significant need in the candidate countries and potential candidates.

On the other hand, about half of the stakeholders are not fully certain that the current setup of the Components is adequate for preparing enlargement countries for the management of funds. Only 53% of the respondents said they were adequate: EU officials were somewhat more content than others, MSs somewhat less. Component II (otherwise considered very cumbersome to implement) was regarded by slightly more stakeholders to be a good piloting exercise, the remaining three Components scored about the same. The main findings of the survey are shown in Figure 2.2.

Figure 2.2 Adequacy of current implementation to prepare countries

Proportion of respondents considering the current programme is adequate for preparing beneficiaries



2.5 Problem 4: Challenges in the current implementation arrangements for IPA

The main challenge is applying IPA to markedly varying country contexts. The current candidate countries and potential candidates are considerably more heterogeneous than the EU-10 were at the time of their accession in 2004. One of the key aspects of this heterogeneity is variation in size: Turkey alone accounts for 75% of the population and 79% of the total GDP of the nine beneficiaries and is allocated 46% of the total IPA resources

¹² The number of IFIs responding was very low, 3 to 5, depending on the question. These answers should not be necessarily considered a fair representation of IFI views.

between 2007 and 2013. Most of the beneficiaries are smaller in economic terms than any of the EU 27 bar Malta (Figure 2.3).

In addition, they lag behind in most aspects of socio-economic development including their low per capita wealth compared to the EU-27 and previous accession countries (Figure 2.4), the strength of their democracies and the degree of good governance, as discussed in Section 2.3. Due partly to these variations, the likely timescale for accession also differs greatly and in most cases this is likely to be more prolonged than for the EU-10 where the pre-accession process took around seven years (i.e. from 1997 to 2004).

Figure 2.3 Total GDP of EU member states and beneficiaries (logarithmic scale), 2009

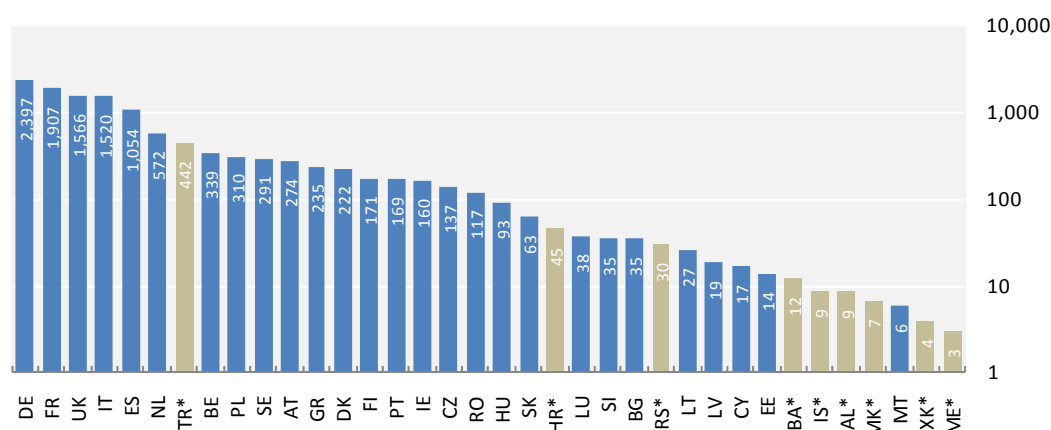
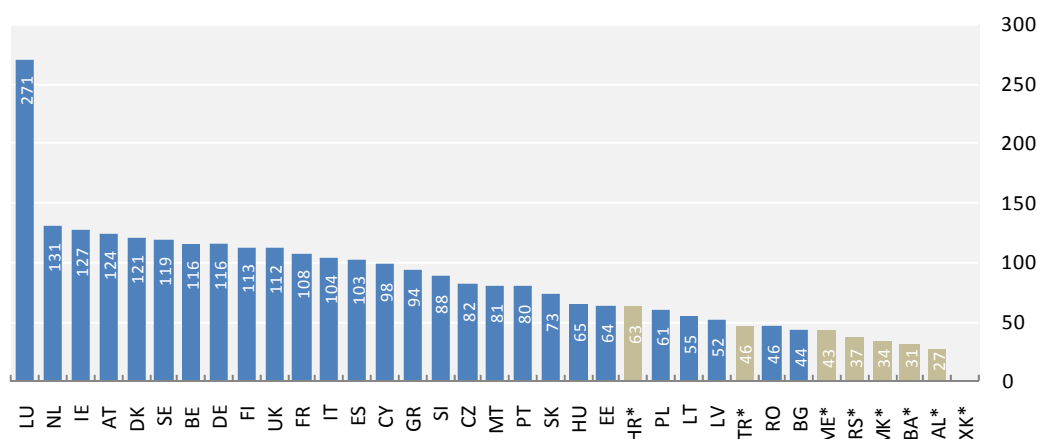


Figure 2.4 GDP per capita in EU member states and beneficiaries, 2009 (EU-27 = 100)



Source: Eurostat, country progress reports. Beneficiaries marked with asterisks.

The current IPA therefore has to accommodate very different beneficiaries at very different stages of their accession process - and does it successfully in many respects.

The current IPA is working best where

- there is a strong political will backed by consensus public support for accession within the candidate countries and potential candidates;
- socio- economic conditions are relatively good and improving; and
- accession is foreseeable.

Individual measures work best where the IPA resources generate strong leverage because the intermediate outputs are highly prized by the countries concerned (e.g. visa

liberalisation). In several countries the EU is, through the IPA programme, the largest 'donor' and plays a role in the leadership and coordination of assistance for socio economic development. The IPA includes measures to promote development at the Regional level and cross border cooperation.

It is a general stakeholder observation that IPA is 'heavy' in terms of managerial resources required. The rules are very strict and many national and EU authorities control and audit spending. The implementation and deployment of IPA funds has been slow, especially the conferral of management under Components III-V. But time delays occurred in the implementation of Component I projects as well in many beneficiary countries. This was also a characteristic of previous programmes. It is in part a consequence of current planning, budgeting and review processes but is compounded by the lack of both sectoral strategies owned by the candidate countries and potential candidates, and strong pipelines of well-prepared projects. The delays are also felt at the programme level: e.g. concerning relevant strategic framework for IPA 2007, the instrument was approved in mid-2008 and implementation started in 2009 only.

There are specific weaknesses of IPA that have been considered in the evaluation. The main weaknesses, which are in large part a consequence of the diverse and challenging circumstances in which enlargement is taking place rather than the architecture and procedures of the IPA, are summarised in Table 2.1.

Table 2.1 Main weaknesses and unused potentials of IPA implementation

Key implementation issues	Main problems to be addressed
The use of different measures within IPA	Limitations and problems in the use of the sector approach
	Limited flexibility in using budget support
	Limited scope of regional programmes
	Limitations in the use of twinning
Planning and incentives	Lack of target dates for accession
	No multi-annual planning under Component I
	Inadequate focus on strategy and results
	Unused potential in the application of conditionalities
	Lack of financial rewards for performance
The structure of IPA	Insufficient beneficiary involvement in programming
	Rigidity of the differentiation between beneficiaries
	Inflexibilities in the operation of the current Component structure
Budgeting	Large gap between pre- and post-accession funding levels
	Low levels of national co-financing
Relations with IFI	Not fully exploiting opportunities in mobilising IFI and other donor funds
	Insufficient cooperation with IFIs

Modifications to address some of these are considered in section 7. The weaknesses concern:

- The possibilities to use of different measures within IPA
- Planning and incentives
- The structure of IPA
- Budgeting
- Relations with IFI

Questions have also been raised concerning the management arrangement for IPA but these have not been a focus of this study. Each of the above is considered in turn below.

2.5.1 The possibilities to use of different measures within IPA

Limitations and problems in the use of the sector approach

The current MIPDs already move away from a sole focus on individual projects to a sectoral approach. The sector approach is based on sector strategies, combines resources from different Components and even donors, and aims to achieve broader objectives - although certain sectors are dominated by a given Component and only complementary action is done under another.

For example, for Turkey, in the 2011-2013 draft MIPD the following sectors are subject to the sector approach:

- Justice, Home Affairs and Fundamental Rights
- Private Sector Development
- Environment and Climate Change
- Transport
- Energy
- Social Development
- Agriculture and Rural Development

The sector approach was considered by stakeholders to be an important step forward, enhancing the effectiveness of IPA resources. The sector approach is a new phenomenon in IPA programming for Component I (Component III, IV and V have used a sector approach from the start) and some beneficiaries have problems complying with it. They might not be in the position to elaborate underlying comprehensive strategies. This concern was raised e.g. by Bosnia, where politicians may struggle in taking decisions on higher-level issues.

Limited flexibility in using budget support

Budget support is possible under current IPA but was only used once (by Serbia in 2009), and it was general budget support (GBS) rather than – in the absence of the sector approach - sectoral budget support (SBS) which is more favoured by stakeholders. Stakeholders' views were mixed about the utility and potential risks of budget support (MSs in particular have concerns over its use), but they agreed that if it is used, it should be SBS, and it should be – after the conditions being set out the multiannual programming framework – granted in a flexible way, i.e. when conditions are met (the relevant sector strategy/policy is adopted and agreed on; proof the capabilities of the authorities involved for sound financial management).

Limited scope of regional programmes

The regional approach has in many areas the potential to enhance the effectiveness of policies in pursuit of gradual alignment with European values and standards. These may include *inter alia* transport and energy sector developments, the fight against organised crime and migration issues. Regional projects with the participation of all or many IPA beneficiaries (possibly also MSs or ENPI beneficiaries) allow countries to share knowledge

and experience, harmonise policies and agree on joint priorities as well as actions. This was also one of the main issues highlighted in the evaluation of the CARDS regional programmes¹³. Regional projects also serve as efficient tools for building up mutual trust between former foes.

Regional projects are undertaken under IPA, but these account only for about 9% of total IPA funding (1,098 million euro versus total IPA allocations of 11,674 million euro). There is scope for increasing the weight of such actions, which has the capacity to improve the effectiveness of IPA delivery, especially policy-related interventions.

Limitations in the use of twinning

The twinning approach is acknowledged to be very efficient where the transfer of specific Member State expertise to beneficiary public administration is required. In comparison with work done by external consultants, it is often more capable of delivering sustainable results, as beneficiaries are at least as much involved in the project as the twinners.

The twinning approach could be used more than it is currently in candidate countries and potential candidates alike, with scope and focus varying according to beneficiary circumstances. Some countries with smaller administrations (Montenegro is an example) have only limited internal capacities to use twinning as opposed to technical assistance projects with external consultants performing much of the work.

Some issues need to be resolved to maximise the benefits from twinning. These are mainly related to the mobilisation of inappropriate experts, and the excessively long procurement cycle. One beneficiary country reported the excessive use of twinning and the EC services imposing the twinning modality in an unwarranted number of cases.

2.5.2 Planning and incentives

Lack of target dates for accession

As explained by stakeholders during the focus group meetings, there is some reluctance on behalf of Member States to set target dates (even provisional target dates) for accession. This may be a consequence of a perception that the accession to the EU-2 in 2007 was, with the benefit of hindsight, seem to have been somewhat premature and occurred as a consequence of a 'political' time scale being set.

As a consequence, candidate countries in particular have difficulties in timing their preparatory activities. They are e.g. required to establish administrative structures (ready for the SF and rural development fund) that are seen to be disproportionate to their current needs and it would take potentially a very long time before they are fully utilised. The absence of a clear timescale for accession weakens commitment to the reform process.

No multi-annual planning (under Component I)

The annual programming was the chosen method for programming Component I activities when IPA was launched - although the introduction of the sector approach in the latest MIPDs has already moved away from this initial programming arrangement. The reason behind it was to allow more flexibility in delivery: allowing programmes to respond to acute needs (raised in the progress reports) and to select projects that are sufficiently prepared to be funded. This may have been beneficial in countries which did not have a developed project pipeline and sufficient public administration capacities, but it does not facilitate the shift of focus from individual projects to strategy and results. As the EU (and in certain cases, other donors and IFIs) often have considerable influence over the selection of these projects – taking project maturity into account – this method of annual planning did not help as much in strengthening beneficiary ownership of the programme as a strategy-based approach would have.

¹³ "Ad-hoc evaluation of the CARDS regional programmes in the Western Balkans" Final Report – December 2008, Deloitte Consulting SCRL for DG ELARG

A further, more significant problem raised is that the annual programming puts a disproportionate burden on the implementing structures, including Commission and beneficiary public administrations. Stakeholders in general wondered whether these efforts are justified and whether the annual exercise could not be replaced by a multi-annual programming.

There is merit in allowing for countries close to accession the ad-hoc formulation of projects necessary to respond to challenges identified in the ongoing negotiation process. But these are only a small part of the country activities and do not necessarily warrant an annual programming exercise for the entirety of Component I.

Inadequate focus on strategy and results

The implementation of IPA is currently insufficiently results-oriented. Candidate countries and potential candidates do not receive more (or less) resources as a result of good performance and progress in meeting the political criteria or achieving good outcomes on specific IPA measures. Thus motivations may be undermined, according to stakeholder feedback.

Generally, measurement of effectiveness is constrained by inadequacies in identifying SMART objectives and indicators. Indicators are defined in the MIPD (and project proposals), but these are not necessarily SMART and lack targets.

There are relatively weak links between the process through which countries meet political criteria and the implementation of IPA and measures within it. This is in part a consequence of the IPA planning machinery and possibly exacerbated by internal structures and processes within DG ELARG.

Over time, beneficiary countries are starting to reduce the numbers of project proposals submitted to the EC, though these still often far exceeding the annual allocation.

Unused potential in the application of conditionalities

Currently, conditionalities in IPA are applied at the project level, but the implementation of projects is often not suspended for reasons of non-compliance with the preconditions. Conditionalities are not used, or only in a restricted manner, at programme or Component level (conferral of management required to launch operations under Components III-V is an exception, but conditionalities upon conferral may also benefit from strengthening). The recent introduction of the sector approach in the MIPDs helped to create the basis for sector-level conditionalities but there is a need to develop this approach further. Stakeholders' views are mixed, but Member States and the EU seem to be in favour of making greater and more systematic use of conditionalities, and to improve their enforcement.

Lack of financial rewards for performance

No mechanism for rewarding beneficiary countries for better performance exists currently under IPA, nor for greater absorption of funds, nor for achieving strategic results. Such rewards are strongly supported by stakeholders from both the EU and beneficiaries.

One of the methods to achieve this objective is the setting up of a performance reserve, which was already introduced into SF regulation for the 2000-2006 period. Other opportunities include more flexible reallocation of funds between sectors or Components within a given country; and some flexibility for the Commission to reduce funding in the short-term in case of poor performance but re-allocate it back to the country for later years after good performance is demonstrated.

Insufficient beneficiary involvement in programming

The participation of the beneficiaries (public administration and non-government structures) in the planning and management of the programme, and their influence on what is being funded is considered to be better under IPA than it was under predecessor programmes. However, there is still criticism about EU Delegations and EC services deciding about strategic objectives, selecting sectors for the sector approach, and individual projects to

implement. There is further scope in extending the role of beneficiaries to ensure greater ownership, coherence with national policies and strategies and to contribute to the development of enlargement countries' programming and implementation capacities.

Limited attention is currently given, according to stakeholder consultations, to the views of local and civil society actors. Whilst they are usually consulted on MIPDs and strategies, they are often involved only late in the process when the priorities have already been agreed and they have very few possibilities to influence the decisions. For components III – IV, civil society and local actors are part of the programming exercise and have decision rights in the programme monitoring and adaptation process through their representatives' official role in the Programme Monitoring Committees. Many of the beneficiary stakeholders would also need capacity development to enhance the quality of their contributions and efficiency of their policy-related work.

2.5.3 The structure of IPA

Rigidity of the differentiation between beneficiaries

It was emphasised by stakeholders in the consultation that under the current Regulation, access to Components III-V is not based on the needs and preparedness of beneficiaries to set up the necessary structures and manage the funds, but by the political decision of the European Council to grant or not to grant them candidate status. Also, there seem to be further opportunities in the decentralisation of management of IPA, and the reduction of the extent of ex-ante control undertaken of the Commission.

There is no need for centralised management in countries which may not be official candidates but are well prepared for, and committed towards, decentralised implementation. Sustaining centralised management or too many ex-ante controls under decentralised management in countries capable of taking responsibility may not be the most efficient use of EU resources.

Inflexibilities in the operation of the current Component structure

The current setup of IPA as a single instrument with five components has advantages in terms of management, i.e. not overburdening EC services responsible for a given Component with the complexity of the full programme when planning, implementing, monitoring and evaluating IPA. But certain stakeholders, especially DG ELARG feel that this strict separation has detrimental effects on finding and capitalising on strategic synergies.

The depth of cooperation between the various DGs in the EC management and monitoring structures in Brussels is only moderate. There is scope in strengthening this dimension through the establishment or reinforcement of joint structures and joint strategic planning of comprehensive strategies covering activities under all Components.

2.5.4 Budgeting

Large gap between pre- and post-accession funding levels

The amount of funding upon accession (Structural Funds, Cohesion Fund, rural development funds) will be much larger than those available in the pre-accession phase. Headcount in the authorities is insufficient for roll-out and only selected measures are currently piloted by the beneficiaries. Plans, strategies, procedures and in-house expertise for others – to be applied upon accession - may not have been properly developed.

Consequently, the workload on authorities will be much larger post-accession, which do not yet have enough trained staff to cope with this. Lacking experience with certain measures, the absorption capacity of final beneficiaries may be somewhat limited.

Even if discounting the possibility for spending more in the pre- and less in the post-accession phase, there are possibilities for more flexibly frontload or backload spending within the multi-annual envelope of IPA. This reallocation within the envelope would mostly take into account the preparedness of the beneficiary to launch measures under Component

III to V and possibly on the preparedness of specific projects. The aim would be to choose the best timing for action and to not risk losing funds under 'n+3 rules'.

This is currently not a possibility under IPA.

Low levels of national co-financing

National co-financing required for IPA seems in many cases to be low, and cannot ensure proper ownership of the programme and projects. Co-financing requirements may reach 25% or even higher levels under Components III to V, which is considered adequate. But it is far less for many activities under Component I. This is especially a pressing issue for potential candidates, where Component I has a much larger weight than for candidate countries.

2.5.5 Relations with IFI

Not fully exploiting opportunities in mobilising IFI and other donor funds

Beneficiaries' investments needs are huge if they want to catch up with European standards (in transport, environment protection etc.) and to improve their competitiveness.

IPA does not have the resources to meet all these needs; and it should not do it. Grants with rather low national co-financing rates do not ensure ownership and the long-term financial viability of projects better than loans do. In addition, IFIs have appropriately strict and effective control mechanisms and can provide expert advice how to design and implement projects – not only infrastructure – but also on policy development related ones.

Blending IPA grants and IFI loans is one option for mobilising other resources. Another, more indirect way is the undertaking of project preparation activities (including e.g. feasibility studies, financing plans), and, an even more indirect way would be to setting up the appropriate legal, financial and policy background for subsequent investments – e.g. elaborating a national energy policy defining inter alia schemes for promotion of power generation from renewable energy sources (covering the modalities of cooperation between generation and the operators of the national electric grid).

Insufficient cooperation with IFIs

Many donors and IFIs are active currently in the beneficiary countries and, according to stakeholders interviewed, the level of coordination is not yet fully sufficient. The meta-evaluation of IPA concluded that the programming of Component I interventions took 'adequate and relevant account of relevant assistance provided by key donors'. However, it emerged during the focus group exercise that different donors have different programming cycles, strategic and operational (financial) requirements, different views on strategies and policies. There is sometimes a competition between funding opportunities (an undesired overlap), according to stakeholders interviewed. Better cooperation would be required, consequently, in at least two dimensions:

- Cooperation at strategic level: agreeing on policy priorities, dividing up areas of intervention if needed and deciding who funds what, defining directions for joint strategic action (e.g. energy efficiency), harmonising programming cycles. Considering the option for regional strategies (e.g. Western Balkans energy and transport);
- Cooperation under individual projects: agreeing on rules and requirements. The current cooperation procedures are rather complicated – financial and reporting requirements, rules, and procedures are still different, putting additional burden on beneficiaries.

It is worth noting that the Western Balkans Investment Framework (WBIF) is already providing a cooperation platform for the mobilisation of additional funds.

The Western Balkans Investment Framework, launched in December 2009, is a tool that provides financial support to priority projects in the region by offering grants. Grants include technical assistance, co-financing of investments, incentives, interest rates subsidies and insurance premiums. It is a joint initiative between the European Commission, the Council of Europe Development Bank

(CEB), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). In total it grants €180 million of which €130 million is provided by the European Commission. Overall, the WBIF is considered to be a complementary tool to IPA and other donor's initiatives. The remaining amount is provided by the IFI's and the European Western Balkans Joint Fund. Its objective is twofold:¹⁴

- pooling of grants, loans and expertise;
- strengthening coherence and synergies among donors.

The WBIF consists of a joint grant facility and a joint lending facility to finance the projects. The joint grant facility pools grants from the Commission's budget, IFIs and bilateral donors, whereas the joint lending facility is based on loans provided by the IFIs and increased cooperation with multilateral development and bilateral financial institutions.¹⁵ Projects must be nominated or endorsed by the National IPA Coordinator of the country. At least one of the IFIs needs to support the project for it to be eligible. Projects are selected on their consistency with national needs and EU accession priorities. As a result, projects may aim to improve environmental, energy or transport infrastructures, education, health care and other social needs. Small and medium sized businesses or the financial sector are areas of support.¹⁶

The objectives are implemented by a Joint Grant Facility (JGF) and the Joint Lending Facility (JLF). The JGF pools the grants from the Commission's budget, the CEB, EBRD, EIB and bilateral donors.

It was however pointed out by stakeholders that the coordination between donors/lenders is not without problems. Some WBIF projects are not adequately supporting, or are in certain cases not compatible with, the EU acquis or European policy objectives. An example cited concerns an IFI sponsored project in Bosnia that would tie the country's waste management system to an outdated technology (landfills) which is strongly discouraged by the EU. In addition, the expansion of coordination duties has the side effect of slowing down implementation of tendering and procurement procedures.

¹⁴ <http://www.eib.org/about/press/2009/2009-246-western-balkans-investment-framework-launched.htm>

¹⁵ http://ec.europa.eu/enlargement/pdf/western-balkans-conference/wbif-a4-def_en.pdf

¹⁶ http://ec.europa.eu/enlargement/pdf/western-balkans-conference/wbif-a4-def_en.pdf

3 The baseline scenario 2013-2018 and the European added value of a future programme

3.1 Introduction

This section discusses the key aspects and assumptions concerning the baseline scenario; the order of magnitude of the benefits and impacts that could accrue as a result of meeting the challenges of enlargement; and, the European and EU added value of the prospective intervention.

3.2 Key assumptions

Given that the ex ante evaluation concerns the subsequent financing period 2014-2020 it is necessary to make a number of assumptions regarding the number of candidate countries and potential candidates that will exist and other key aspects of the context for a future IPA. The following assumptions have been made:

- Croatia will accede to the EU in the before 2014. Iceland will also join the EU before 2014 or withdraw its candidacy in case of a lack of popular support. Thus both countries will leave the group of IPA beneficiaries; although, as Iceland receives small levels of funding from IPA this will not have a direct bearing on the resource requirements for the future programme.
- Apart from Croatia and Iceland, the group of beneficiaries will not change. There will be no new designated (potential) candidate countries from Eastern Europe prior to 2020. On the other hand, no countries will withdraw their candidacy.
- The overall slow rates of economic progress in Western Europe will continue until at least 2013. Economic recovery in the candidate countries and potential candidates will be relatively swift and the socio-economic differentials between the EU MSs and these countries will be reduced, but the rate of growth will be insufficient (with the possible exception of Turkey) to catch up with the Central and Eastern European group of MSs in the period between 2014 and 2020.
- Not all the currently allocated IPA resources will be deployed during the current financing period.

3.3 Anticipated gains from current and future programmes

The principal benefits of the current IPA are anticipated to be: the successful accession of Croatia; progress in other candidate countries and potential candidates towards meeting the Copenhagen criteria and improvements in socio economic conditions; and, the related benefits to the EU in terms of improved security in the EU neighbourhood; increased trade; and reduced pressure of irregular migration.

The benefits that are anticipated to accrue from a future IPA 2013-2020 programme are: the successful accession of Albania, Macedonia, Montenegro and Serbia; progress in Bosnia and Kosovo towards greater stability, improved public administration and meeting the Copenhagen criteria and improvements in socio economic conditions; and, the related benefits to the EU in terms of improved security in the EU neighbourhood; increased trade; and reduced pressure of irregular migration.

In the absence of a future IPA there would be problems and costs arising from lack of /delay in enlargement in the following areas:

- Labour market and migration
- Regional security, reconciliation, fight against organised crime
- Trade/Internal Market problem of continuing gaps to EU standards
- Cross-border actions in environment, transport and energy infrastructure

And problem of wider needs of countries and region:

- Good governance
- Socio-economic needs

3.4 Overview of anticipated main development needs

Strengthening the economy and the labour market

Whereas both candidate countries and potential candidates were impacted by the global economic crisis, the extent varied depending on particular country's economic structure. For example, Croatia experienced a severe economic and financial crisis, followed by a recession. Similarly, Serbia, Bosnia and Herzegovina and Montenegro were heavily hit, while those countries that are less dependent on external financing, such as Albania, Kosovo and the former Yugoslav Republic of Macedonia, remained less affected. Nonetheless, further improvements are needed in all countries in the Western Balkans, particularly with regards to fiscal tightening measures and structural reforms. Also, the performance of the labour market needs advancements, as its functioning continues to be hindered, for instance, by high female and youth unemployment or informal barriers to trade, which in turn create unfavourable business environments.

Respecting social, political and human rights

The beneficiary countries have taken certain measures to address the challenges related to social inclusion of vulnerable groups, such as Roma community. Yet, explicit, more ambitious and comprehensive approaches targeting employment, education and poverty reduction of disadvantaged people are required, particularly since these groups have been particularly affected by the recent economic downturn. Of comparable importance is the need for improvements that lead to effective functioning of human rights institutions and policies, this requires appropriate resources, however. In addition, continuing problems with reinforcement of the protection of human rights, such as equal treatment without discrimination (e.g. of women, children, Roma, or religious groups), challenge the democratic principles to which enlargement countries from Western Balkans and Turkey are aspiring to. Even if some reform processes have already been taking place, additional measures to turn them into practice are essential. This refers, for instance, to increasing the knowledge of new anti-discrimination law in Croatia, preventing ill-treatment and sub-standard prison conditions in Albania and Macedonia, or involving all stakeholders in reform development and implementation and ensuring their rights (Turkey).

Reinforcing the rule of law and public administration

The weaknesses in the rule of law and, particularly, in the fight against organised crime and corruption, reflect a clear need among most enlargement countries for instruments to tackle these issues and thus to bring tangible and real results. Bilateral agreements similar to those on police cooperation (Serbia and Albania) and on extradition of nationals for criminal proceedings or enforcement of prison sentences in cases of organised crime and corruption (Croatia and Serbia) should be implemented in other countries in the region, including areas such as cooperation on war crime cases. These efforts need further assistance towards public administration reform accompanied by preparation of professional and non-politicised civil service as well as public consultation on policy initiatives. Such an approach is also crucial to ensure sufficient administrative capacity and thus the development and implementation of sustainable, results-oriented projects in order to optimise the absorption of available pre-accession funds. Apart from the above, the following needs can be identified in the field of rule of law and public administration: increasing independence and efficiency of the judiciary (Croatia, Albania); preparing restructuring plans for certain sectors (Croatia); facilitating administrative procedures, depoliticisation and strengthening of human resources management (Croatia, Albania); improving legislative framework for elections and financing of political parties (Croatia, Albania, Montenegro); ensuring the recognition of property rights and appointing the Ombudsman (Albania); developing policy framework on anti-discrimination (Macedonia); and, finally, carrying out a constitutional reform (Turkey, Bosnia and Herzegovina) in line with European standards.

Exercising the freedom of expression and media

Overall, concerns with the shortcomings remaining in the area of freedom of expression and of the media have been raised for most enlargement countries. Cases of violence and intimidation against journalists (Macedonia) or political pressure on editors and journalists (Albania, Croatia) pose a serious problem, together with disproportionate methods of punishment for defamation (Montenegro). So as to address these limitations, legal frameworks of beneficiary countries need further strengthening to achieve compliance with EU regulations, including establishment and executing appropriate sanctions for attacks on journalists. Among other areas which require improvements, setting up the self-regulatory bodies enhancing media professionalism and credibility, and developing a reporting system for cross-border networks to improve reporting across the region, should be mentioned.

Information and communication

Developments in the sphere of information and communication are necessary to inform the citizens about what EU membership impact and advantages are. This regards not only advertisement of tangible results of the enlargement process, such as visa liberalisation for the Western Balkans, but also explanation on existing obligations linked to various aspects of the enlargement agenda (e.g. in case of Iceland).

Improving regional cooperation and bilateral issues

In terms of bilateral issues and cooperation further assistance in facilitating a process of dialogue between Kosovo and Belgrade is needed to contribute to the former participation in regional trade and cooperation as well as to the latter increased protection and integration of minorities, particularly the Kosovo Serbs. Also in Bosnia and Herzegovina the problem of reconciliation remains a challenge, especially in terms of full implementation of the Ohrid agreement in the former Yugoslav Republic of Macedonia and dialogue on inter-ethnic relations. Here, also in Croatia, full cooperation with ICTY remains a requirement for the country's progress throughout the accession process. Accordingly, speeding up the procedures for resolving cases that result from the armed conflicts in the region (e.g. high number of persons missing) is of key importance for the countries concerned. As for other aspects related to collaboration and bilateral issues, the involvement of all regional actors in regional cooperation (despite differing positions over the status of Kosovo), the solving of border disputes (e.g. between Greece and the former Yugoslav Republic of Macedonia), and a comprehensive settlement of the Cyprus issue (between the Republic of Cyprus and Turkey) still create obstacles for a full-scale momentum in the accession process of the Western Balkans and Turkey.

3.5 The needs for EU financial support as perceived by stakeholders

The responses from the online consultations provide a basis for distinguishing the views of stakeholders as to the priorities for a future IPA in each beneficiary. Stakeholders were asked to indicate the needs for specific beneficiaries. Table 3.1 indicates the significance of different needs vis-à-vis the political criteria addressed by the current programme.

The rule of law and fight against organised crime and corruption are perceived as very important, especially in potential candidates. There are significant variations between beneficiaries.

Most of the needs pertaining to achieving the political criteria of accession seem to be slightly less pressing in Croatia, the former Yugoslav Republic of Macedonia and Turkey, but they are important issues to address in the potential candidates and Montenegro, which has only recently acquired candidate status, according to respondents

Table 3.1 Significance of needs by beneficiary (in percentage) – Political criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Democracy	71	82	90	74	92	86	87	79
The rule of law	76	81	90	76	88	86	92	91
- Fight against organised crime	82	79	80	67	80	87	93	83
- Fight against corruption	81	76	90	73	93	86	100	93
The promotion and the protection of human rights and fundamental freedoms	62	71	75	71	68	79	72	73
Respect for and protection of minority rights	55	57	72	58	55	77	83	60
The promotion of gender equality and non-discrimination	53	58	76	79	59	75	72	55
The development of civil society	66	61	81	73	82	79	86	88
Reconciliation, confidence-building measures and reconstruction	50	32	60	62	52	79	79	48
Total respondents (number)	38	36	21	48	28	24	15	29

Needs of individual beneficiaries exceeding the beneficiary average by more than ten percentage points are bold and shaded green. Needs assessed below the average by more than 10 percentage points are in italics and shaded pink. This method of illustration is followed in Tables 3.2-

Table 3.2 indicates stakeholders' views of the significance of different needs vis-à-vis the economic criteria addressed by the current programme. These needs are especially important in potential candidates. In general, the needs related to the economic accession criteria are most pressing in Bosnia and Herzegovina and Kosovo (under UNSCR 1244) in stakeholders' opinion. These needs are less elaborate in Albania and Serbia, and especially the candidate countries. Amongst the latter, Turkey is seen as lagging least behind in terms of having a functioning market economy and free market.

Table 3.2 Significance of needs by beneficiary (in percentage) – Economic criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Existence of a functioning marketing economy	70	68	67	58	74	82	92	72
- Macroeconomic stability	71	65	67	65	69	79	86	77
- Free interplay of market forces	74	77	83	59	81	74	79	81
- Adequate legal system	71	83	76	65	86	88	86	79

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Capacity to cope with competitive pressures and market forces within the European Union	87	82	72	75	89	88	85	81
- Availability of sufficient human capital	76	79	74	81	76	92	92	72
- Availability of sufficient physical capital (incl. RTD, infrastructure)	72	76	79	75	79	88	100	79
- Availability of adequate sectoral and enterprise structures (incl. support for SMEs)	84	85	83	76	88	92	100	89
Total respondents (number)	39	35	21	49	29	25	14	29

Table 3.3 indicates stakeholders' views of the significance of different needs vis-à-vis the ability to take on the obligations of EU membership addressed by the current programme. There are only minor differences between beneficiaries. The adoption of or alignment with the acquis seems to be only a slightly more significant need amongst potential candidates than candidate countries, with Kosovo standing out a bit. The implementation and enforcement of the acquis is a very pressing need everywhere.

Table 3.3 Significance of needs by beneficiary (in percentage) – Ability to take on the obligations of membership

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Adoption of or alignment with the acquis	75	74	76	75	83	84	93	78
Implementation and enforcement of the acquis	83	97	90	80	90	88	93	89
Total respondents (number)	41	36	21	60	30	25	15	27

Table 3.4 indicates stakeholders' views of the significance of different needs vis-à-vis supporting structures and measures for compliance with the Copenhagen criteria. Most needs are rated highly in most beneficiaries. Some differences across beneficiaries are identifiable in the detailed analysis of responses. Turkey, which is perceived to have a relatively strong public administration, is less seen to be in need of public administration and fiscal reforms. The latter, including improving domestic revenue collection is a stronger need in Croatia, Montenegro and Kosovo. Investment in rural areas to increase living standards is considered by all (100%) respondents as a significant or very significant need in Kosovo.

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Table 3.4 Significance of needs by beneficiary (in percentage) – Supporting structures and measures for compliance with the criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Public administration reform	82	82	86	61	82	88	80	89
Fiscal reform, improving domestic revenue collection	81	60	78	51	71	57	79	67
Cross-border cooperation measures	66	53	75	54	59	67	79	71
Investment needs in regional development	86	91	79	90	86	87	92	85
Investment needs in human resources development	87	83	79	85	86	92	93	85
Investment needs in to develop rural areas/economies to increase living standards	87	77	89	88	82	96	100	93
Total respondents (number)	39	36	21	52	29	24	15	28

Table 3.5 indicates stakeholders' views of the significance of different needs vis-à-vis the management of EU funds. Most needs are rated highly in most beneficiaries.

The beneficiaries do not differ from each other much. Croatia, which is closest to accession, naturally considers the preparations for managing the cohesion and rural development instruments a little more important than other beneficiaries. Interestingly, all of the fifteen respondents said that preparing for CAP would be a significant need in Kosovo – even though they have not been granted candidate status and are thus at the moment far from joining the EU.

Table 3.5 Significance of needs by beneficiary (in percentage) – Management of funds

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Decentralisation of the management of EU pre-accession assistance	70	68	60	72	70	65	60	70
Preparing for the implementation and management of the EU's cohesion and rural development policy	89	83	83	73	67	74	85	83
Preparing for implementation of the EU's common agricultural policy	86	75	93	79	85	83	100	88
Total respondents (number)	37	34	20	50	27	23	15	27

3.6 European and EU added value of pre-accession assistance

As elaborated further in section 4 the EU has a clear mandate to further enlarge its membership subject to the agreement of MSs. In all circumstances resources would be required to achieve this in order to ensure that political and economic criteria are met, to align applicants with the *acquis* and to prepare for the administration of EU funds. The basic rationale for IPA and any future pre accession assistance is that the benefits to the EU of furthering enlargement will be outweighed by the financial costs of providing support to applicant countries to meet these requirements and to reduce the differentials in socio economic development so as to avoid future negative consequences.

In section 2 it has been estimated that the economic benefits (through trade and labour markets) of the enlargement to include the current candidate countries and potential candidates would amount to 5 billion euro per annum. Thus accelerating accession by one year would generate benefits of this order. Over and above this benefit there would be considerable, indeed enormous, potential savings through reducing and even eliminating security risks and the costs of interventions of the type that have taken place in the Western Balkans in the past. There are also very significant benefits in the social (e.g. reductions in irregular and asylum seeker migration flows to the EU) and environmental domains (e.g. lessened cross EU external border environmental externalities and protection of biodiversity). It is clear that the level of support provided by the EU to help realise these benefits should be proportionate.

There are also four important aspects of added value that a future EU programme would bring:

- Firstly, an EU programme provides the opportunity to closely link financial support to progress with political criteria. Arguably progress on political criteria is a pre requisite for progress on security, social and economic dimensions and irrespective of whether it necessarily leads to accession it is strongly in the interests of the EU. If equivalent financial resources were provided by other donors, progress with political criteria is likely to be less. The added value of EU financial support in this respect is unequivocal.
- Secondly, conflicts in the Western Balkans in particular have led to the emergence of small and in some cases relatively 'fragile' states and a weakening of integration between them and with other European states. An EU programme has the potential to strengthen both integration amongst the states in the Western Balkans and to improve physical and other links within Europe to the benefit of businesses and communities throughout the EU. The opportunity for the EU to act as a catalyst for supra national and inter regional cooperation means that the EU resources should have greater impact and effectiveness than equivalent resources from other sources.
- Thirdly, an EU programme provides the opportunity to act as a catalyst and agent for drawing on the expertise and experience of different administrations and agencies within the EU best suited to the circumstances of individual candidate countries and potential candidates. The twinning arrangements provide an example of this. The EC is well placed to identify which Member States and regions have experience that is likely to be of benefit to the future IPA beneficiaries and to orchestrate effective delivery mechanisms. It is difficult to envisage that bilateral financial support mechanisms would be more effective or efficient in this respect.
- Finally, it is evident from the analysis in Section 2 that the 'distance to travel' of the candidate countries and potential candidates envisaged post 2013 is considerable and that the 'gaps' between the conditions required for accession and those applying in 2013 will not be eliminated without financial support. EU programmed support, where there is a strong probability of its continuity (at least where it is successfully applied) is likely to be effective in leveraging other support and it is reasonable to assume that it will be more effective and efficient than equivalent levels of public funding from other sources. EU financial support coupled with the prospect of accession should also act as a lever to

increase public support in the beneficiaries towards the reforms that may be necessary to achieve membership.

Given these aspects of added value from EU programmed support, the subsidiarity principle indicates a strong rationale for intervention at the EU level.

4 Policy objectives

4.1 Introduction

This Section puts forward the general, specific and operational objectives of the prospective future IPA for the period 2014-2020. These objectives have been developed in order to provide a basis for the systematic comparison of the policy options considered that could contribute to their achievement. The specific and operational objectives also provide a basis for future monitoring and evaluation of the results of the prospective future IPA. In order that the objectives are consistent with the expressed objectives of existing political aspirations the main relevant content of the main Treaties, Council conclusions, EU 2020 Strategy, existing legal basis and policy documents are reviewed briefly.

4.2 Treaty and Council objectives

The legal basis of enlargement policy is the Treaty of the European Union (TEU), which defines the institutional framework for external action and outlines the objectives to be pursued by the EU. Article 49 of the Treaty states: *“Any European State which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union. The European Parliament and national Parliaments shall be notified of this application. The applicant State shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the consent of the European Parliament, which shall act by a majority of its component members. The conditions of eligibility agreed upon by the European Council shall be taken into account.”*

Article 2 states that: *“the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.”*

In line with the renewed consensus on enlargement approved by the European Council on 14-15 December 2006, *“the enlargement strategy based on consolidation, conditionality and communication, combined with the EU’s capacity to integrate new members, forms the basis for a renewed consensus on enlargement”*, and the Council conclusions of 8 December 2009, the 14 December 2010 European Council reaffirmed the strong support of the EU for taking the enlargement process forward on the basis of the agreed principles and conclusions.

The Council conclusions emphasised that enlargement reinforces peace, democracy and stability in Europe, serves the EU’s strategic interests, and helps the EU to better achieve its policy objectives in important areas which are key to economic recovery and sustainable growth.

The Lisbon Treaty reinforces subsidiarity and the role of local and regional actors. It strengthens the importance of policy coordination. As per the Territorial Cohesion Green Paper cross-border cooperation is required to reduce externalities of concentration and improve connections and access to services. There is a strong argument to encourage integration within cross-border and macro-regions. There is potential to be used, termed *“territorial capital”*.

As the December 2010 Council conclusions note key challenges remain in most enlargement countries. Sound macro-economic and fiscal policies and EU-related reforms should help to overcome the economic crisis and to achieve sustainable growth. Strengthening the rule of law, including through judiciary reform and stepping up the fight against corruption and organised crime, remains crucial and requires sustained efforts. Public administration reform is also important for EU policies to function properly. Social and economic inclusion of vulnerable groups, including the Roma, have to be improved and problems affecting freedom of expression and the media remain a particular concern.

4.3 The Europe 2020 Strategy

In response to the global financial and economic crisis, in March 2010 the Europe 2020 Strategy was adopted. It has three mutually reinforcing priorities of smart, sustainable and inclusive growth. The intention is to develop an EU economy based on knowledge and innovation, promoting a more resource efficient, greener and competitive economy and fostering a high-employment economy delivering economic, social and territorial cohesion.

The Europe 2020 Strategy stresses the importance knowledge and innovation as drivers of future growth, requiring improved quality in education, strengthening research performance, promoting innovation and knowledge transfer throughout the EU, fully utilising ICT advances and ensuring innovative ideas are turned into new products and services. The Strategy also identifies the need to ensure that all EU policies, instruments, including financial instruments are mobilised to ensure achievement of the Strategy objectives. This includes enhancing the single market and making sure that the EU budget focuses on delivering the objectives. The Strategy stresses the need to tackle unfavourable framework conditions such as barriers in the single market and to avoid fragmentation of effort. The enlargement of the EU can contribute to the realisation of economies of scale.

Enlargement policy contributes to the achievement of Europe 2020 Strategy objectives and EU internal policies such as security, peace, conflict prevention, immigration, the fight against serious and organised crime, stability and prosperity; connecting people and ideas (the Europe 2020 Strategy emphasises the importance of delivering the “*fifth freedom, the free movement of innovative ideas*”); and, responds to socio-economic development, transport, energy, environmental and climate challenges. It also helps to make the EU culturally richer.

4.4 Related EU Regional strategies

Regional cooperation and good neighbourly relations are essential parts of the enlargement process. They contribute to reconciliation and a climate conducive to addressing open bilateral issues and the legacy of the past and to achieving the EU’s own policies.

Following the first macro-region strategy, the Baltic Sea Region Strategy, the 2010 EU Strategy for the Danube Region¹⁷ contributes to EU objectives, reinforcing major EU policy initiatives, especially the Europe 2020 Strategy. The four pillars of the Danube Strategy address the issues of: (i) connecting the Danube region; (ii) protecting the environment; (iii) building prosperity; and (iv) strengthening institutions and promoting security and the fight against organised and serious crime. Socio-economic development, competitiveness, environmental management and resource efficient growth are to be improved and security and transport corridors modernised. The strategy will help tackle these priorities, geographically integrating Germany (Baden-Württemberg and Bavaria), Austria, the Slovak Republic, the Czech Republic, Hungary, Slovenia, Romania and Bulgaria within the EU, and Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Moldova and Ukraine (the regions along the Danube) outside the EU.

Complemented by other instruments such as the Instrument for Stability (IfS) and the European Instrument for Democracy and human Rights (EIDHR), the acquis based reforms in candidate countries and potential candidates through the Instrument for Pre-Accession (IPA) to date align with the broad EU policy objectives.

4.5 Current IPA objectives

As regard EU financial support for the enlargement process, the general objective of IPA was expressed in Regulation 1085/2006 as: *‘The Community shall assist the countries listed in Annexes I (candidates) and II (potential candidates) in their progressive alignment with the*

¹⁷ COM (2010)715, 8 December 2010

*standards and policies of the EU, including where appropriate the *acquis communautaire*, with a view to membership*'.

The Regulation did not provide specific objectives. Rather it specified the 'areas' in which assistance could be used. It indicated that '*Assistance shall, where appropriate, be used in the beneficiary countries listed in Annexes I (Candidates) and II (Potential Candidates) to support the following areas: (a) strengthening of democratic institutions, as well as the rule of law, including its enforcement; (b) the promotion and the protection of human rights and fundamental freedoms and enhanced respect for minority rights, the promotion of gender equality and non-discrimination; (c) public administration reform, including the establishment of a system enabling decentralisation of assistance management to the beneficiary country in accordance with the rules laid down in Regulation (EC, Euratom) No 1605/2002; (d) economic reform; (e) the development of civil society; (f) social inclusion; (g) reconciliation, confidence-building measures and reconstruction; (h) regional and cross-border cooperation. Furthermore, in the case of countries listed in Annex I (Candidates), assistance shall also be used to support the following areas: (a) the adoption and implementation of the *acquis communautaire*; (b) support for the policy development as well as preparation for the implementation and management of the Community's common agricultural and cohesion policies. And in the case of countries listed in Annex II (Potential Candidates), assistance shall also be used to support the following areas: (a) progressive alignment with the *acquis communautaire*; (b) social, economic and territorial development including, inter alia, infrastructure and investment related activities, in particular in the areas of regional, human resources and rural development*'.

4.6 General, specific and operational objectives

In the light of the above, the general objective of the future instrument should remain "*To promote the progressive alignment of beneficiaries with the standards and policies of the European Union, with a view to membership*".

The specific objectives are thus:

- 1 To further the alignment of beneficiaries with political criteria
- 2 To promote the alignment of beneficiaries with economic criteria
- 3 To increase the beneficiaries' ability to assume the obligations of membership
- 4 To promote good neighbourly relations with the EU and economic integration
- 5 To contribute to equitable social and economic development, primarily the reduction of poverty

Table 4.1 indicates these specific objectives and distinguishes between those that derive directly from the Copenhagen criteria and those that derive from the more general EU policy objectives. It is reasonable to include the latter because potential and candidate status is not a guarantee of future membership and to some extent progress with respect to the specific objectives 4 and 5 may be considered prerequisites for further progress on the path to accession. Table 4.1 also indicates a series of 'intermediate objectives' relating to each specific objective. These correspond closely to the areas in which specific interventions currently take place within IPA.

Table 4.1 Specific and intermediate policy objectives

Specific objectives	Intermediate objectives
<i>Within the narrow scope of the Copenhagen criteria</i>	
1. To further the alignment of beneficiaries with political criteria	Strengthening democratic institutions and promoting the rule of law
	Promoting and protecting human rights, fundamental freedoms and non-discrimination
	Supporting the fight against corruption and organised crime

	Supporting regional reconciliation and confidence-building
	Contributing to public administration reform and good governance
	Supporting the development of civil society
2. To further the alignment of beneficiaries with economic criteria	Supporting economic reforms necessary to cope with competitive pressure and market forces within the Union
	Supporting the achievement of EU standards in the economy and economic governance
	Contributing to the upgrading of human and physical capital
3. To increase beneficiaries' ability to assume the obligations of membership	Supporting the adoption and implementation of the acquis
	Supporting preparations for the implementation and management of the Community's cohesion and rural development funds
	Supporting participation in EU cooperation programmes
<i>Not covered by the Copenhagen criteria</i>	
4. To promote good neighbourly relations with the EU and economic integration	
5. To contribute to equitable social and economic development, primarily the reduction of poverty	

Because of the wide variations between the beneficiaries and the 'distance to travel' of each, in practice the operational objectives will need to be customized to the situation in each beneficiary and would be set (based on the challenges identified) in the programming documents. Such operational objectives do not therefore provide a basis for distinguishing between the policy options considered in the next section. Examples of such operational objectives are elaborated in Section 8 on monitoring and evaluation.

5 Policy options

5.1 Introduction

The approach to this ex ante evaluation and Impact Assessment study has been to identify and assess four realistic policy options involving variations in the levels of resources available and their allocation to priority areas. In particular:

- Policy Option 1. The 'Zero Option' where no future IPA would exist post 2013.
- Policy Option 2. A 'Status Quo Continuation Option' where the level and distribution of resources would be similar to that currently applying and the implementation arrangements would be similar.
- Policy Option 3. A 'Focussed approach Option' where the resources would be less than is currently the case and resources would be focussed on meeting Copenhagen criteria where the EU is clearly best placed to provide support. It would include the introduction of a performance reserve and other modifications to implementation arrangements.
- Policy Option 4. An 'Increased Resources Option' where additional resources would be available for, in particular socio economic development and 'regional' projects to enhance integration with the EU. It would include the introduction of a performance reserve and other modifications to implementation arrangements.

These options are elaborated in this Section and assessed in Section 6. Section 7 then considers in more detail the preferred option and the merits and implications of modifications that have been considered.

The reasons for this approach are as follows. Firstly, the assessment of the broad policy options enables the intervention logic of the prospective future programme to be tested. Ultimately this is the most important consideration for a future EU financial intervention. Secondly, there is considerable uncertainty over the level of budgetary resources that might be available. Whilst the resources needed in the candidate countries and potential candidates to develop legislation and institutional capacities to meet the requirements of the acquis and management arrangements for EU Structural Funds are 'finite' and relatively easy to specify, the countries may require considerably greater resources in order to make rapid progress in socio-economic development and to improve the quality and standards of environment, transport and communications infrastructure. Subject to capacity constraints to implement programmes successfully, were funds available, it would be easy to point to the need for them. Thirdly, areas for improvement can be identified in the implementation of IPA and it is appropriate to consider modifications in the implementation arrangements, in the light of experience and in order to take advantage of the lessons learnt to date. Many of such modifications would apply to both Policy options 3 and 4 with minor variations. However, these modifications are only considered in detail for the preferred option in Section 7.0. The policy options are described below, the financial resources are expressed in current prices. Detailed indicative budget allocations are given in Annex 8.

5.2 Policy option 1 The "Zero Option"

This policy option assumes that there is no continuation of EU IPA type pre accession assistance post 2013. However, EU financial support such as ENPI would be available to the beneficiaries. Also, some interventions and activities would be maintained:

- DG ELARG political desk officers and EU Delegations would continue to monitoring progress and provide advice as today. Other DGs would also be involved.
- Some MB/regional programmes would continue including the continuation of existing ones.
- Line DGs would provide help with guidance, advice, missions in preparing for the management of the EU Structural Funds, but no EU funds would be provided.

- Twinning activities may take place, but to a large extent they would be paid for by beneficiaries or MSs involved.
- Beneficiaries would be able to participate in EU programmes but would need to fund this activity themselves.
- Current IPA projects would continue and it could reasonably be anticipated that expenditure on these projects would continue for several years post 2013.

In essence under this policy option the emphasis would be on the beneficiaries themselves sponsoring the path to accession through their own resources (or those of other donors).

5.3 Policy option 3 “Status quo Continuation”

This policy option would involve the continuation of the current IPA with comparable levels of overall resources¹⁸. The allocation of resources between components and intervention areas would be similar to that envisaged during the current financing period. Table 5.1 presents the indicative annual financial allocation.

The “status quo” against which changes are measured in the second column (in percentage) is understood as continuing in 2014 with the allocations of the current IPA for 2013 as of the latest MIFF (at 2013 prices).

Table 5.1 Policy Option 2 Status Quo Continuation, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. “Status quo”	Total allocations
Component I	-	764
Component II	-	56
Component III	-	537
Component IV	-	132
Component V	-	277
GRAND TOTAL (excl. support)	-	1,766
Support expenditure	-	65
Performance reserve	-	203
GRAND TOTAL	-	2,035

5.4 Policy option 3 “Focus on support to meet Copenhagen Criteria”

This policy option would involve a reduction of 25% in the level of resources available compared with the status quo continuation option and an approach focussed on ‘policy activity’, preparing for the acquis and (where accession is foreseeable) the management of EU Structural Funds.

More specifically as indicated in Table 5.2 this policy option would involve a reduction in resources available for economic development and social cohesion and Components III, IV and V compared with the status quo continuation option. The policy intervention would also give emphasis to interventions that influenced attitudes towards the reforms required for EU membership. It would include less EU financial support for public investment and socio-

¹⁸ As discussed in section 3 it is assumed that HR will accede to the EU so the resources would be divided between 7 rather than 8 candidate/potential candidate countries.

economic development. The latter process would be led by the countries concerned in conjunction with IFI.

In essence the levels of EU resources available to the beneficiaries would be similar to those available to ENPI countries but much of these resources would be specifically earmarked to advance the accession process. However, the EU would assume less responsibility for funding socio-economic development interventions prior to accession than under the 'status quo' option. It would include the introduction of a performance reserve.

Table 5.2 Policy Option 3 Focus on support to meet Copenhagen criteria, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. "Status quo"	Total allocations
Component I	-19%	621
Component II	0%	56
Component III	-33%	361
Component IV	-30%	92
Component V	-28%	198
GRAND TOTAL (excl. support)	-25%	1,328
Support expenditure	-30%	46
Performance reserve	-25%	153
GRAND TOTAL	-25%	1,526

5.5 Policy option 4 "Increased resources"

This policy option would involve the continuation of the current IPA but with an increase of 50% in EU funding for socio-economic interventions meeting EU, regional and national needs.

It would also involve as indicated in Table 5.3. Some minor reallocations between socio economic components and priorities. The policy option would include a stronger emphasis on regional needs than does the Status Quo Continuation Option. The EU would assume a catalytic and leadership role amongst donors. It would involve refining and extending WBIF. It would include the introduction of a performance reserve.

Table 5.3 Policy Option 4 Increased Resources, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. “Status quo”	Total allocations
Component I	42%	1,087
Component II	50%	84
Component III	53%	824
Component IV	65%	218
Component V	66%	461
GRAND TOTAL (excl. support)	50%	2,674
Support expenditure	20%	78
Performance reserve	50%	306
GRAND TOTAL	50%	3,058

6 Assessment of alternative policy options

6.1 Introduction

Each of the policy options introduced in Section 5 has been assessed against the following criteria:

- The costs
- The benefits in terms of their effectiveness in achieving the specific objectives indicated in Section 4. (Policy options 1, 3 and 4 have been assessed against Policy Option 2 The 'Status Quo Continuation Option' on this criterion).
- Economic impacts
- Social impacts
- Impacts on human rights
- Environmental impacts
- The views of stakeholders

An overall assessment is also made for each option. The policy options are considered in turn and then the results of the assessments are then compared.

6.2 Policy option 1 The 'zero option'

The policy option envisages no continuation of IPA type pre accession assistance beyond the requirements of the current Regulation. It is judged that the zero option would score negatively on the achievement of specific objectives when compared with the Status Quo continuation. The underlying rationale of the policy option is that, should a country chose to apply to join the EU, then as far as possible the country itself should commit to and fund the necessary reform process benefiting from advice and support from the EC and MSs but not EU financial assistance for this purpose. At the same time EU support for socio economic development would be considered in the same way as for other similar third countries.

In some respects the case of Iceland illustrates the rationale of this policy option. Iceland has received relatively few pre accession resources and is likely to proceed to accession in the near future.

6.2.1 Achievement of specific objectives

Table 6.1 indicates the assessment of the Zero policy option relative to the Status Quo continuation with respect to the five specific objectives.

Table 6.1 Assessment of Policy Option 1 Zero Option relative to continuation option

Specific Objective	Rating (from minus xxxxx to plus xxxxx)	Explanation for rating
To further the alignment of beneficiaries with political criteria	Minus xxx	The policy option should have a strong negative impact on this policy objective.
To further the alignment of beneficiaries with economic criteria	Minus x	The policy option should assist the beneficiaries in this respect through 'neighbourhood policy' but given the prevailing economic circumstances in many of the beneficiaries this objective will be difficult to achieve and this option would perform less well than the Status Quo continuation option.

To enhance beneficiaries' ability to assume the obligations of membership	Minus xx	The policy option is likely to be associated with some economic growth in the potential and candidate countries hence in critical areas where public expenditure is required such as the environment some progress in meeting the obligations of membership is likely but considerably less than with the Status Quo continuation option.
To promote good neighbourly relations with the EU and economic integration	Minus x	The availability of resources directly relevant to the pursuit of this objective should ensure some progress but less than through the Status Quo continuation option.
To contribute to equitable social and economic development, primarily the reduction of poverty	Minus xx	Given the prevailing economic circumstances in many of the beneficiaries this objective will be difficult to achieve and this policy option would perform less well than the Status Quo continuation option.

6.2.2 Financial costs

The financial costs would be low it is reasonable to assume the human resources required by the EU and MS to provide advice and support and further the negotiation process would be in the order of 5% of the costs of the status quo continuation policy option, i.e. around 100 million euro per annum. In addition it is reasonable to assume that support equivalent to that given to ENPI countries would apply. This is estimated to be in the order of 10-12 euro per capita per annum.

6.2.3 Economic impacts

The main potential economic impacts arise through enlargement and as a consequence of the expansion of the internal market. The order of magnitude of these economic consequences is estimated in Section 2 and in more detail in Annex 6. It is very likely that, because of the pressing needs in several of the candidate countries and potential candidates, the large gap between the socio economic conditions in these countries and those in the EU and the 'distance to travel' on many aspects of the Copenhagen criteria, the consequence of this policy option would be to considerably delay the enlargement process for all or many of the candidate countries and potential candidates. There would be some continuing additional costs to the EU and MSs as a result. These include: security measures and risks; border controls; and, irregular migration. The absence of the combination of candidate/ potential candidate status and EU financial resources may adversely affect international perceptions and confidence in the applicant countries.

6.2.4 Social impacts

The policy option is likely to be associated with continuing problems of poverty and exclusion in the candidate countries and potential candidates.

6.2.5 Impacts on human rights

There would be a strong risk that rights in the area of justice and the rule of law would be jeopardised in the candidate countries and potential candidates as a consequence of delays in and risks to accession taking place.

6.2.6 Environmental impacts

There would be a strong likelihood that environmental costs would accrue if enlargement was delayed or put at risk because lower environmental standards may be used as a mechanism for generating competitive advantage in candidate countries and potential candidates.

6.2.7 The views of stakeholders

There was no apparent consensus support for this policy option. Stakeholders in candidate countries and potential candidate would in the main strongly oppose it. MS vary in their opinions towards enlargement overall and with respect to particular countries. However, there is overall support for IPA as a means to further enlargement. (See Annex 5)

6.2.8 Overall assessment of Policy option 1

There are circumstances that could be imagined where the Zero policy option could successfully further enlargement and bring about the benefits envisaged. These circumstances would require: candidate countries and potential candidates to have institutional and administrative structures and capacities at least as strong as existing EU Member States, and levels of infrastructure and socio-economic development at least as high as some countries or regions within the EU. Furthermore, their accession would need to be viewed as uncontroversial by existing MSs and there would need to be a generally favourable and optimistic economic outlook. However, these circumstances do not apply and hence with this policy option there is a danger that the enlargement process would grind to a halt and security risks would increase.

6.3 Policy option 2 “Status quo Continuation”

As described in Section 5 this policy option involves the continuation of the current IPA with similar levels of resource allocation and range of interventions supported. For the purposes of this report it has been assessed as neutral with respect to the achievement of the specific policy objectives. The other policy options have been assessed relative to this option.

6.3.1 Financial costs

The cost to the EU of this policy option would be 2.0 billion euro per annum. The candidate countries and potential candidates would co finance at similar rates to those now prevailing.

6.3.2 Economic impacts

As stressed above the main potential economic impacts arise through enlargement taking place and as a consequence of the expansion of the internal market. The order of magnitude of these economic consequences is estimated in Section 2. It is very likely that this policy option would reduce the time taken for enlargement compared with policy option 1 through contributing more to meeting the pressing needs in several of the candidate countries and potential candidates, reducing, to a limited extent, the large gap between the socio economic conditions in these countries and those in the EU. Hence the additional continuing costs to the EU and MSs including: security measures and risks; border controls; and, irregular migration accruing in policy option 1 would reduce. The possibilities for better economic integration would be improved through improvements in TENs. The conferral of candidate/ potential candidate status and continued substantial EU financial resources would favourably affect international perceptions and confidence in the applicant countries.

6.3.3 Social impacts

The policy option is likely to be associated with continuing albeit slightly lessened problems of poverty and exclusion in the candidate countries and potential candidates compared with current conditions. However, continuing and regular progress towards accession would help create the conditions for improved economic performance and policy measures that could further address these issues.

6.3.4 Impacts on human rights

The risk that rights in the area of justice and the rule of law would be jeopardised in the candidate countries and potential candidate as a consequence of delays in and risks to accession taking place would be reduced compared with policy option 1.

6.3.5 Environmental impacts

There is less likelihood that environmental costs would accrue through enlargement being delayed and lower environmental standards being used as a mechanism for generating competitive advantage in the candidate countries and potential candidates, compared with policy option 1.

6.3.6 The views of stakeholders

The beneficiaries would broadly welcome this policy option. Most of them view a main benefit of the accession process and enlargement as access to EU resources to further economic development and this would continue at current levels. It is likely that Member States would also welcome this option as they have in the main demonstrated broad commitment to the principles embedded in the current programme. The continuation of the status quo would have the merit of demonstrating sustained commitment to the enlargement process. (Further details are given in [Annex X](#))

6.3.7 Overall assessment of Policy option 2

The policy option would maintain EU financial commitment to the enlargement process. This would generate a positive signal to beneficiaries and reinforce the EU commitment to enlargement. This should be reflected in the beneficiaries' commitment to undertake the necessary reforms. The realisation of the anticipated benefits of enlargement should take place within a reasonable timeframe. However, because of varied MS attitudes towards the accession of particular beneficiaries the policy option could be associated with circumstances where resources are not used optimally because beneficiaries are required to create systems mirroring those in the EU for the implementation of ECP and CAP even where these will not be required in the foreseeable future.

6.4 Policy option 3 “Focus on support for meeting Copenhagen criteria”

As outlined in Section 5 this policy option involves an approach focussed approach on ‘policy activity’, preparing for the acquis and, when accession is foreseeable the management of EU Structural Funds. The rationale underpinning this policy option is that the EU is best placed to further the conditions that allow for candidate countries and potential candidates to meet the political economic and ‘technical’ criteria for EU Membership and that IPA financial resources should focus on this activity and give less emphasis to socio-economic development prior to accession. In essence the candidate countries and potential candidates would need to take greater responsibility for economic and social progress in their countries in the pre accession period.

6.4.1 Financial costs

The cost to the EU of this policy option would be 1.5 billion euro per annum. The potential and candidate countries would co finance at similar rates to those now prevailing.

6.4.2 Achievement of specific objectives

Table 6.2 indicates the assessment of the focussed assistance policy option relative to the Status quo continuation option with respect to the five specific objectives.

Table 6.2 Assessment of Policy Option 3 relative to Status Quo Continuation option

Specific Objective	Rating (from minus xxxxx to	Explanation for rating

plus xxxxx)		
To further the alignment of beneficiaries with political criteria	-	The policy option should have a strong impact on this policy objective.
To further the alignment of beneficiaries with economic criteria	Minus x	The focus of resources on developing institutional structures and capacities is likely to limit the achievement of this objective, particularly in the aftermath of the economic and financial crisis.
To enhance beneficiaries' ability to assume the obligations of membership	Minus x	The policy option is likely to be associated with lower economic growth in the potential and candidate countries than in the 'status quo' option hence in critical areas where public expenditure is required such as the environment meeting the obligations of membership will be less likely.
To promote good neighbourly relations with the EU and economic integration	Minus x	The reduction in IPA resources directly relevant to the pursuit of this objective would limit its achievement.
To contribute to equitable social and economic development, primarily the reduction of poverty	Minus xx	The reduction in IPA resources directly relevant to the pursuit of this objective would limit its achievement.

6.4.3 Economic impacts

As stressed above the main potential economic impacts arise through enlargement taking place as a consequence of the expansion of the internal market. The order of magnitude of these economic consequences is estimated in Section 2. It is very likely that, because of the pressing needs in several of the candidate countries and potential candidates, the large gap between the socio economic conditions in these countries and those in the EU would continue. The beneficiaries would be motivated to maintain their competitiveness though for example lower environmental and labour market regulatory standards. The consequence of this policy option would be to delay the enlargement process for some of the candidate countries and potential candidates. There would be some continuing additional costs to the EU and MSs as a result. These include: security measures and risks; border controls; and, irregular migration. The possibilities for better economic integration would also be constrained because of continuing weaknesses in TENs. The conferral of candidate/potential candidate status and EU financial resources would favourably affect international perceptions and confidence in the applicant countries.

6.4.4 Social impacts

The policy option is likely to be associated with continuing problems of poverty and exclusion in the candidate countries and potential candidates. However, continuing and regular progress towards accession would help create the conditions for improved economic performance and policy measures that could address these issues.

6.4.5 Impacts on human rights

There would be a small risk that rights in the area of justice and the rule of law would be jeopardised in the candidate countries and potential candidates as a consequence of delays in and risks to accession taking place.

6.4.6 Environmental impacts

There would be some likelihood that environmental costs would accrue if enlargement was delayed or put at risk because lower environmental standards may be used as a mechanism for generating competitive advantage in candidate countries and potential candidates.

6.4.7 The views of stakeholders

The beneficiaries would not welcome this policy option. Most of them view a main benefit of the accession process and enlargement as access to EU resources to further economic development. They would be concerned that the accession process would lose momentum and risk 'enlargement fatigue', and that they would have to create artificial structures to manage EU resources but have few to deploy. It is likely that Member States would see some merit in this option bearing in mind: the actual levels of resources committed in the current programme have been less than allocated in the IPA budget (hence this policy option is in fact close to a version of the 'Status Quo continuation' that assumed current absorption levels); the severe financial constraints pertaining within the EU as a result of the economic and financial crisis; and , the evident EU added value of the policy option that focuses on supporting activities that have assisted in the previous enlargement process and that gives less onus on the EU taking responsibility for the socio economic development process of the candidate countries and potential candidates. However, MSs would need to weigh these considerations against the risk that the policy option would delay and risk enlargement and the realisation of associated benefits.

6.4.8 Overall assessment of Policy option 3

The policy option would reduce the EU financial commitment to the enlargement process with the likely consequence of some delays and risks to enlargement and the realisation of the anticipated benefits. However, it would focus resources on where the EU should be most effective. Given the ambivalence and in some cases opposition of some MSs to the accession of particular beneficiaries and the likelihood that some current beneficiaries may not accede in the foreseeable future this policy option would potentially have the merit of more explicitly outlining the path to accession (or otherwise) of each beneficiary and hence optimising the allocation of resources. In particular, circumstance could be avoided where beneficiaries are required to create systems mirroring those in the EU for the implementation of ECP and CAP even if these will not be required in the foreseeable future.

6.5 Policy option 4 "Increased resources"

Continuation of the current IPA with greater funding for socio-economic impact meeting EU, regional and national needs

6.5.1 Financial costs

The cost to the EU of this policy option would be 3.0 billion euro per annum. The candidate countries and potential candidates would co finance at similar rates to those now prevailing.

6.5.2 Achievement of specific objectives

Table 6.3 indicates the assessment of the 'Increased resources' policy option relative to the status quo continuation option with respect to the five specific objectives.

Table 6.3 Assessment of Policy Option 4 relative to Status Quo continuation option)

Specific Objective	Rating (from minus xxxxx to plus xxxxx)	Explanation for rating

To further the alignment of beneficiaries with political criteria	-	The policy option should have a strong impact on this policy objective.
To further the alignment of beneficiaries with economic criteria	-	The policy option should assist the beneficiaries in this respect but given the prevailing economic circumstances in many of the beneficiaries, despite additional resources compared to policy option 2 this objective will be difficult to achieve.
To enhance beneficiaries' ability to assume the obligations of membership	-	The policy option is likely to be associated with economic growth in the candidate countries and potential candidates hence in critical areas where public expenditure is required such as the environment some progress in meeting the obligations of membership is likely.
To promote good neighbourly relations with the EU and economic integration	x	The availability of additional resources compared with policy option 2 directly relevant to the pursuit of this objective should ensure additional progress. However, the challenges are great and IPA alone is unlikely to fully realise this objective.
To contribute to equitable social and economic development, primarily the reduction of poverty	xx	The policy option should assist the beneficiaries in this respect to a greater extent than policy option 2 but, given the prevailing economic circumstances in many of the beneficiaries, this objective will remain difficult to achieve in full.

6.5.3 Economic impacts

As stressed above the main potential economic impacts arise through enlargement taking place and as a consequence of the expansion of the internal market. The order of magnitude of these economic consequences is estimated in Section 2. It is very likely that this policy option would reduce the time taken for enlargement compared with policy options 1 and 3 and potentially compared with policy option 2, through contributing to meeting the pressing needs in several of the candidate countries and potential candidates and reducing the large gap between the socio economic conditions in these countries and those in the EU. Hence the additional continuing costs to the EU and MSs including: security measures and risks; border controls; and, irregular migration accruing in policy option 1 and 3 and potentially policy option 2 would reduce. The possibilities for better economic integration would be improved through improvements in TENs. The conferral of candidate/ potential candidate status and continued substantial EU financial resources would favourably affect international perceptions and confidence in the applicant countries.

6.5.4 Social impacts

The policy option is likely to be associated with continuing albeit lessened problems of poverty and exclusion in the candidate countries and potential candidates. However, the additional resources compared to policy option 2 should enable the tackling of some poverty and exclusion issues. Continuing, regular and potentially accelerated progress towards accession compared with policy option 2 would help create the conditions for improved economic performance and policy measures that could further address these issues.

6.5.5 Impacts on human rights

The risk that rights in the area of justice and the rule of law would be jeopardised in the candidate countries and potential candidates as a consequence of delays in and risks to accession taking place would be reduced. This policy option would probably not perform better than policy option 2 on this criterion.

6.5.6 Environmental impacts

There is less likelihood that environmental costs would accrue through enlargement being delayed and lower environmental standards being used as a mechanism for generating competitive advantage in the candidate countries and potential candidates. Some of the additional resources under this policy option could be earmarked for environmental goods and services with a view to achieving some EU standards prior to accession. Achieving a number of these is likely to incur high public sector investment costs.

6.5.7 The views of stakeholders

The beneficiaries are likely to strongly support this policy option. Most of them view a main benefit of the accession process and enlargement as access to EU resources to further economic development and this would increase from current levels. It is likely that Member States, particularly the net contributors would not support this policy option because of the additional EU costs involved.

6.5.8 Overall assessment of Policy option 4

The policy option would increase EU financial commitment to the enlargement process. This would generate a positive signal to beneficiaries and reinforce the EU commitment to enlargement. This should be reflected in the beneficiaries' commitment to undertake the necessary reforms. The realisation of the anticipated benefits of enlargement might take place more quickly as compared with policy option 2. Some of the additional expenditure would be on infrastructure that would assist EU economic integration in the region. However, because of varied MS attitudes towards the accession of particular beneficiaries the policy option could be associated with circumstances where resources are not used optimally because beneficiaries are required to create systems mirroring those in the EU for the implementation of ECP and CAP even where these will not be required in the foreseeable future. The policy option also runs the risks of the beneficiaries being highly dependent on EU resources and lessening the commitment of their own resources to accession process.

6.6 Comparative assessment of the policy options

Table 6.4 summarises the assessment of the four policy options against the five specific objectives.

Policy options 2, 3 and 4 perform similarly with respect to promoting the alignment of beneficiaries with political criteria. The current IPA is well designed for this purpose and the achievement of this objective is not dependent on the level of EU resources available.

Furthering the alignment of beneficiaries with economic criteria is a more challenging objective. As indicated in Section 4 it includes the intermediate objectives of: supporting economic reforms necessary to cope with competitive pressure and market forces within the Union; supporting the achievement of EU standards in the economy and economic governance; and, contributing to the upgrading of human and physical capital. Policy options 2, 3 and 4 have been rated relatively lowly with respect to these objectives because the achievement of the economic criteria is very demanding and will depend upon developments other than the implementation of the policy options.

Good progress with respect to the objective of increasing beneficiaries' ability to assume the obligations of membership can be anticipated from policy options 2, 3 and 4 because the current programme is well geared to this end. However, some of these obligations require commitments of public expenditure that would be more likely under policy options 3 and 4.

Promoting good neighbourly relations with the EU and in particular achieving economic integration is again a very challenging objective and policy options 2, 3 and 4 would only achieve this to a certain extent. However, it is reasonable to assume that the more EU resources available the greater the impact that could be achieved particularly because it is

anticipated that the additional resources under policy option 4 would be spent under regional infrastructure that would aid economic integration.

Similarly the contribution of the policy options to the equitable social and economic development and in particular the reduction of poverty is likely to be highly dependent on the levels of resources available. Hence, policy options 2, 3 and 4 are judged to perform differently against this objective.

Bearing in mind the ratings indicated in Table 6.4, policy option 4 performs best. However, it is judged to perform better than policy option 2 on only two of the five objectives yet would incur in the order of 1.0 billion euro per annum additional EU resources. Policy option 4 also has the potential to advance the accession process and hence realise the benefits of enlargement earlier than in the other policy options. However, there are risks associated with the beneficiaries becoming overly dependent on EU financial resources and less committed to making the necessary reforms without these in effect being 'paid for' by the EU. Given the difficulties that have occurred in absorbing the current IPA, some of which are a consequence of limited institutional capacities in the some beneficiaries, there is also a risk that the additional resources in policy option 4 would not be spent effectively.

Policy option 2 compares favourably with policy option 3 in that it would allow for more public investment, visibility of EU resources and the realisation of 'concrete' projects. Given the socio economic conditions in the beneficiaries and varied and sometimes ambivalent political and public attitudes towards accession such interventions are likely to be necessary to secure the necessary commitments to the reforms required for EU membership.

On balance therefore, policy option 2 emerges as the preferred option. However, maximising the impact of this option is likely to require some modification to the arrangements for implementation and closer alignment to the current political context and EU 2020 Strategy.

Table 6.4 Performance of policy options against the specific objectives

Assessment criteria	PO1 Zero option	PO2 Status quo/ continuation	PO3 Assistance focussed on Copenhagen criteria	PO4 Increased resources for Socio- economic development
To further the alignment of beneficiaries with political criteria	Minus xxx	-	-	-
To further the alignment of beneficiaries with economic criteria	Minus x	-	Minus x	-
To increase beneficiaries' ability to assume the obligations of membership	Minus xx	-	Minus x	-
To promote good neighbourly relations with the EU and economic integration	Minus x	-	Minus x	x
To contribute to equitable social and economic development, primarily the reduction of poverty	Minus xx	-	Minus xx	xx
Additional EU costs post 2013 per annum (billion euro)	0	2.0	1.5	3.0

6.7 Key aspects of the preferred option

As indicated above, the preferred option would involve the continuation of the current IPA with comparable levels of overall resources¹⁹. The allocation of resources between components and intervention areas would be similar to that envisaged during the current financing period. Table 6.5 presents the indicative annual financial allocation.

It anticipates a similar allocation of resources between components as with the current IPA, (although as discussed later retaining the component structure may not be needed). 9% of the resources would be allocated to regional and multi-beneficiary interventions.

The indicative budget includes the introduction of a performance reserve of 10%. Whilst not envisaged in the Status Quo continuation because there is not a 'performance reserve' in the current IPA such an arrangement would have merit. There are two main reasons for this. Firstly, there is a need to more closely link resource allocation to performance. Secondly, given the wide variety of circumstances in which the resources will be deployed an element of flexibility is needed to reallocate resources should circumstances demand. The level of 10% is proposed because it would provide both a strong measure of certainty and an incentive to ensure good performance. It is envisaged that the operation of the performance reserve would allow for certain beneficiaries to receive larger allocations than envisaged at the outset of the programming periods. The performance reserve is further discussed in Section 7.5.4.

Table 6.5 Preferred Policy Option, Status Quo Continuation with modifications, indicative annual financial allocation (million euro)

Components and intervention areas	Candidate countries				Potential candidates			R/MB	Total
	ME	MK	TR	RS	AL	BA	XK		
Component I total	16	27	234	50	85	104	70	178	764
Component II total	4	5	10	12	11	5	3	6	56
Component III total	23	50	372	92					537
Component IV total	7	11	94	20					132
Component V total	10	20	209	37					277
TOTAL	60	114	920	210	96	109	73	184	1,766
Support expenditure									65
Performance reserve									203
GRAND TOTAL	60	114	920	210	96	109	73	184	2,035
National contribution (excl. private co-financing), estimated	18	36	296	68	17	19	13		528*
Total public resources	78	150	1,216	278	113	128	86		2,563*

* Including national contributions for the allocated performance reserve

¹⁹ As discussed in section 3 it is assumed that HR will accede to the EU so the resources would be divided between 7 rather than 8 candidate/potential candidate countries.

7 Key modifications to the delivery of IPA considered

A number of modifications to the design of IPA and its implementation mechanisms have been proposed and assessed during the course of this ex ante evaluation and Impact Assessment study. Table 7.1 identifies these modifications and provides an overall assessment of the level of stakeholder support, the likely benefits, feasibility, and preliminary conclusions as to whether they should be adopted. The proposed modifications considered concern: the use of different measures within IPA; planning and incentives; the structure of IPA; budgeting; relations with IFI; and, management structures. The proposed modifications are discussed in more detail in the following subsections.

Table 7.1 Overall assessment of the modifications considered

Scope of modification	Proposed modifications considered	Level of support	Expected benefits	Practical feasibility	Conclusions
The use of different measures within IPA	Maintaining and strengthening the sector approach	Strong	High	Medium/High	Adopt
	More flexible use of budget support	Mixed	Medium	Uncertain	Adopt in limited manner
	Strengthening the role of regional programmes	Strong	High	Medium	Adopt
Planning and incentives	More use of twinning	Mixed	Medium	Medium/High	Adopt
	Multi-annual planning	High	High	High	Adopt
	Clearer focus on strategy and results	High	High	Medium	Adopt
	More systematic use of conditionalities	Mixed	Medium	Medium	Adopt
	Financial rewards for performance	High	High	High	Adopt
	Better beneficiary involvement in programming	High	High	High	Adopt
The Structure of IPA	No strict differentiation between beneficiaries	Mixed	Medium	High	Consider
	Re-examining the current Component structure	Mixed	Medium	High	Consider
Budgeting	Linearization of funds	Mixed	Low	Medium	Don't adopt
	Increasing national co-financing	Mixed	Low	Medium	Don't adopt
Relations with IFI	Mobilising IFI and other donor funds	High	High	Medium	Adopt
	Institutionalised cooperation with IFIs	High	Medium	Medium	Adopt

7.1 The use of different measures within IPA

Four 'modifications' to the use of different measures within a future IPA have been considered in the study: maintaining and strengthening the sector approach; the use of budget support; strengthening the role of regional programmes; and, more use of twinning. Each of these is considered in turn below.

7.1.1 Maintaining and strengthening the sector approach

The proposed modification considered was to continue and to enhance the sector approach already introduced in 2010-2011. This would involve the funding of agreed policy strategies rather than grant financed projects.

The benefits of the sector approach include:

- It would help orient EU financing towards the achievement of a common vision(s);
- It would help strengthen of donor coordination, including in the acquis and broader investment needs;
- It would serve as an anchor for private sector expectations and for stimulating and steering private investment;
- It could help reinforce instruments such as WBIF;
- It would enhance beneficiary ownership and programming/management for results; and,
- It would improve multi-annual programming in the existing Component I, and should reduce administrative costs.

The sector approach is particularly applicable to anti-corruption, which has again in 2010 been identified as a key area for improvement in the Enlargement Strategy and Progress Reports. Here, particular attention should be given to the implementation of reforms, beyond mere legislative improvements. Anti-corruption should also be mainstreamed into other sector approaches as a cross-cutting issue.

There are some disadvantages and risks with the sector approach. Whilst stakeholders are generally in favour of it, some beneficiaries are apprehensive about moving too quickly to a sector approach and creating too high expectations for it. There is, so far, little experience of the sector approach within IPA, and some countries have experienced particular difficulties with it (e.g. Bosnia). Some beneficiaries have limited planning and implementation capabilities that would be required for its success. The approach might also limit the flexibility to reallocate funds between sectors.

There are conditions that would increase the effectiveness of the sector approach. If the modification is adopted, the planning period would need to be extended to 5 years with the MIPDs becoming multi-annual documents based largely on the sector approach. The annual national programmes would no longer be required. However, as an entirely sectoral approach may not be feasible, a double-tier approach could be introduced involving: the sector approach in some sectors; and, measures related to the acquis that don't fit in any particular sector. The sector strategies could serve as the basis for conditionalities and rewarding good performance.

Civil society participation should be included in the sector approach, both in programming and monitoring of the reform processes (this is already the case under Components III, IV and V where the programmes need to be set up in consultation and agreement with stakeholders and future potential final beneficiaries - modelled after the SF and rural development rules). This would be especially helpful for government-sensitive issues such as anti-corruption and governance reforms. Credible civil society organisations should be involved at the start, in the initial assessment and design of the sector approach, and should continue to be consulted and involved in monitoring throughout the process.

Suggestions made during the consultation exercise included: the EC services need to define exactly what is meant and intended by the sector approach and to ensure that the EU Delegations consistently follow an agreed approach; and, the extent of the use of sector based programming should be clarified.

On balance the sector approach should continue and be further developed in the sectors already identified, particularly with respect to judiciary, anti-corruption and good governance.

7.1.2 More flexible use of budget support

This modification would involve the granting of budget support to particular sector strategies within a future IPA. It is closely linked to sector approach discussed in Section 7.4.1. Budget support was given to Serbia in 2009. Budget support is utilised in development policy, including the EU's development instruments managed by DG DEVCO.

The EC defines budget support as the *“transfer of financial resources of an external financing agency to the national treasury of a partner country. These financial resources form part of the partner country's global resources, and are consequently used in accordance with its public financial management system.”*²⁰ The resources are used alongside national co-financing, using the beneficiaries' public financial management systems (including public procurement, and internal control and audit). Budget support is authorised if eligibility criteria and more specific conditions are met. The typical eligibility criteria are: well-defined, agreed and adopted national or sector development strategies; policies in place safeguarding macroeconomic stability; and, credible programmes to improve public financial management.

There are two main types of budget support:

- General Budget Support (GBS): involving transfer to the national treasury in support of broad development policies as set out in a national strategy. The emphasis is on the overall fulfilment of development and reform objectives and important cross-cutting issues with implications for policies in all sectors (for enlargement countries, this could be for example, competitiveness, education, democratic institutions, PAR, judiciary system and public financial management).
- Sector Budget Support (SBS): transfer to the national treasury in support of a narrow range of development or reform policies as set out in a sector strategy (e.g. anti corruption, environment, etc.).

The benefits of the budget support include:

- Potentially improved management of resources for results;
- Stronger beneficiary ownership over interventions;
- Reduced possibilities of fragmented, ad hoc, projects that do not deliver results;
- Reduced potential for inefficient spending dictated by donor priorities and procurement arrangements;
- Counteracting reliance on donor funding (and implementation expertise) which undermines sustainability;
- Improved beneficiary capacity and accountability;
- More rapid implementation. (For example, the resources of some of the institutions participating in Component I projects are too small to cover the financing of the project until monies are received from the EU. Monies granted project by project may slow down implementation);
- Reduced administrative costs (at both beneficiaries and EU Delegations): decreasing the workload of the EC, especially EU Delegations who would not have to control (ex-ante) spending at project level and could concentrate on more strategic tasks such as political and sectoral dialogue.

It may also avoid, in a future IPA, the undermining of state systems resulting from special staffing arrangements and the creation of parallel structures that may occur under the current arrangements.

There are also potential risks and drawbacks with budget support:

²⁰ http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/index_en.htm

- Some beneficiaries may not be well equipped to develop multi-annual sector strategies. Ministries where human resources and expertise are lacking may not be able to conceive and implement policies, actions/programmes /projects in a competent and transparent way. Detailed goals need to be identified and reporting requirements defined;
- The resulting interventions may be too focused, aiming at impact but not at the acquis and general preparation for accession. The budget support approach may be better suited for more general development policy;
- There may be a loss of profile and visibility of the EU;
- There may be problems controlling spending through the risk of putting resources into weak systems;
- It can lead to corruption. In some of the beneficiaries organised crime and corruption are serious problems.

The benefits and risks of GBS have been assessed more generally.^{21 22} There is a need to learn from DG DEVCO experience and to adapt their methods to the enlargement context.

Stakeholder opinions on budget support were mixed. Member States, during Council negotiation for IPA, refused to accept the systematic use of budget support. Whilst there were positive expectations; managing for results, increased ownership, and reduced administrative burden; many stakeholders felt it might increase corruption, be premature and would not help in the adaptation of the acquis, especially under Components II-V.

On balance there would be merit in providing budget support for sector strategies where the beneficiaries are capable of devising, implementing and monitoring strategies, and the line ministry is well prepared for financial management and control.

The process could involve:

- Preparation of sectoral development strategies, in the context of a national strategy, with agreed indicators and targets;
- A review of the adequacy of public financial management, including a gap assessment, and the presentation of a credible programme to close gaps and improve systems;
- The definition of specific conditions. Clearly defining how much and when disbursements can be released;
- Implementation;
- Reporting on results;
- EC monitoring of systems (continuous dialogue, assessment of eligibility, evaluation).
- Support for CSOs for accountability;
- Withholding disbursement if conditions are not met.

7.1.3 Strengthening the role of regional programmes

As indicated in the evaluation of the CARDS regional programmes²³ the relevance and added value from regional approach was fully endorsed by stakeholders. In the context of the WB there is the added value of building bridges with former foes, increasing trust and mutual confidence levels and sharing the outputs of knowledge-exchange. The acknowledgement that some problems need to be tackled regionally; and, the ability to discuss development priorities at a regional level are major achievements of IPA and predecessor programmes. Certainly regional programmes have, in some sectors the potential to address transnational problems more efficiently than the sum of national efforts.

²¹ <http://www.odi.org.uk/resources/details.asp?id=3716&title=general-budget-support>

²² OECD evaluation of GBS (1994-2004): <http://www.oecd.org/dataoecd/16/63/37421292.pdf>

²³ "Ad-hoc evaluation of the CARDS regional programmes in the Western Balkans" Final Report – December 2008, Deloitte Consulting SCRL for DG ELARG

However, beneficiary public administrations are not strongly in favour, and the implementation and achievement of results could be dependent on the speed of the slowest participant.

There is also a need at the regional level for peer learning and harmonising national strategies. Indeed, there is an argument that regional cooperation should not be viewed as a separate objective but to be an integral part of all EU financial assistance.

There is thus merit in further strengthening the role of Regional programmes.

7.1.4 More use of twinning

The main features of twinning projects are the mobilisation of the knowledge and specific experience (e.g. acquis, SF preparation) of MS administrations with the objective to develop and implement a project that targets the transposition, enforcement and implementation of a specific part of the acquis communautaire and delivers specific and guaranteed measurable results, not only the fostering general co-operation.

Stakeholders reported mixed experiences with twinning. Beneficiaries with larger public administration capacities, especially those closer to accession, favour twinning and consider it a very efficient tool. Small beneficiaries have struggled to implement twinning, as they lack the necessary capacities and are constrained in what they can take on. Beneficiary issues mainly related to: the mobilisation of inappropriate experts, and the excessively long procurement cycle. One beneficiary country reported the excessive use of twinning and the EC services imposing the twinning modality in an unwarranted number of cases.

Member States support twinning and make resources available in those areas that are particularly important for them and where they gain direct influence over the preparation process of beneficiaries.

The systematic undertaking of institutional assessment/functional reviews as part of programming and project design would contribute to clearer decision-making on the appropriate use of twinning and enhance project results and impacts (as recommended by the evaluations of CARDS programmes in Albania²⁴, Kosovo²⁵ and Montenegro²⁶). The development of more realistic workplans, and the introduction of financial consequences in the case of only partial success or failure to achieve the “guaranteed” results should be considered.

7.2 Planning and incentives

Five potential modifications have been considered in the study concerning planning and incentives they are: multi-annual planning; clearer focus on strategy and results; more systematic use of conditionalities; financial rewards for good performance; and, better beneficiary involvement in programming. Each of these is considered in turn below.

7.2.1 Multi-annual planning

The modification considered was to move to multi-annual planning for Component I. The MIPDs would become 5 year multi-annual documents, and would include sector strategies where applicable. Mid-term review would be undertaken but there would not be annual reviews.

Stakeholders generally responded in a positive manner to a proposed move to multi-annual programming, commenting on the similarities to the programming of SF.

The shift to multi-annual programming would also have the potential to enhance beneficiary ownership of the programming process and sector and project selection.

²⁴ “Ad hoc evaluation of the CARDS programmes – Albania” 17 December 2008, COWI for DG ELARG

²⁵ “Retrospective evaluation of the CARDS programmes – Kosovo” July 2009, COWI for DG ELARG

²⁶ “Evaluation of the CARDS programmes – Montenegro” July 2009, COWI for ED ELARG

It could be coupled with further decentralisation of management functions.

The approach would be consistent with the proposed modifications with respect to the use of different measures within IPA.

7.2.2 Clearer focus on strategy and results

The current arrangements of three-year rolling MIPDs with annual updates, driven more by EC services than by the beneficiaries, have weaknesses and high administrative costs for all involved parties. National priorities and the broader issues to be addressed normally do not change quickly enough to warrant re-planning each year and there is not a clear justification for the programming scheme.

There is also a need for more focused programming documentation (especially MIPDs) that is oriented towards SMART objectives and indicators. The recent meta-evaluation of IPA assistance²⁷ recommended greater use of indicators to support effective supervision, monitoring and evaluation. At present, strategic objectives are often defined at a broad, non-measurable policy level. There is a tendency in MIPDs to include a broad range of priorities and there to be few SMART objectives and indicators. Indicators are not sufficiently defined and cannot, therefore, adequately substantiate a result-oriented programming and implementation mechanism. Furthermore programming could be improved by strengthening the strategic approach with: a bottom-up approach in defining sector priorities for a period in time; focusing on measurable and achievable results; and, strengthening the structures to guide the programming process.

Currently, project selection often responds to pragmatic operational as well as strategic considerations, linked to absorption/administrative capacity, the availability of project proposals and interest at political and operational levels. Thus, the link between a set of well-defined strategic objectives reflecting national priorities and the selection of measures is often weak. This can lead to an overemphasis on projects which are large and relatively easy to implement, in order to ensure prompt absorption of funds. Such projects include well-prepared ('shovel-ready') infrastructure development projects which could receive funding from other sources (e.g. IFI loans), whilst accession-driven projects that may increase EU added value are not pursued.

There is general consensus amongst stakeholders that having an orientation focusing on results would be a positive development although there is divergence of opinion as to how this should operate.

In the current setting, without a clear orientation towards more measurable strategic objectives and adequate monitoring and evaluation arrangements in place, priority on contracting and disbursement will continue. Incentives to implement projects with the greatest possible impact are lacking. Within the EC services the practice of focusing more on contracting and disbursement rather than results and outcomes requires review. This will entail changes to the targets that DG ELARG sets for the EU Delegations. Furthermore, as an example, Delegations who reallocate or withhold funds for well justified reasons, should receive equal treatment to those Delegations in countries who perform better (on absorption) and who request/receive additional funds.

A results focused approach would require a number of modifications to: programming documentation which should have a focus on SMART objectives and indicators (that allow for quantification wherever possible); MIFF sub-ceilings structure so allowing for increased flexibility and allocations based on progress and performance at sector and/or country level; the management of Operations sections in Delegations; the performance appraisal system for EC officials; the DG ELARG target setting for EU Delegations; and, strengthened monitoring and evaluation structures and systems. It would also mean amendments to the

²⁷ "Mid-term meta evaluation of IPA assistance" Evaluation Report, 22 February 2011, HTSPE Ltd. for DG ELARG

information and communications activities to ensure enhanced, more transparent promotion of programme results.

However, there are important pre conditions to achieving a clearer focus on strategy and results. These include:

- It is essential that the WB countries further develop their strategic thinking, in order to translate it into concrete project proposals. EU should monitor this process and put more pressure to the governments of the WB countries to publish their strategies at the earliest stage possible accompanied by consultation agenda/timetable setting out the dates for consultation on different topics.
- The administrative capacity of many national institutions needs to be strengthened to enable them to adopt a strategic approach for identifying their organization building and investment priorities and prepare well-designed and clearly articulated strategies to help them meet these needs.

7.2.3 More systematic use of conditionalities

The study has considered the proposal to make greater and more systematic use of conditionalities. Although currently conditionalities are included in programme and project documentation, full regard is not necessarily given to their enforcement. Delaying a project due to non-fulfilment of preconditions is unusual and the loss of funds due to conditionalities not being met is exceptional.

Conditionalities (such as a requirement to adopt/amend legislative acts/regulations, introduce new staffing arrangements, establish new institutional arrangements, provide co-financing, complete land expropriation or grant permits, ensure readiness of buildings to accept equipment, etc.) can be applied at country, sector and project levels.

There was divergence of opinion on the level(s) to apply conditionality. Some stakeholders preferring their application at project level, others at all levels. However, most were in favour of conditionality at the country level.

There would be merit in making further use of conditionalities and there should be a realistic likelihood that disbursements are withheld if conditionalities are not met. It would be appropriate to operate conditionalities at three levels:

- At country level where conditions could apply to progress on important political criteria and in areas that could be considered as pre conditions to progress towards accession (e.g. anti-corruption legislation, policy and practice). Where the consequences of not meeting conditions would be the loss of EU funding.
- As sector strategy level. Where the consequences would be a combination of (minor) losses of EU funding and/or reallocations.
- At project level. Where the consequences would normally be the reallocation of resources to projects and sectors performing well.

Pre requisites of applying conditionalities include clear planning documents, prior agreement on the definition and measurement of condition, and systematic monitoring and evaluation procedures.

7.2.4 Financial rewards for good performance

Modifications considered involving financial rewards for good performance included the use of a performance reserve and the opportunity to reallocate resources between sectors, projects or Components.

With a performance reserve all countries would be allocated a minimum level of funds and an additional tranche of funds, to be established outside the national envelopes, would be made available for good performers. Good performers would be considered as countries achieving policy-based targets linked to accession negotiations. Other possibilities for rewarding performance include:

- The possibility to reallocate funds within a given beneficiary country allocation from weakly performing sectors (sector strategies or operational programmes) and projects to the best performing ones, or between components; and
- Flexibility in annual allocations that would allow for funds to be reduced for poor performance and then later re-allocated back subject to good performance. The feasibility of this option involving a de-commitment of funds may be constrained due to the potential for conflicts within the countries concerned and the potential detrimental effects on the stability of the programming process.

Most stakeholders are in favour of a performance reserve, rather than de-commitment of funds.

The possibility to reward good performance (achieving targets according to a well designed, result-oriented monitoring and evaluation scheme) is key to a better focus on results. In the preferred option (as discussed above) there would be merit in allocating 90% of available funds each year to country and regional programmes that could be supplemented by variable allocation from a performance reserve linked to results achieved. In addition, the reallocation of funds between sectors, components and projects and variations in co-financing rates (e.g. reduced rates in sectors performing well) would help incentivise good performance. The basis for reallocation of funds could be both good performance and the achievement of conditionalities or result from limited absorption capacity in less well performing areas.

7.2.5 Better beneficiary involvement in programming

Beneficiary country respondents and interviewees in the stakeholder consultation exercise welcomed increased participation in the IPA programming exercises, particularly in comparison with the previous CARDS programme. However, incidences were cited where EU Delegations and EC services had apparently unilaterally decided on strategic objectives, the inclusion of projects (accession-driven vs. investment; allocation to a given sector) and the type of procurement modality (i.e. restricted service tender vs. twinning) in annual programmes especially under Component I in potential candidates. Such intervention is not feasible under Components III to V, where stakeholder involvement in programming is generally considered as good.

On the other hand, EC services noted, in relation to Component I, the need to play a stronger role in the programming process and mentioned countries where significant programming constraints exist. These constraints were:

- Limited administrative capacity to prepare (and implement) relevant project proposals often still relying on external consultant support to identify and prepare project proposals. Administrative capacity of many national institutions is not yet strong enough to enable them to adopt a strategic approach for identifying their organisation building and investment priorities and to prepare well-designed and clearly articulated projects to help them meet these needs. This is particularly the case where a project addresses problems that extend over the responsibilities of more than one institution or sector;
- Project pipelines are weak even after years of institutional strengthening/capacity building;
- There is a lack of relevant national development plans, public investment programmes and sectoral strategies.

Civil society (NGOs, social partners and business community) reported involvement in programming mainly at the MIPD stage when priorities have been decided upon. It was regretted that the Civil Society Facility does not allocate enough funding for project support, that there is no 'sector plan' and that there are no project fiche for civil society development included in the 2011 multi-beneficiary programme.

Programming would be improved by:

- Strengthened and more transparent communication between EC services and beneficiary countries on priorities;
- The further development of programming checklists/guidelines outlining strategic and operational objectives and project specifics;
- Beneficiary administrations strengthening the NIPAC and line ministry/agency capacities;
- Additional support to project cycle management (including development of feasibility studies, environmental impact assessments, etc) particularly at regional/local levels;
- The preparation of national development plans and public investment programmes that beyond “shopping lists”; and
- The increased and timely involvement of the civil society sector.

7.3 The Structure of IPA

Two potential modifications to the structure of the IPA have been considered. Firstly, the adoption of a less strict differentiation between types of beneficiary than the present arrangements which affect access to Components III-V. Secondly, modifications to the Component structure.

7.3.1 No strict differentiation between types of beneficiaries

Currently assistance under Components I and II is accessible to all beneficiary countries (Annex I and Annex II countries) while Components III to V are accessible only to candidate countries (Annex I). The study has considered the possible modification to remove the distinction between Annex I and Annex II countries so the access to Components III-V would not rely on the conferral of candidate status but on the state of preparedness of the beneficiary. In practice the launch of Component III-V (conferral of management) already blurs the distinction and is dependent on the preparedness of beneficiary (and is a strict conditionality).

This modification would increase flexibility, acknowledging that the time scales for the paths to accession differ markedly. Given the very varied characteristics of the beneficiaries and the challenges faced this modification would be beneficial. It would also enable the better coordination between Components.

7.3.2 Modifying the current Component structure

The study has considered the merits and opinions on the maintenance of the current Component structure.

The Court of Auditors (CoA) 2004 report on Phare support for preparation for managing Structural Funds (SF)²⁸ recommended that there was a clear strategy to prepare candidate countries for managing SF and increased efforts to bring Phare closer to the SF. This report influenced the future structure and management of IPA as a single instrument with five components.

Most stakeholders did not envisage changes to the current five component structure of IPA. , There was resistance from concerned DGs (DG REGIO, DG EMPL, DG AGRI) and from the beneficiary countries to such changes. The beneficiary countries stressed the resources and time invested in the current Component structure and the upheaval and time that might be lost through any major structural changes to the pre-accession instrument.

Given the distinct objectives of Components II and III, there was a consensus that these two Components should not be merged. On the other hand, the possibility to merge Component II (particularly the intra-WB programmes within Component II) into Component I was seen as feasible and desirable by some.

²⁸ “Special Report No. 5/2004 concerning Phare support to prepare candidate countries for managing the Structural Funds, together with the Commission’s replies” Court of Auditors, Official Journal of the European Union, 20 January 2005

Component II was also singled out for criticism and the need to amend and simplify the cumbersome procedures, particularly for the Cross-border programmes, which may diverge from country to country was stressed.

Beneficiaries stressed the need for the various DGs to coordinate better and to improve the connections between the different components in the national MIPDs and that Component I should better support the preparation for and implementation of activities under Components III, IV and V).

If the distinction between candidate countries and potential candidates is removed and access is granted to beneficiaries to all measures under all five components - and greater emphasis was given to sectoral strategies - there would be merit in reviewing the component structure and replacing it with a listing of policy objectives/policy sectors.

7.4 Budgeting

Two potential modifications to budgeting arrangements have been considered. Firstly, the increasing of national co-financing rates. Secondly, the linearization of funding so that the EU resources received would more smoothly increase prior to and post accession.

7.4.1 Increasing national co-financing rates

Overall the current programmes are around 25% co-financed by beneficiaries. The co-financing requirement can enhance partnership working and joint ownership over the programme. This is widely acknowledged by beneficiaries as important in principle. However, it can have drawbacks:

- The beneficiaries and partners may be constrained in providing co financing and this constraint may influence the choice of projects (e.g. projects of only a certain size corresponding to meeting co-financing requirements may be selected). For most beneficiaries this is likely to remain a constraint.
- Smaller municipalities have experienced difficulty securing the funds for even 10%-20% co-financing rates.
- Co-financing is a particular constraint for the civil society sector, given that public funding for the sector is very low. The sector is highly 'donor dependent' yet other donors are may not be willing to offer matching funds. This is one of the key reasons why CSOs have had relatively weak involvement in pertinent socio-economic and political issues.
- The IPA co-financing requirements might 'divert' beneficiary resources from investments that could lever other IFI funds.

As there are problems with the existing co-financing requirements, general increases in the rate of beneficiary co-financing would be problematic. Instead there is a case for adopting a more flexible approach to co-financing rates bearing in mind the sector, activity and partners directly involved. Furthermore there would be merit in taking into account 'in-kind contributions,' the secondment of staff, provision of logistical support as well and technical assistance by beneficiary governments in calculating the co-financing provided. Member States bilateral assistance for securing the co-financing of CSOs may also have merit.

7.4.2 Linearization of funds

The 'linearization of funds' would mean that the EU resources received by beneficiaries would more smoothly increase prior to and post accession. In the current situation it is anticipated that when countries accede the level of EU transfers via the SF would increase markedly compared with those received prior to accession.

The arguments in favour of linearization are:

- It would allow for better sequencing of and preparation for EU funds to maximise absorption and impact.

- The experience from previous rounds of EU enlargement demonstrated that structures for management of the SF and Cohesion Fund were not fully prepared for absorption of funds five to ten times greater than those of the pre-accession phase.
- Beneficiary countries, particularly those where the path to accession is relatively short and foreseeable would strongly welcome additional resources prior to accession.

The case against linearization is:

- There is a reluctance to put a timeline or 'working assumption' on accession for the beneficiaries that would be necessary to achieve linearization because, in the past, this has led to premature accession and the EU might lose leverage over the preparations for EU Membership of the Candidates.
- The reallocation of resources would be difficult to achieved. It would mean either more pre-accession aid for a particular country (and less for others) or less for the acceding country once it was a Member.
- The current IPA should enable beneficiaries to be well prepared for SF. The change on accession will not be as marked as it was from Phare, ISPA and SAPARD.
- Its feasibility is questionable.

Overall because of the particular and varied challenges of the beneficiaries viz EU accession, the linearization as proposed not recommended. In practice a results-oriented approach and the use of a performance reserve could achieve some of the same benefits as linearization. That is, if a country progresses well it would receive additional funding. Also, it would be possible to transfer additional funds (as occurred in CZ and PL example) if absorption was a problem. At the same time the, EC needs a plan to avoid a repeat of the Romanian and Bulgarian situation, where difficulties were encountered in the effective and proper use of EU funds post accession.

7.5 Relations with IFI

The progress of the beneficiaries towards accession will depend on factors other than the direct impacts of IPA. Indeed as argued in Section 6 the limited funds available to IPA mean that it is limited in the socio-economic impact that it can achieve. The conferral of candidate or potential candidate status is important with respect to the mobilisation of IFI and other donor funds and co-operation with IFI. Relevant modifications to the IPA in these respects are considered below.

7.5.1 Mobilising IFI and other donor funds

IPA has the potential to mobilise additional IFI and other donor funds and increase their impact and effectiveness in two ways:

- Through continuing to providing guarantees and grant co-financing; and
- Through assisting preparatory activities (developing sector/regional strategies, , elaborating financing mechanisms such as PPP, feasibility studies, planning expropriations etc.).

Providing guarantees and co-financing may bring the following benefits:

- It reduces the problems of pre-financing, as the first tranche of the (IFI) loan could be used to finance the activities. The late reimbursement of eligible expenditure is a problem for many projects;
- It should increase local ownership as (IFI) loans need to be repaid. The combination of funding sources may increase the responsibility of beneficiary and subsequently the sustainability of the joint actions;
- It should contribute to finding efficient and (economically) sustainable modalities. IFIs may contribute considerable funds and are focussed on economic viability. They have good control systems and can enforce efficiency and transparency in large projects. The

technical assistance of experienced IFIs during the implementation of the investment contributes to ensuring its sustainability;

- Through increasing the overall funds available the EU visibility will be increased;
- A number of private sector projects may occur (via Component V), and EU visibility in rural areas would increase;
- Provides for better overall donor coordination.

Assisting preparatory actions for projects that could be financed by IFIs may bring the following benefits:

- Additional and more thorough preparation would take place. IFIs and other donors do not have the possibility to finance certain important (and extensive) preparatory activities. For example, activities paving the way for energy investments may be critical and prolonged (in Croatia more than 30 permits are needed for connecting small energy source to a grid).
- It can channel the specific knowledge and expertise of IFIs and donors (e.g. the World Bank expertise in justice reform). This is potentially helpful in areas where preparation requires very specific technical expertise (where IFIs are well placed) and policy expertise (where the EC and MS are well placed).
- It provides scope for institutional learning and improving public administration capacities, introducing new arrangements and structures where beneficiaries are involved, and work is not just outsourced to external staff and international consultants.

There are also challenges and potential disadvantages that should be borne in mind:

- The approach is difficult to implement. Given the different mandates and interests of the international community it is difficult to standardise methods for projects and investments.
- Some changes in programming may be necessary. Ministries of Finance, responsible for borrowing, need to be part of the process. BoP and related absorption capacity problems may arise in the beneficiary countries. Coordination of national investment programmes has two elements. One related to the EU annual financial grants (Component I) and the other related to national capital expenditure co-financed from the national budget and IFIs and bilateral development banks. This makes coordination rather complex and cooperation between NIPAC and Ministries of Finance will be required.
- There is a risk of projects being 'hijacked' by IFIs and the EC and the enlargement strategy having reduced influence and the projects having little European added value. The IPA should not be simply a TA to WBIF or other instruments, without EC leverage.
- There is a risk that beneficiaries will be unable to repay the IFI loans. There is a potential risk of over borrowing because the loans are supported by the EU and for 'EU-approved' projects.

There is strong support from MS, and beneficiary stakeholders (PA and NGO) and unanimous support from IFIs and donors for this approach. The EC is slightly more cautious and has concerns about losing its guiding role. The approach was seen as more useful under Component III and V by stakeholders. Overall, it serves the interests of beneficiaries, accessing larger funds for necessary investment and serves the interests of the EU by keeping IPA budget manageable and helping channel relevant expertise.

On balance the approach should continue and be reinforced without diluting the focus of IPA. The IPA needs to maintain its specific orientation and its strategic objectives and not to be confused with other donors' goals or priorities. The focus should be on preparatory activities and the blending of grants and loans. It could mean less (EU Funded) public investment under Component I that IFIs can co-fund. It would possibly increase impacts under C III and V.

Decision making processes should be transparent. It is not clear how the projects are selected now. The decision is usually based on pre-assessment conducted on the meetings of Project Financiers' Group (PFGs) where beneficiaries are not present and information

from the meetings is not disseminated among beneficiaries. Very often beneficiary countries do not have ownership over projects since projects can be submitted directly by IFIs

7.5.2 Institutionalised cooperation with IFIs

Whilst there is a desire among the EU and IFIs to fund various investment projects, the organisations operate according to varying philosophies, strategies, programming cycles, and procurement regulations and procedures (eg EC and World Bank). All this makes for difficult cooperation, leading to resource inefficiencies and long lasting frustrations.

Beneficiaries reported ownership concerns, considering that the EU and IFIs, with much greater expertise in project identification and preparation, unilaterally select projects according to their own strategies/priorities. The EC has concerns regarding funding competition and selection of projects that may not correspond to its stated strategy. It was reported that several donor countries want to keep their own strategy and are not always willing to cooperate. Some are inclined to preserve their independence, wishing to focus on their own achievements and insisting on independent communications activities.

At the strategic level, the question of who funds what on what strategic basis needs to be better outlined. Generally continued cooperation is envisaged via the WBIF and the EU is expected to play a leading role in the cooperation, based on its enlargement strategy. Beneficiaries need to be more integrally involved in the strategic-making process and in project identification and selection, within the sector approach. It was mentioned that regional strategies within the WB would be helpful in certain areas (e.g. strategies in the transport and the energy sector – network industries – would clearly substantially benefit from regional cooperation). While framework agreements are in place between the EU and various IFIs, there's a requirement for agreement on more operational procedures such as basic tender documentation.

It is likely that the advantages that could accrue from mobilising IFI and other donor funds would be furthered by closer institutionalised cooperation.

It was also suggested that consideration should be given to the establishment of Western Balkans Guarantee Facility (WBGF), which would reward fiscal responsibility and sustainability with EU guarantees for capital market access.

- It would enable beneficiaries to access international bond markets on more favourable terms than currently available, and facilitate investment in modernisation and future membership of the EU
- But this would require much larger funds (even though not actually spent, only deposited as guarantee)

There would be merit in this being considered in the context of cooperation with IFI.

7.6 Anticipated impacts and EU added value

The preferred option would cost effectively advance the enlargement process and help realise the political stability, economic, social, cultural benefits of enlargement to the EU, the accession countries and the beneficiaries with candidate and potential candidate status.

The economic benefits are potentially as much as 5 billion per annum associated with trade and labour mobility. The main benefits of political stability are the reduced risks, and potential elimination of risks, of conflicts especially in the WB. The main social benefits are reductions in corruption and reduced harm from organised crime, reduced pressures for irregular migration and increased social inclusion in beneficiaries. The main cultural benefits would be in terms of free movement of persons and reinforcement of European identity.

The modifications to the Status Quo Continuation policy option, that was assessed as preferable to the other policy options, could reasonably be expected to further increase the costs effectiveness of the future IPA programme.

The preferred option would realise the types of European added value identified in section 4. In particular:

- The modifications to planning, the extension of the sectoral approach and the application of the results based allocation of resources would provide the opportunity to more closely link financial support to progress on political criteria. The added value of EU financial support in this respect is unequivocal.
- The strong emphasis on Regional and MB aspects of the EU financial support envisaged in the preferred option would further the integration of the beneficiaries, particularly those in the WB. Both integration amongst the states in the WB and the improvement of physical and other links within Europe would occur to the benefit of businesses and communities throughout the EU.
- The continued emphasis on the use of twinning mechanism as envisaged in the preferred option would provide the opportunity for the EC to act as a catalyst and agent for drawing on the expertise and experience of different administrations and agencies within the EU best suited to the circumstances of individual candidate countries and potential candidates.
- The preferred option and the modifications to the current arrangements envisaged would increase the flexibility and adaptability of the future IPA to the very wide range of beneficiary circumstances including the variations in the 'distance to travel' of the candidate countries and potential candidates envisaged post 2013.
- The preferred option will also maximise the role played by the EU in leveraging and coordinating IFI and other donor support in particular in the WB.
- The strong measure of continuity and long term commitment represented by the preferred option should also act as a lever to increase public support in the beneficiaries towards the reforms that may be necessary to achieve membership.

7.7 Assessment of key risks

The main potential risks of the preferred option is that the enlargement process slows due to either political resistance on behalf of MSs, reductions in political stability in beneficiaries or a lack of public and political commitment to the necessary reforms in the beneficiaries. The preferred option represents to a large extent a continuation of current policies and level of EU resource commitments that should minimise these risks. The preferred option also includes incremental improvements to the programme mechanisms that should increase cost effectiveness, efficiency and ownership over of the Programme and the recognition of mutual interest of MSs and beneficiaries in both the accession and the pre accession processes.

8 Monitoring and evaluation arrangements

8.1 Introduction

There are several important challenges facing monitoring and evaluation of a future IPA.

- Firstly, the EU financing programme will be applied in a heterogeneous group of potential candidates and candidate countries. The needs of each country and their 'path to accession' will vary. Thus the instrument may be able to achieve more in some contexts than in others. Regard will need to be given in the evaluation process to the National Strategies and 'baseline conditions' applying in each country.
- Secondly, the financial instrument will operate alongside the political negotiation process and other interventions that have a bearing on accession. It will thus be difficult to disentangle the extent to which the instrument itself brings about progress independent of other factors, except at the level of specific measures and activities.
- Thirdly, many of the 'results' of the future programme – such as progress in meeting the political criteria for accession - will be by their nature difficult to measure.
- Fourthly, to some extent the objectives of the instrument may be achieved through the status conferred on the beneficiary as much as through the results of the EU financial interventions. For example, Iceland is likely to accede having received very few IPA resources and the attitudes of IFIs and international investors are likely to be influenced by the progress of the wider accession process as much as the effectiveness of the future IPA per se.
- Fifthly, all monitoring and evaluation processes should have regard to the counterfactual. It is likely that for the potential candidates and candidate countries the alternative to participation in a future IPA would be participation in ENPI. The per capita levels of EU resources received by the countries and the deployment of these resources may not be markedly different as a result (per capita assistance given to beneficiaries of ENPI is on average 30-40% over than under IPA).
- Sixthly, as stressed in the meta evaluation there is a need for an improved definition of objectives and these should be SMART so that the assessment of their achievement may be better informed.
- Finally, the context for evaluation is difficult and there has been a tendency to overly assess the progress of the current IPA on the basis of absorption.

Notwithstanding these challenges and because the future instrument will continue to be complex, because it has experienced weaknesses in implementation and because it is envisaged that its management should be more 'results oriented' there is a strong need for evaluation.

This section outlines the logic of the new programme and considers the approach to monitoring and evaluation at the following levels: evaluation relative to the path of accession; evaluation relative to national strategies; and, evaluation of programme level results.

8.2 Outline of the Programme logic

There will be a wealth of interventions that will be funded under the foreseen IPA, but these can be grouped into five large intervention areas relating to the five specific objectives:

- 1. To further the alignment of beneficiaries with political criteria
- 2. To further the alignment of beneficiaries with economic criteria
- 3. To increase beneficiaries' ability to assume the obligations of membership
- 4. To promote good neighbourly relations with the EU and economic integration
- 5. To contribute to equitable social and economic development, primarily the reduction of poverty

In order to further the specific and intermediate objectives these will need to be implemented in concert and to influence and to lever other public expenditure, policies and practices in the

beneficiaries concerned. This is because the interventions do not lead directly to the impacts required.

Also it would be possible for some of the inputs and measures to proceed successfully whilst having little or no impacts with respect to the specific objectives. It would also be possible for the inputs and measures to substitute for actions that would otherwise take place relating to all of the specific objectives with the exception of Specific Objective 3. This means that the approach to evaluation will need to take full account of the context and the progress of related activities that are influenced and levered by the programme interventions.

8.3 Evaluation relative to the path of accession

It is envisaged that the general objective of the future instrument should remain: *“To promote the progressive alignment of beneficiaries with the standards and policies of the EU, with a view to membership”*. In the light of this, the progress of the future IPA should be assessed with respect to the following:

- The achievement of the benefits of accession (for example, reduced costs to the EU of irregular migration, security risks and environmental pollution). Some of these benefits may accrue prior to or even without eventual accession. The contribution of MB and CBC are also potentially important in this respect.
- The advancement of accession. As discussed in Section 2 there are costs associated with accession not taking place, particularly costs related to trade and the enlargement of the internal market. There are also possibilities that a very prolonged accession process could jeopardise accession. Whilst there will be considerable technical challenges in evaluating against this criteria there will be possibilities to compare progress between countries and to make informed judgements of the extent to which the future Programme may have advanced accession.
- The achievement of accession: This is a clear and highly pertinent criterion. Achieving accession in particular countries may also contribute to the effectiveness of the future Programme in other countries. As accession is the ‘end state’ it needs to be seen as an attainable goal if some countries are to commit to the necessary reforms to achieve it.
- Progress subsequent to accession: as discussed in Section 2, many of the candidate countries and potential candidates have a considerable ‘distance to travel’ to meet the ‘standards and policies of the EU’ and their level of socio-economic development is low compared to EU Member States and regions. Furthermore there have been difficulties with the most recent accessions. For example, there have been particularly challenges with respect to the implementation of the SF. These difficulties may have weakened some MS’s commitment to enlargement. Future monitoring and evaluation should therefore take account of the extent to which accession is ‘successful’ bearing in mind both the potential ‘EU added value’ in the areas of trade, migration, environment, fight against organised crime, enforcement of the Acquis and the proper and efficient use of EU financial resources.

The results of the monitoring and review process would form part of the Annual Progress report where there would be merit in greater emphasis on the use of quantitative indicators relating to the four criteria elaborated above: the achievement of the benefits of accession; the advancement of accession; the achievement of accession: and, progress subsequent to accession.

8.4 Evaluation relative to national pre accession support strategies

Because the key outcomes of the future Programme concern progress at the national level, because the national contexts vary greatly, and because it is envisaged that greater emphasis will be placed on sector strategies and the combined effects of projects and interventions, evaluation of the future programme relative to the national strategies will be important. Here it will be important to consider developments that are not necessarily directly linked to Programme financial inputs.

The process of evaluating the achievement of strategies is heavily dependent on the way in which strategies are themselves articulated. Where possible policy objectives should be SMART, the means through which the objectives will be advanced should be clear and the expected outputs and outcomes identified.

In practice the evaluation process is likely to be reliant on good quality information on the progress of specific activities and means supported by the Programme, coupled with wider analysis of the context and the views of stakeholders, including the views of stakeholders not directly involved in the Programme.

The critical evaluation question should be: 'What is the European added value of 'IPA' (the future Programme)?' in each national context. This is because, were the candidates and potential candidates 'rich' relative to EU MS, there would not necessarily be a need for EU funding to support the national strategies.

The four aspects of added value that a future EU programme would bring that were identified in Section 3 and which should be considered in the evaluation of the future programme relative to national strategies are:

Firstly, is the EU programme of financial support closely linked to progress with political criteria. Arguably progress on political criteria is a pre requisite for progress on security, social and economic dimensions and irrespective of whether it necessarily leads to accession it is strongly in the interests of the EU. If equivalent resources are provided by other donors, progress with political criteria is likely to be less. This aspect could be assessed through comparative analyses with ENPI countries.

Secondly, has the EU Programme enhanced integration? Conflicts in the Western Balkans in particular have led to the emergence of small and in some cases relatively 'fragile' states and a weakening of integration between them and with other European states. The future EU programme will have the potential to strengthen both integration amongst the states in the Western Balkans and to improve physical and other links within Europe to the benefit of businesses and communities throughout the EU. The evaluation of these aspects of national strategies could be informed by taking account of evidence of cooperation and the perceptions of the IFI and international business communities.

Thirdly, is the Programme optimising the exploitation of EU know how? An EU programme provides the opportunity to act as a catalyst for drawing on the expertise and experience of different administrations and agencies within the EU best suited to the circumstances of individual candidate countries and potential candidates. The twinning arrangements provide an example of this. It is difficult to envisage that bilateral support mechanisms would be more effective or efficient in this respect. The assessment of whether this added value is being achieved could be informed through discussions with MSs and actors from the EU involved in the Programme and in analogous Programmes in other contexts.

Fourthly, to what extent has the Programme leveraged other international support? As stressed above the 'distance to travel' of some of candidate countries and potential candidates post 2013 is considerable and that the 'gaps' between the conditions required for accession and those applying in 2013 will not be eliminated without financial support. EU programmed support, where there is a strong probability of its continuity (at least where it is successfully applied) is likely to be effective in leveraging other support and it is reasonable to assume that it will be more effective and efficient than equivalent levels of public funding from other sources. The extent to which this is the case will need to be informed by taking into account wider socio economic contexts.

The evaluation of strategies is at best challenging and in the context of future IPA Programme especially difficult. There would be merit in adopting a similar method of approach in each national context and in phasing the work so that the evaluation took place at a time when the lessons would be of greatest wider applicability in terms of both substantive and methodological conclusions. At the same time there would be merit in

evaluating specific Programme themes so that lessons could be learnt and transferred between national contexts.

8.5 Evaluation of programme, sector and measure level results

Table 8.1 indicates the specific objectives and 'intermediate objectives' relating to each specific objective. These correspond closely to the areas in which specific interventions currently take place within IPA. The table also indicates potential future operational objectives.

Table 8.1 Specific and intermediate and operational policy objectives

Specific objectives	Intermediate objectives	Potential future IPA operational objectives
<i>Within the narrow scope of the Copenhagen criteria</i>		
1. To further the alignment of beneficiaries with political criteria	Strengthening democratic institutions and promoting the rule of law	To improve perceptions of democracy and, the justice system To reduce outstanding court caseloads
	Promoting and protecting human rights, fundamental freedoms and non-discrimination	To improve perceptions with respect to human rights and non-discrimination. To lower the number of infringements of fundamental rights.
	Supporting the fight against corruption and organised crime	To improve legislation To increase capacities for law enforcement. To increase participation in European law enforcement and judiciary networks
	Supporting regional reconciliation and confidence-building	To complete Joint regional/MB and CBC programmes and projects To create frameworks for political and (sectoral) expert dialogue
	Contributing to public administration reform and good governance	Improving regulations (incl. staff regulations) To increase administrative capacities To reduce staff turnover
	Supporting the development of civil society	To strengthen civil society involvement To increase capacities of CSOs
2. To further the alignment of beneficiaries with economic criteria	Supporting economic reforms necessary to cope with competitive pressure and market forces within the Union	To develop of sound and effective strategies To improve the legislative framework and institutions To strengthen entrepreneurship To increase domestic

		revenue generation potential
	Supporting the achievement of EU standards in the economy and economic governance	To align regulations with EU standards To create and strengthen institutions,
	Contributing to the upgrading of human and physical capital	Infrastructure development To provide support for enterprises To improve skills and qualification levels To strengthen labour market services
3. To increase beneficiaries' ability to assume the obligations of membership	Supporting the adoption and implementation of the acquis	To align legislation with the acquis To create and strengthen enforcement structures
	Supporting preparations for the implementation and management of the Community's cohesion and rural development funds	To establish management structures, achieving accreditation and conferral of management. Capacity development to deliver assistance efficiently as well as upgrading to EU standards in particular regarding rural development
	Supporting participation in EU cooperation programmes	To join EU programmes To deepen participation in EU programmes
<i>Outside the narrow scope of the Copenhagen criteria</i>		
4. To promote good neighbourly relations with the EU and economic integration	-	To encourage deeper cooperation in the region
5. To contribute to equitable social and economic development, primarily the reduction of poverty	-	To support public investment

Because of the wide variations between the beneficiaries and the 'distance to travel' of each, in practice the operational objectives will need to be customized to the situation in each beneficiary and would be set (based on challenges identified) in the programming documents.

It will also be necessary to provide detailed guidance and to build capacities in the beneficiaries to systematically collect the requisite data that will be needed to assess progress at the operational level. Previous enlargements have led to increased priority being given to programme level monitoring and evaluation and 'evidence based' policy making in new MSs. Shifts towards resource allocations based on performance and meeting conditions as well as needs should also encourage a similar tendency amongst candidate countries and potential candidates.

Annexes

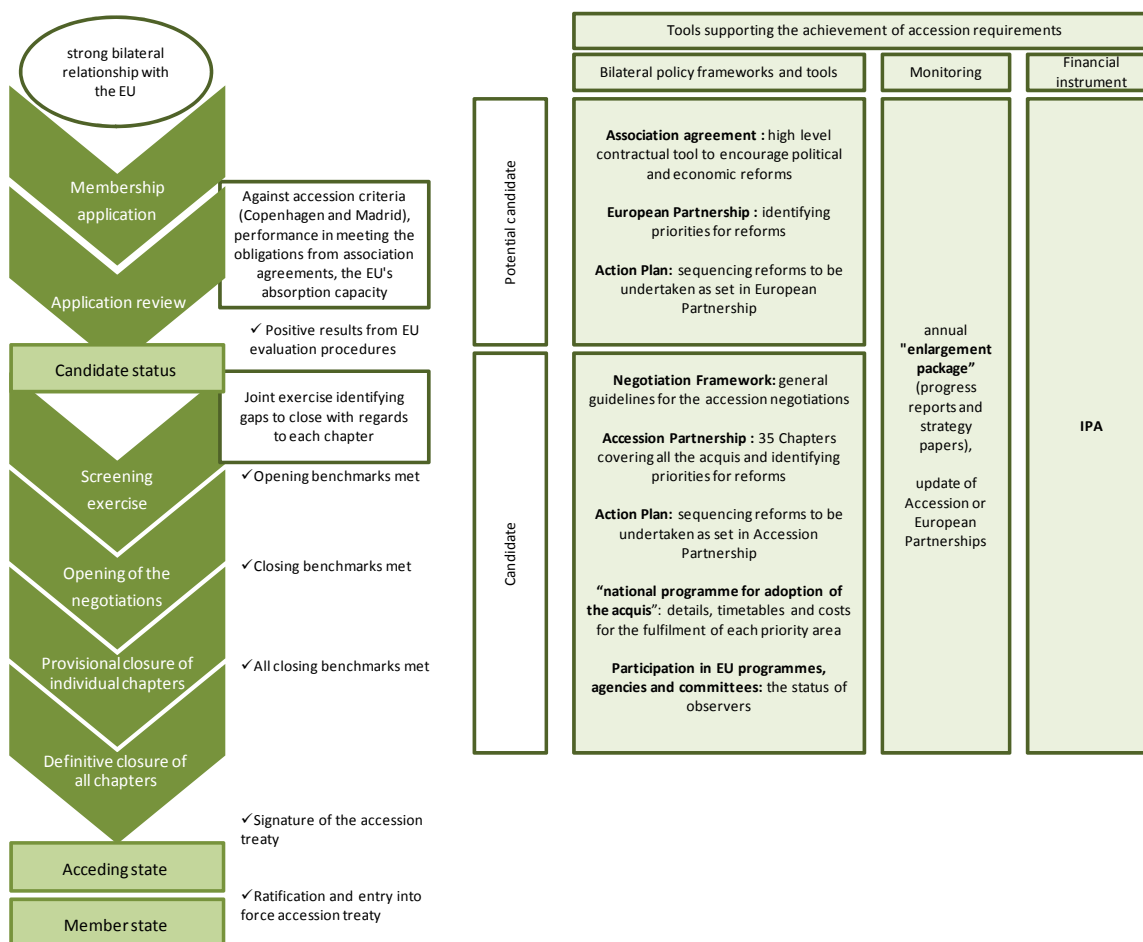
Annex 1 Path towards EU Membership

The path towards integration into the EU is a gradual process; its pace being conditional upon individual countries' progress under the political and economic criteria and its capacity to take on the obligations of membership. The process is as follows:

- To provide a framework for dialogue and negotiations, bilateral agreements are concluded (Stabilisation and Association Agreements (SAA) in the Western Balkan; the Ankara Association Agreement (AAA), supplemented by an Additional Protocol in the case of Turkey). The objectives of the SAA, and partly the AAA, are to stabilise the countries, encourage swift transition to a market economy, promote regional cooperation and lead to eventual EU membership. European Partnership documents drafted by the Commission for each country outline short and medium term priorities to be met.
- Once a country formally applies for membership, the decision making process is informed by an opinion from the Commission while the final decision is taken by the Council. Application is reviewed against the accession criteria (political and economic criteria and adoption and application of European legislation, i.e. the *acquis*, appropriate administrative structures for a smooth integration). For Western Balkan countries, it is important to have a good track record in meeting the obligations agreed upon in SAA, especially the provisions on trade. In addition, the EU's absorption capacity is taken into account, and a favourable public opinion both in the Member States and the applicant states is also considered.
- Once the candidate status is formally granted, a Negotiating Framework is set out for each country, establishing the general guidelines for the accession negotiations. "Accession partnerships" identify in 35 chapters, the specific reforms/EU rules ("the *acquis*") that the candidate country must undertake before membership will be considered. Before negotiations take place a "screening" exercise is undertaken on each chapter by the Commission and the candidate country. The Commission either recommends to open negotiations or to require that certain conditions, the so-called opening "benchmarks", should be met first.
- Each candidate country draws up an Action Plan outlining what it will do, and when, to reform its administration and judiciary to the levels required for EU accession. The priorities for inclusion in Action Plans are identified in the relevant accession or European partnerships created by the Commission. Each candidate country is also required to create a "national programme for adoption of the *acquis*". This is specific instrument that gives details, timetables and costs for the fulfilment of each priority area defined by the EU in the accession partnership. Participation in various EU programmes, agencies and committees as observers helps candidate countries to familiarise themselves with the operation of EU policy cooperation.
- Definitive closure of negotiations on each chapter can only occur at the end of the process. When negotiations on all the chapters are completed to the satisfaction of both sides, a draft accession treaty sets out the detailed terms and conditions, listing all transitional arrangements and deadlines, as well as details of financial arrangements and any safeguard clauses. Assuming the draft treaty is supported by the Council, Commission, and the European Parliament, it is signed by the candidate country and the representatives of all MS, and then submitted to the MS and the candidate country for ratification.
- Once the accession treaty is signed, the candidate country becomes an "accessing state", and is entitled to interim privileges until accession takes place. When the ratification process is complete, the treaty enters into force on its scheduled date, and the accession state becomes a member state.

Figure A.1 presents the steps to be taken by countries that wish to join the EU.

Figure A.1 Main steps in the accession process



Annex 2 Background on beneficiaries

This annex briefly describes the formal positions of each the beneficiaries with respect to IPA and their accession to the EU.

Candidate countries

Croatia

Croatia was the second country (after the former Yugoslav Republic of Macedonia) to sign a SAA with the EU on 29 October 2001. The SAA entered into force on 1 February 2005. The country applied for EU membership on 21 February 2003. The EC issued a positive opinion on Croatia's application for EU membership application in April 2004 and the Council confirmed Croatia as candidate country in June 2004. On 3 October 2005 the Council decided to open accession negotiations with Croatia.

On 19 April 2011, a further two chapters ('Agriculture and rural development' and 'Regional policy and coordination of structural instruments') in the country's negotiations were provisionally closed. Since the start of negotiations in 2005, thirty-five chapters have been opened, of which 30 have now been provisionally closed.

The conclusions of the Progress Report of 9 November 2010 note the following main points²⁹:

- Political criteria – the country continues to meet the political criteria making progress in many areas. However, further intensive efforts are needed in particular in the fields of judicial and administrative reform, the fight against corruption and organised crime, respect for and protection of minorities and refugee return. Democracy and the rule of law have been further strengthened. The government and the parliament have continued to function effectively. However, the capacity of the parliament to scrutinise the legislative process needs enhancing. Judicial reform has continued but significant challenges remain, especially relating to judicial efficiency, independence and accountability. There has been limited progress in the area of public administration reform. Although judicial reform has continued challenges remain in particular with regard to the application of transparent criteria for the appointment of judges and prosecutors, the further reduction of the backlog of cases, the length of proceedings and the enforcement of decisions. Good progress evidenced in the fight against corruption, some progress in the area of human rights and the protection of minorities, limited progress with regard to women's rights and gender equality;
- Economic criteria - Croatia is a functioning market economy and should be able to cope with competitive pressures and market forces within the EU, provided that it implements its comprehensive reform programme with determination in order to reduce structural weaknesses (e.g. privatisation and the restructuring of loss-making enterprises). The labour market remains highly rigid, with low employment and participation rates which declined further during the recession;
- Ability to take on the obligations of membership (evaluated against the obligations set out in the SAA and progress with adoption, implementation and enforcement of the EU *acquis*) - requirements have continued to progress well and there is a good degree of alignment with EU rules in most sectors.

On 2 March 2011, the Commission adopted an interim report on progress made in the area of judiciary and fundamental rights (Chapter 23). The report concluded that while considerable progress has been made further work remains to be done in particular to establish convincing track-records in the field of the judiciary and the fight against corruption, to address impunity for war crimes and to settle the outstanding refugee return issues.

Croatia receives a total of €1,071million under IPA between 2007and 2013.

²⁹ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

Iceland

Iceland is a long-standing functioning democracy with strong institutions and a functioning economy. Like many EU economies the country was severely affected by the 2008 financial crisis and economic downturn. The banking system collapsed and the currency was devalued.

Iceland submitted an application for EU membership to the European Council in July 2009. Accession negotiations were opened with Iceland on 27 July 2010 with the EU Negotiating Framework having been adopted on 26 July 2010. The first intergovernmental conference on accession to the EU was held in Brussels on 27 July, thus formally opening accession negotiations with the country.

Key findings of the adopted Commission's Opinion of 9 November 2010 were as follows³⁰:

- Political criteria – the judiciary is of a high standard and the judicial system is well established. The rule of law and respect for human rights are guaranteed. Some concerns have nonetheless been raised as regards the effective independence of the judiciary, linked to the procedure for judicial appointments. The public administration is generally efficient and free from political interference. Following the financial crisis, certain questions have been raised concerning possible conflicts of interest in Iceland's public life. Against this background, mechanisms to reduce the scope for conflict of interests will need to be strengthened appropriately;
- Economic criteria - a functioning market economy can be considered despite its current difficult economic situation. Before the crisis, the country proved able to withstand competitive pressures and market forces within the EEA. Bearing this in mind, Iceland should be able to cope with competitive pressures and market forces within the Union in the medium term provided it swiftly implements the necessary policy measures and structural reforms; and
- European standards - as a member of the EEA, Iceland has already aligned a large part of its legislation and policies with European standards. Serious efforts will be required to further align legislation particularly in the area of fisheries, environment, agriculture and rural development, as well as free movement of capital and financial services.

Upcoming negotiations are envisaged to focus on integral adoption of the EU acquis and ensuring full implementation and enforcement. As per the 14 December 2010 European Council conclusions, addressing weaknesses in the Commission's Opinion and fulfilment of obligations of the EEA Agreement, taking full account, inter alia, of the European Council conclusions of 17 June 2010 will lead to progress in negotiations.

Four screening reports have been published to date: on competition policy (chapter 8); information society and media (chapter 10); science and research (chapter 25) and education and culture (chapter 26).

The EC amended IPA in order to include Iceland as a beneficiary. Under Component I, allocation of €10m, €12m and €6m have been made for 2011, 2012, and 2013, respectively. The aim of the financial assistance is to support efforts towards alignment with the EU acquis, in order to become fully prepared to take on the obligations of EU membership. Iceland also participates in a number of EU agencies and programmes, in areas such as enterprise, environment, education and research.

The former Yugoslav Republic of Macedonia

On 9 April 2001, the first SAA was signed between the EU and the former Yugoslav Republic of Macedonia. The SAA entered into force on 1 April 2004. An application for membership was submitted on 22 March 2004 and candidate status was obtained on 16 December 2005. While the EC recommended the opening of accession negotiations in October 2009 no date has yet been set for the opening of negotiations.

The conclusions of the Progress Report of 9 November 2010 note the following main points³¹:

³⁰ <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/48&format=HTML&aged=0&language=EN&guiLanguage=en>

³¹ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

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- Political criteria - continue to be sufficiently fulfilled. Progress has been made but at an uneven pace. Further efforts are needed in most areas, in particular important ongoing concerns as regards independence of the judiciary, reform of public administration and freedom of expression in the media. Political dialogue needs to be strengthened. Some progress has been made regarding the functioning of public administration and limited progress on judicial reform with concerns about the independence and impartiality of the judiciary. The Ohrid Framework Agreement remains an essential element for democracy and rule of law in the country - some progress made on implementing the law on languages, on decentralisation and equitable representation but continuous efforts are needed to fulfil the objectives of the Agreement and ensure its full implementation;
- Economy – high structural unemployment, in particular among young and poorly educated, remains a major cause of concern. Some minor improvements achieved with respect to institutional weaknesses but deficiencies in the rule of law continue to have a negative bearing on the business climate;
- Economic criteria - continues to be well advanced. No progress made in harmonising direct and indirect taxation legislation with the *acquis*, limited progress in the area of economic and monetary policy and little progress made in alignment to the *acquis* in the area of social policy and employment; and
- European Standards: some progress evidenced in assuming the obligations of membership.

On 25 March 2011 Commissioner Füle underlined to the Prime Minister that it is vital to create a positive momentum for enlargement in 2011 and that it is essential that the name issue is solved. The need to make further progress on political dialogue, judiciary and public administration reform, fight against corruption and freedom of expression was also stated. On 10 April 2011 President Barroso and Commissioner Füle agreed two concrete steps with the Prime Minister: the establishment of a High-Level Accession Dialogue, which would take place twice a year, to speed up the implementation of needed reforms; and, an Economic Policy Conference to address strategic challenges.

The country receives a total of €622 million under IPA between 2007 and 2013.

Montenegro

Montenegro's European perspective was reaffirmed by the Council in June 2006 after the recognition of the country's independence by the EU MS. A SAA and Interim Agreement on trade and trade-related issues was signed on 15 October 2007. The Interim Agreement entered into force on 1 January 2008. Following ratification by all EU MS and Montenegro the SAA entered into force on 1 May 2010. Montenegro submitted its application for EU membership on 15 December 2008. On 23 April 2009 the Council requested the Commission to prepare an Opinion on the application. The Commission adopted its Opinion on 9 November 2010. The European Council confirmed Montenegro as a candidate country on 17 December 2010.

The main conclusions of the Commission's Opinion of 9 November 2010 are the following³²:

- Political criteria - while the country's legal and institutional basis is broadly in place, there are deficiencies in the functioning of democratic institutions and shortcomings in implementation of the legislation persist. The parliament's overall capacity to ensure appropriate oversight of the government remains limited. Separation of powers is not fully respected in the case of the judiciary. The public administration remains weak and highly politicised. Implementation of the strengthened legal and institutional framework of rule of law is deficient with main concerns relating to the politicisation of the judiciary and shortcomings in the functioning of law enforcement institutions, in particular in fighting organised crime and corruption. Although judicial reforms are underway serious concerns remain over the role of the parliament in appointing the judicial and prosecutorial councils and state prosecutors and over the efficiency and accountability of the judiciary. While the legal and institutional framework needed for combating corruption is largely in

³² http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

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place it remains prevalent in many areas and constitutes a particularly serious problem. Organised crime also remains a serious problem;

- Economy: the global crisis revealed significant internal and external imbalances and also vulnerabilities in the regulation and supervision of the banking sector, calling for critical recapitalisation of banks;
- European Standards: ability to assume the obligations of membership - smoothly implemented the obligations under the SAA but there are some gaps in certain areas (e.g. state aids, transit traffic).

Key priorities to work on are the following: (i) improve the legislative framework for elections, strengthen the Parliament's legislative and oversight role; (ii) complete essential steps in public administration reform; (iii) strengthen the rule of law, in particular through de-politicised and merit-based appointments of members of the judicial and prosecutorial councils and of state prosecutors as well as through reinforcement of the independence, autonomy, efficiency and accountability of judges and prosecutors; (iv) improve the anti-corruption legal framework and implement the government's anticorruption strategy and action plan; (v) strengthen the fight against organised crime; (vi) enhance media freedom notably by aligning with the case-law of the European Court for Human Rights on defamation and strengthen cooperation with civil society; and (vii) implement the legal and policy framework on anti-discrimination in line with European and international standards.

Montenegro receives a total of €236 million under IPA between 2007-2013.

Turkey

Turkey is a candidate country for EU membership following the Helsinki European Council of December 1999. Accession negotiations started in October 2005 with the start of the screening process. On 18 February 2008 the Council adopted a revised Accession Partnership with Turkey. Since then negotiations have been opened on 13 chapters with one chapter (science and research) provisionally closed.

Turkey has had a long association with the project of European integration³³. The European Economic Community (EEC) signed in 1963 the Ankara Association Agreement for the progressive establishment of a customs union. The Ankara Association was supplemented by an Additional Protocol signed in November 1970. Due to the Turkish failure to apply to Cyprus the Additional Protocol to the Ankara Agreement the Council decided in December 2006 that eight relevant chapters will not be opened and no chapter will be provisionally closed until Turkey has fulfilled its commitment. A Customs Union was established with Turkey in 1995.

The conclusions of the Progress Report of 9 November 2010 note the following main points³⁴:

- Political criteria – Turkey continues to sufficiently fulfil the political criteria. Constitutional reforms in September 2010 created the conditions for progress in a number of areas such as the judiciary, fundamental rights and public administration, which now need to be implemented. Progress has been made regarding the civilian oversight of security forces and in the implementation of the judicial reform strategy. Although progress has been made as regards the development of a comprehensive anti-corruption strategy and action plan corruption remains prevalent in many areas. Despite progress in human rights and the protection of minorities significant efforts are still needed in particular concerning freedom of expression and freedom of religion. On the observance of international human rights law, the human rights institutions need to be brought fully in line with the UN principles. Turkish law does not sufficiently guarantee freedom of expression and respect for and protection of minorities and cultural rights remains restrictive;
- Regional issues and international obligations - Turkey still does not comply with EU obligations concerning finding a comprehensive settlement of the Cyprus problem. There has been no progress towards normalisation of bilateral relations with the Republic of Cyprus, while there is renewed impetus to improve bilateral relations with Greece;

³³ http://ec.europa.eu/enlargement/candidate-countries/turkey/relation/index_en.htm

³⁴ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

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- Economic criteria - Turkey is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues implementing its comprehensive structural reform programme; and
- European Standards: ability to take on the obligations of membership – progress was made in most areas.

Turkey receives a total of €4,872 million under IPA between 2007-13.

Potential candidates

Albania

Albania is a potential candidate country for EU accession following the Thessaloniki European Council of June 2003. A SAA was signed on 12 June 2006 and entered into force on 1 April 2009 superseding the Interim Agreement on trade and trade-related aspects, which entered into force in December 2006. Albania submitted its application for EU membership on 28 April 2009. On 16 November 2009 the Council asked the Commission to prepare an Opinion on the application. The Commission adopted its Opinion on 9 November 2010. The Commission considers that negotiations for accession to the EU should be opened with Albania once the country has achieved the necessary degree of compliance with the membership criteria. In this regard, the country needs to meet in particular a number of key priorities.

The main conclusions of the Commission's Opinion of 9 November 2010 are the following³⁵:

- Political criteria - the effectiveness and stability of democratic institutions is not sufficiently achieved. Parliamentary institutions and procedures do not function properly. As a result, parliament does not exercise effective oversight and control over the government and its scrutiny of legislative development is weak. Political dialogue is confrontational and unconstructive. There are shortcomings in the implementation of legislation, proper implementation of the public administration legal framework is a concern, and the public service is very politicised, lacking transparency in appointments and marked by high turn-over of staff. Although the rule of law has been strengthened, reforms remain incomplete and there are major shortcomings regarding the independence, transparency and accountability of the judicial system. A solid track record of effective fight against corruption and organised crime is missing. Serious concerns remain on the overall functioning, the efficiency and independence of the judiciary. Effective implementation of new legislation and the professionalism of new structures and systems in the fight against organised crime need to be further proven in practice. While the institutional framework human rights and the respect for and protection of minorities is adequate, there are some gaps in the legislation and implementation of existing strategies and action plans. Human rights are broadly respected but some concerns remain. The country broadly satisfies the SAP conditions;
- Economic criteria - broad consensus on the fundamentals of economic policy as well as a track record in the implementation of economic reforms. Weaknesses in the rule of law hamper the business environment and ownership transfer and recognition of property rights remain a serious problem. The education system remains unable to equip the labour force with the skills needed by the changing job market. Infrastructure requires further investment. Ensuring the reliability of power supply as well as the financial viability of the electricity sector call for further attention;
- European standards: ability to assume the obligations of membership - overall smoothly implemented the obligations under the SAA. Additional efforts and considerable, sustained adjustments of the legal and institutional framework and significant strengthening of administrative and implementation capacities are needed in a large number of areas.

Key priority areas to focus on are: ensure the proper functioning of Parliament; adopt pending laws requiring a reinforced majority in Parliament; appoint the Ombudsman; ensure an orderly hearing and voting process in Parliament for constitutional and high court appointments; modify the legislative framework for elections in line with OSCE-ODIHR recommendations; ensure elections are conducted

³⁵ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

in line with European and international standards; complete essential steps in public administration reform; strengthen rule of law through adoption and implementation of a reform strategy for the judiciary, ensuring the independence, efficiency and accountability of judicial institutions; effectively implement the government's anti-corruption strategy and action plan; develop a solid track record of proactive investigations, prosecutions and convictions in corruption cases at all levels; strengthen the fight against organised crime and develop a solid track record in the area; prepare, adopt and implement a national strategy and action plan on property rights; take concrete steps to reinforce the protection of human rights, notably for women, children and Roma, and to effectively implement anti-discrimination policies; and take additional measures to improve treatment of detainees in police stations, pre-trial detention and prisons.

Albania has been receiving EU financial assistance since 1991. It will receive a total of €598 million under IPA between 2007 and 2013.

Bosnia and Herzegovina (BiH)

Following the Thessaloniki Council in June 2003, BiH is a potential candidate country for EU accession. On 16 June 2008, the EU and BiH signed a SAA and an Interim Agreement on trade and trade-related issues. The Interim Agreement enters into force on 1 July 2008.

Progress in BiH is slow. The conclusions of the Progress Report of 9 November 2010 note the following main points³⁶:

- Overall implementation of reforms is insufficient and lack of a shared vision on the country's direction is blocking key EU-related reforms and impeding further progress towards the EU;
- Political criteria - little progress in constitutional reform towards creating functional and effective institutional structures, in public administration reform and economic and social rights; limited progress in improving the judicial system, tackling corruption, in human rights and protection of minorities; and some progress regarding the respect for and protection of minorities and cultural rights;
- Economic criteria - little further progress towards a functioning market economy; and
- European standards - limited progress in aligning its legislation and policies.

BiH has been virtually ungovernable since the failure to pass modest constitutional changes in 2006³⁷. In 2009, the political climate deteriorated and challenges to the functioning of the institutions and inflammatory rhetoric continued. Leaders in Republika Srpska (RS) now call for dissolution of BiH and the ongoing political gridlock in the Bosniak-Croat federation is even more worrying. While a return to war is not envisaged outside help is needed, otherwise break-up and new conflict could be envisaged³⁸. A recent Joint Statement by High Representative/Vice-President Catherine Ashton and Commissioner Füle on BiH (15 March 2011) expressed deep concern with the continued lack of progress in government formation, noting particular concern with the situation in the Federation. The need to urgently address EU related reforms as a matter of priority was also noted.

The International Crisis Group (ICG) state that BiH cannot be a credible candidate for EU membership while the current foreign oversight arrangements are in place, depending on the Office of the Higher Representative (OHR) for key decision-making tasks such as legislation³⁹. Nationalist Republika Srpska (RS) politics are sustained against OHR's threats while the Federation is seen to react to RS provocation by not undertaking real reforms. ICG recommends that the EU MS should take clear action to convince the Bosnians that the EU will take the international lead and guide the country through reform and integration⁴⁰. This would mean amending the power, responsibilities and resources of the EU Delegation, taking over the lead role from the OHR, although it's likely to remain open for the foreseeable future with lack of finalisation of the list of five objectives and two conditions

³⁶ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

³⁷ "Bosnia's future: divided and unruly": The Economist, 16 April 2011

³⁸ *ibid*

³⁹ "Bosnia: Europe's time to Act": International Crisis Group, Europe Briefing No. 59, 11 January 2011

⁴⁰ *ibid*

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(“five plus two”) set in 2008 and lack of agreement between the EU MS and EC actors over timing, strategy, staffing and financing of a strengthened Delegation.

Bosnia will receive a total of €660 million under IPA between 2007-13.

Kosovo under UN Security Council Resolution 1244

The EU reiterated in 2008 that Kosovo has a clear European perspective in line with the European perspective of the Western Balkans region. The EU supports stability in Kosovo through the EULEX rule of law mission in Kosovo (assuming responsibilities in the areas of police, customs and the judiciary), the Special representative in Kosovo and the Kosovo international civilian office and financial assistance under IPA.

The conclusions of the Progress Report of 9 November 2010 note the following main points⁴¹:

- Political criteria - progress has been made. Commitment to the European agenda and policy reform has been strengthened and a Ministry for European Integration has been established. In July 2010 the International Court of Justice (ICJ) issued an advisory opinion, which concluded that Kosovo's declaration of independence did not violate general international law or UN Security Council resolution 1244 (1999). Following the UN General Assembly resolution of 9 September the EU has confirmed its readiness to facilitate a process of dialogue between Pristina and Belgrade to promote cooperation, achieve progress on the path to the EU. On democracy and the rule of law, there has been progress in strengthening executive and parliamentary structures, in particular as concerns European integration, but rule of law needs further strengthening and is an issue of serious concern. The main structures of government are in place and continue to function in line with relevant constitutional provisions. Public administration reform remains a major challenge. Progress has been made in reform of the judicial system but Kosovo is still at an early stage in addressing priorities. Although the legal framework on anti-corruption has improved with the adoption of laws on the anticorruption agency and on declaration and origin of the property and gifts to senior public officials, corruption remains prevalent and the legal framework remains incomplete and does not fully comply with European standards. The institutional set-up and the lack of political will with respect to human rights and the respect for and protection of minorities will hamper the effective implementation of legal standards. Some progress made on civil and political rights. Freedom of expression still not guaranteed in practice and economic and social rights are still not fully guaranteed;
- Regional and international obligations – Kosovo continues to cooperate with ICTY. Greater efforts are required to trace 1,800 missing persons, more than ten years after the end of the armed conflict;
- Economic criteria - limited progress towards establishing a functioning market economy. Considerable reforms and investments are needed to enable it to cope over the long term with EU competitive pressure and market forces;
- European standards - progress in aligning legislation and policies continues to be mixed;
- EU internal market - some progress in developing the legal framework for free movement of goods, including consumers' protection but the overall legal framework requires reinforcement.

Kosovo will receive a total of €639 million under IPA between 2007 and 2013.

Serbia

Following the Thessaloniki European Council in June 2003, Serbia is a potential candidate country for EU accession. The SAA and Interim Agreement on Trade and Trade-related issues were signed on 29 April 2008. Following a positive assessment of Serbia's cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), the Council General Affairs meeting of 7 December 2009 decided to unblock the Interim Agreement on Trade and Trade-related issues. Serbia submitted its application for EU membership on 22 December 2009. The EU MS decided on 14 June 2010 to

⁴¹ http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

commence ratification of the SAA. On 31 January 2011, Serbia transmitted the replies of the EC questionnaire.

The conclusions of the Progress Report of 9 November 2010 note the following main points⁴²:

- Political criteria – Serbia has made progress. The Interim Agreement entered into force in February 2010 and further progress has been made in complying with the SAA requirements. Judicial reform has continued but there were serious shortcomings in the reappointment procedure of judges and prosecutors. Despite the active on-going cooperation of Serbia with ICTY, the two remaining ICTY fugitives, Ratko Mladić and Goran Hadžić, are still at large. Democracy and the rule of law have been further strengthened. Reform in public administration is advancing at a slow and uneven pace although capacity is good. Despite progress in the fight against corruption with the Anti-Corruption Agency starting its work in January 2010 it remains prevalent in many areas and continues to be a serious problem. No progress made with regard to property rights as an adequate legal basis for property restitution is still missing. Some progress made in addressing the issue of the status of refugees and internally displaced persons (IDPs) but further substantial efforts are needed;
- Regional issues and international obligations – Serbia demonstrated a constructive approach in connection to developments in BiH;
- Economic criteria - further progress towards establishing a functioning market economy has been limited, more efforts are needed in restructuring the economy so as to cope in the medium-term with EU competitive pressures and market forces. Serbia has further postponed reforms to tackle the biggest structural shortcomings. Despite a gradual economic recovery, the labour market has continued to deteriorate, with decreasing employment and increasing unemployment; and
- European standards - further progress has been made towards aligning its legislation. Serbia is still at the early stages in the introduction of good practices in public internal financial control.

Overall, Serbia is making good progress in EU relations. However, beyond the passing of laws and the rhetoric, further efforts to ensure effective implementation and enforcement are needed.

Serbia receives a total of €1,395 million under IPA between 2007 and 2013.

⁴² http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

Annex 3 Pre-accession programmes prior to IPA

Phare

Phare was originally created in 1989 to assist Poland and Hungary. The ten new Member States of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, Bulgaria and Romania, were beneficiaries of the programme, along with the countries of the Western Balkans (Albania, Bosnia-Herzegovina and the former Yugoslav Republic of Macedonia) until 2000 when the CARDS programme provided financial assistance to these countries. Malta, Cyprus and Turkey received assistance under a different legislation, but their specific instruments were comparable to Phare in terms of structure and intervention logic.

Following the 1993 Copenhagen Council's invitation to Central and Eastern European countries to apply for membership, Phare support was reoriented. Phare's sole 'pre-accession' focus was put in place in 1997, in response to the Luxembourg Council's launching of the enlargement process. The programme objectives were: (i) strengthening public administrations and institutions to function effectively inside the EU; (ii) promoting convergence with the *acquis communautaire*; and (iii) promoting economic and social cohesion.

These orientations were further refined in 1999 with the creation of SAPARD and ISPA, which took over rural and agricultural development and infrastructural projects in the environmental and transport fields allowing Phare to focus on other key priorities.

Apart from the national support programmes, Phare also had a strong cross-border element in pursuit of a balanced territorial development. Phare Cross Border Cooperation (CBC) was established in 1994. Its purpose was to support bordering regions in the eight Central and Eastern candidate countries (bordering a Member State or another candidate country) in deepening their integration with neighbouring regions across the borders and to address their specific socio-economic development needs. It had also set the objective to prepare candidate countries for the future management of INTERREG (now the European Territorial Cooperation programme).

In 2004, after the fifth enlargement of the EU, Phare CBC was extended to cover the candidate countries and potential candidates in the Western Balkans and Turkey.

ISPA

ISPA under the remit of Directorate-General for Regional Policy (DG REGIO) was designed to address environmental and transport infrastructure priorities identified in the Accession Partnerships with the 10 applicant countries of Central and Eastern Europe. Like the Phare programme, the ISPA programme had the aim of Economic and Social Cohesion. The main features of the programme were that it only financed major environmental and transport infrastructure projects and until 2003 the overall annual budget for the 10 countries of Central and Eastern Europe was € 1.1bn.

SAPARD

The aim of SAPARD under the remit of Directorate-General Agriculture and Rural Development (DG AGRI) was to support the 11 beneficiary countries (10 new Member States acceding the EU in the fifth enlargement round in 2004/2007 and Croatia) of Central and Eastern Europe to deal with the problems of required structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the *acquis communautaire* concerning the Common Agricultural Policy (CAP) and related legislation. It was designed to address priorities identified in the Accession Partnerships. The programme financed agriculture and rural development measures with an overall annual budget for the 10 acceding countries (excluding Croatia) of around €560 million .

CARDS

Through this programme €4.65bn was provided to the Western Balkans in the period 2000-2006 for institution-building, investment and other measures. 6% of the total programme allocation was given over to regional cooperation between 2002 and 2006. The main programme objectives were: (i)

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reconstruction, democratic stabilisation, reconciliation and the return of refugees; (ii) institutional and legislative development, including harmonisation with EU norms and approaches, to underpin democracy and the rule of law, human rights, civil society and the media, and the operation of a free market economy; (iii) sustainable economic and social development, including structural reform; and (iv) promotion of closer relations and regional cooperation among countries and between them, the EU and the candidate countries of Central Europe.

Annex 4 Component structure and delivery mechanisms of IPA

Background

IPA is implemented through the rules set down in the Regulation No.1085/2006 establishing an Instrument for Pre-accession Assistance⁴³ and the IPA Implementation Regulation⁴⁴ (referred to as “IR”). It is based on a strategic multi annual planning, which includes a Multi Annual Indicative Financial Framework, serving as the framework for Multi annual indicative planning documents.

This annex contains a summary presentation of the IPA programming documents, and describes content and management arrangements for each of the five Components in more detail. The component-specific subsections briefly discuss the scope and overall orientation of each of the components; and present the actors and structures involved in the management of the components.

Programming documents

The key strategic and policy documents for IPA interventions are the EC enlargement strategy papers, progress reports, Accession/European partnerships, the multi-annual indicative financial framework (MIFF), the multi-annual indicative planning documents (MIPDs), the national programme for the adoption of the acquis (NPAA), the beneficiary country national development plans/sector strategy(ies). These documents serve as basis for the development of component-specific annual or multi-annual national programmes (depending on the requirements for each of the five IPA components) and/or the annual selection of priorities. Implementation is steered at the operational level by these component-specific programmes.

MIPDs and annual programmes are also prepared for regional/multi-beneficiary programmes.

The purpose of some of the key documents is to inform/guide the programming exercise (e.g. MIFF, MIPD), whereas other documents are multi-functional (accession partnerships, NPAA, enlargement strategy) in that they both inform accession preparations and the programming of financial assistance.

Multi-annual Indicative Financial Framework

The Multi-annual Indicative Financial framework (MIFF) is designed to provide information on the indicative breakdown of the overall IPA envelope proposed by the Commission in accordance with Article 5 of the IPA Regulation (EC) 1085/2006. It acts as the link between the political framework within the enlargement package and the budgetary process: it reflects the overall priorities identified within the pre accession political framework.

The MIFF is established on a rolling three-year basis, taking account of the needs and the administrative and management capacity of the country as well as compliance with the Copenhagen accession criteria. It indicates the allocation of the envelope for pre-accession assistance by country and by component for these years, and also gives an indication of the multi-beneficiary programme envelope and support expenditure.

It is published, based on the current status of the countries concerned, and does not pre-empt any decisions on: the status of countries that have submitted an application for membership; a likely date of accession for any candidate country; or the inclusion of Iceland in the IPA Regulation. Once a candidate country accedes to the EU, any pre-accession funds provisionally allocated to that country from the year of accession onwards will no longer be available for this new Member State. The overall

⁴³ Council Regulation (EC) No.1085/2006 of 17 July 2006 establishing an Instrument for Pre-accession assistance (IPA)

⁴⁴ Commission Regulation (EC) No.718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

political priorities for pre-accession are set out in the Accession and European Partnerships, the annual progress reports and the enlargement strategy paper contained in the enlargement package presented to the Council and European Parliament each year.

Multi-annual Indicative Planning Documents

The MIPDs are established for each beneficiary country and for the multi-beneficiary programme, through which pre-accession aid is delivered. They take into account the indicative breakdown proposed in the MIFF. The objective of MIPDs is to provide direction and focus, formulating strategic objectives for IPA assistance which are made operational by making strategic choices and identifying specific objectives and/or priorities per IPA component over the three year period covered⁴⁵. Thus, MIPDs can have both a strategic and a more planning focus. Strategic objectives are invariably defined at a broad, non-measurable policy level. There is a tendency in MIPDs for the number and/or scope of specific objectives/priorities to increase over time and for mixed quality in relation to SMART objectives and indicators. This is an area for focus in future programming^{46 47}. The evaluation of the intervention logic for assistance in Turkey⁴⁸ recommends the introduction of a 4 or 5 year strategic document, based on the MIPD structure and containing sector descriptions, objectives, indicators, and interventions required to meet the Accession Partnership objectives, to be evaluated at mid-term and ex-post.

Strategic Coherence Framework

The MIPD serves as the basis for the Strategic Coherence Framework (SCF), which is the reference document for components III and IV and which is then discussed with the Commission. Article 154 of the IR defines that the SCF should include: an analysis of the strengths and weakness and threats in the eligible sectors; the objectives; the list of operational programmes; an indicative breakdown of financial allocation; and where relevant, provisions for coordination with other national programmes and IPA components (e.g. Component I).

Operational programmes

On the basis of the MIPD, the beneficiary prepares the Operational Programmes (OPs) for each of the components.

The OPs under Component III and IV are set up by the operating structures in coordination with the Commission and stakeholders. They are organised per component (IV) and per theme (component III). Article 155 of the IR defines the components of the operational programmes:

- an assessment of medium term needs and objectives;
- an overview of the consultation of the relevant socio-economic partners;
- a description of the chosen strategic priorities;
- information on the objectives, related measures and specific targets;
- modalities when measures are meant to be implemented through aid schemes for enterprises;
- a description of technical assistance operations;
- an identification of the intended final beneficiaries;
- a financial table;
- proposed evaluation and monitoring indicators;
- for component III an indicative list of major projects⁴⁹;

⁴⁵ "Mid-term meta evaluation of IPA assistance" Evaluation Report, 22 February 2011, HTSPE Ltd. for DG ELARG

⁴⁶ *ibid*

⁴⁷ "Ad-hoc evaluation of the European Commission's intervention logic for financial assistance in candidate countries and key lessons for MIPD 2010-2012 revision: A case study – Turkey" 21 September 2009, MWH Consortium for DG ELARG

⁴⁸ *ibid*

⁴⁹ Article 157 of Implementation regulation defines major projects as "a series of works, activities or services [...]intended, in itself, to accomplish a definite and indivisible task of a precise economic or technical nature, which has clearly defined identified goals and whose total cost exceeds € 10 million."

- a description of relevant structures and authorities for the management and control of the operational programmes

Each of the operational programmes should be evaluated through an *ex ante* evaluation by the beneficiary countries. The *ex ante* evaluation will be annexed to the operational programmes and will aim at improving and optimising the budget and programme quality. Article 166 of the IR, in addition, states that the *ex ante* evaluation should “identify and appraise the disparities, gaps and potential for development, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary of the strategy proposed and the quality of the procedures for implementation, monitoring, evaluation and financial management”.

The programmes of Component V include (article 184 of the IR):

- a quantified description of the situation;
- a description of the national rural development strategy proposed;
- an explanation as to how the overall strategic approach and sectoral strategies are translated into specific actions;
- an indicative overall financial table;
- a description of the measures;
- a description of the operating structure for the implementation of the programme;
- the name of the entities responsible for the programme;
- results of consultations and provisions;
- results and recommendations of the *ex ante* evaluation of the programme

Each of the programmes will be subject to *ex ante*, *ex post* and when appropriate interim evaluations of programmes of component V (article 191 of the IR).

Ideally, the programming documents should be a set of coherent foundation blocks with objectives, design and content each interwoven to an extent into the other. The intervention logic should be preserved across the various documents.

Implementing structures

The implementation of pre-accession assistance can be done in a centralised manner, managed from the Commission in Brussels (in case of regional/multi-beneficiary programmes under Component I) or through the EU Delegations (programmes under Component I where the decentralised implementation system (DIS) has not yet been deployed; the Delegations usually also steer the implementation of Component II).

Activities under Components III, IV and V are implemented via decentralised management. Under decentralised management, the Commission retains the financial responsibility of the general budget execution, while it confers the management of certain actions on the beneficiary country (article 10 of the IR). The national authorities are responsible for tendering, contracting and payments. For components III and IV, the EC delegations are involved through *ex ante* controls and the funds are managed by accredited national authorities. In component V, the EC delegations do not undertake *ex ante* controls and their funds are managed by accredited national authorities of the beneficiary.

The key implementing structures, authorities and officials under DIS are presented in the table below.

Table A. 1 Decentralised Implementation System – key structures and responsibilities

Function	Key tasks
National IPA Coordinator	The NIPAC, supported by a NIPAC office, is a high-ranking government or state administration official, holding responsibility over the coherence and coordination of the IPA programmes; the annual programming for the transition assistance and institution building component at national level; and the coordination of the participation of the beneficiary country in the relevant cross-border programmes.
Strategic Coordinator	An entity within the state administration of the beneficiary country, under the responsibility of the NIPAC, with no direct involvement in the implementation of relevant Components. The main responsibility of SCO is to draft the Strategic Coherence Framework; to coordinate assistance under the regional development component (III) and human resources development component (IV) under the responsibility of the national IPA coordinator; and to ensure coordination between sectoral strategies and programmes.
National Fund	<p>The National Fund is a body located in a state level Ministry of the beneficiary country with central budgetary competence. It acts as a central treasury, the sole channel through which Community pre-accession funds flow, and is and is responsible for the establishment of an efficient and transparent EU funds financial management system, which is consistent with the existing EU systems.</p> <p>The NF is in particular be in charge of organising the bank accounts, requesting funds from the Commission, authorising the transfer of funds received from the Commission to the operating structures or to the final beneficiaries, and the financial reporting to the Commission. The Head of the National Fund is a government official responsible for the proper performance of the functions of the National Fund, being directly responsible to the NAO.</p>
National Authorising Officer	As the head of the National Fund, the NAO bears overall responsibility for the financial management of EU funds in the beneficiary country (National Fund); and is responsible for the legality and regularity of the underlying transactions; as well as for the effective functioning of management and control systems.
Competent Accrediting Officer	The CAO is responsible for issuing, monitoring and suspending or withdrawing the accreditation of the national authorising officer and the national fund in accordance with Articles 12 and 15 of IPA IR.
Audit Authority	The national Audit Authority is responsible for verifying the effective and sound functioning of the management and control systems.
Operating Structure	<p>The Operating Structure is composed by all of the following:</p> <ul style="list-style-type: none"> ▪ One or several "Implementing Agencies" (including any CFCU) - each one headed by a Programme Authorising Officer (PAO); ▪ All relevant line Ministries or bodies with equivalent tasks - also called 'Implementing Authorities' or 'Programme Implementation Units' (PIUs); ▪ All relevant internal audit services; and ▪ The NIPAC office which undertakes programming and programme monitoring. <p>An Operating Structure under Components III-V is a body within the administration of the beneficiary country with functions similar to the functions of the Managing Authority for Structural Funds operations in the Member</p>

	States. It is responsible for managing and implementing the Operational Programmes in accordance with the principle of sound financial management.
Programme Authorising Officer	The PAO is an official in charge of each Implementing Agency, designated by the NAO after consultation with the NIPAC.
Senior Programme Officer	The SPO is a state administrative official (in the relevant ministry/agency) responsible for technical project implementation. Also assist the PAO in the good and timely preparation and implementation of operations at technical level where the Implementing Agency is responsible for the administrative and financial implementation of the projects.
Central Finance and Contracting Unit/Agency/ Department	CFCUs are Implementing Agencies - central operational authorities for financial management of IPA assistance under DIS. On receipt of accreditation the CFCU becomes the implementing agency, attaining exclusive responsibility for the payment, accounting, contracting, archiving and financial statements regarding the procedures and implementation of the procurement of services, works, supplies, grants and twinning programmes.
Project/ Programme Implementation Unit	The PIU is a unit responsible for technical assistance, programming and implementation phases.
Project/ Programme Implementation Unit	The PIU is a unit responsible for technical assistance, programming and implementation phases.
Internal audit units	Internal audit units are involved in the effective functioning of the management and control systems.

An example for the setting up of management structures (the Croatian case) is provided in Figure A.2 overleaf.

Figure A.2 Management structures of IPA – the Croatian example

Structure/authority		Responsible body		
National IPA coordinator		Central Office for Development Strategy and Coordination of EU funds (CODEF)		
Strategic coordinator for component III and IV		CODEF – department for EU programmes in the field of Economic and Social Cohesion		
Accrediting Officer		Ministry of Finance		
National authorising officer		Ministry of Finance		
National fund		Ministry of Finance		
Audit authority		Agency for the Audit of EU Programmes – Implementation System		
Component III a – Transport	Component III b – Environment	Component III c – Regional competitiveness	Component IV – Human resources development	Component V – Rural development
Operating structures				
Ministry of the Sea, Transport and Infrastructure <i>Directorate for Integrated Regional Development</i>	Ministry of the Regional Development, Forestry and Water Management <i>Directorate for Strategic infrastructure Objects</i> Ministry of Environmental Protection, Physical Planning and Construction <i>Directorate for Water Policy and International Projects</i>	Ministry of Economy, Labour and Entrepreneurship <i>Directorate for Regional Competitiveness OP</i> Ministry of Science, Education and Sports <i>Directorate for Science – Department for Managing EU funds and Action Plans</i> Ministry of the Regional Development, Forestry and Water Management <i>Directorate for Integrated Regional Development</i>	Ministry of Economy, Labour and Entrepreneurship <i>Directorate for International Cooperation in the field of Labour and Social Security</i> Ministry of Health and Social Welfare <i>Directorate for Social Welfare</i> Ministry of Science, Education and Sports <i>Directorate for Secondary Education</i>	Ministry of Agriculture, Fisheries and Rural Development <i>Directorate for Rural Development – Managing Authority</i>
Implementing bodies				
Croatian railway Infrastructure	Croatian Waters	Environmental protection and Energy Efficiency Fund	Croatian Employment Service Agency for Vocational Education and Training and Adult Education	Paying Agency for Agriculture, Fisheries and Rural Development
Central Finance and Contracting Agency				

The national IPA coordinator (NIPAC) is responsible in the beneficiary country for the overall coordination of IPA assistance, including with the national fund (NF) for the reception of finances. In addition, a national authorising officer (NAO) is required who acts as a financial manager. The Commission is responsible for the accreditation and monitoring of these structures. National governments and independent auditors are also involved in the monitoring and evaluation process. Control and audit is also done by national and independent auditors as well as the Court of Auditors. In the operational programme - the document providing details concerning programme delivery - the operating structure is identified. This is a government ministry in the beneficiary country that is managing and distributing the IPA funds to projects that are proposed by final beneficiaries, such as: NGOs or regional authorities.

As the beneficiary countries are prepared to manage the funds after accession, the IPA Implementing Regulation stipulates that decentralisation within ex ante control by the Commission is set as an objective for all five IPA components. As a result, a roadmap is established leading up to the conferral of management and the waiving of ex-ante controls. However, management powers can only be conferred once the required institutional set up is in place. In the case of decentralised management, an IPA Monitoring Committee and Sectoral Monitoring Committee is established in the beneficiary country. The IPA Monitoring Committee oversees the coordination of the implementation of all IPA components. The Sectoral Monitoring Committee comprises of several members representing the Commission and the beneficiary, but also civil society and social partners. Its role is, among others, to approve criteria for the selection of operations, review the progress made in the area of priority axis and to be informed of the annual audit activity. In case of centralised and joint management, the Commission and international organisations monitor the programmes. Ex ante, interim and ex post evaluations are carried out by the Commission and other donors.⁵⁰

Component I - Transitional Assistance and Institution Building

Overall scope

Component I, delivered through annual national and multi-beneficiary programmes, is under the responsibility of DG ELARG. Its main objective is capacity and institution building in the political, economic, administrative, judicial and civil society areas; it intends to facilitate reforms in those areas. For countries not benefiting from components III to V, it also includes measures aiming at social, economic and territorial development.

Along with the national programmes for each country there are also IPA Regional (or multi-beneficiary) programmes. Regional cooperation is an essential element of the SAP. The importance that the EU attaches to regional cooperation has been reiterated in numerous Commission and EU Council documents, most recently the Commission's enlargement strategy 2009-2010 and the conclusions of the December 2009 General Affairs Council. The objectives of multi-beneficiary programmes are to support cooperation between countries, including in the Justice and Home affairs area; and, facilitate the participation by beneficiaries in structures of common interest (e.g. regional training facilities on administration reform or civil society development).

Management

(The general description of management arrangements above apply to implementing Component I),

Component II – Cross-Border Cooperation

Overall scope

Component II of IPA offers assistance in order to support cross-border cooperation actions with a view to enhance the development of border regions, to promote good neighbourly relations and to build

⁵⁰ Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

mutual trust. DG ELARG and DG REGIO are jointly responsible for the implementation of Component II.

Component II provides EU assistance to strengthen cross-border cooperation between neighbouring countries. Cross-border cooperation is eligible in two cases: (1) borders between Member States and candidate countries/potential candidates or (2) borders among candidate countries/potential candidates. Apart from cross-border cooperation, the component also comprises transnational activities (programmes).

The main objectives of the cross-border cooperation component include:⁵¹

- To development of cross-border economic, social and environmental activities in border areas;
- To address common challenges in the field of environment, public health, prevention and fight against organised crime and border control
- To promote legal and administrative cooperation;
- To promote local 'people to people' type of actions.

The transnational cooperation focuses on innovation, environment, accessibility and sustainable urban development.

These objectives are based on the specific needs of border areas and aim to ensure good neighbour relations in the border areas. The cross-border cooperation programmes also prepare countries for the future use of the Structural Funds' Territorial co-operation objectives, through participation of IPA beneficiaries in trans-national and interregional co-operation programmes funded by the European Regional Development Fund (ERDF) and in the sea basins programmes funded under the European Neighbourhood and Partnership Instrument (ENPI).

For the IPA programming period 2007 – 2013, nine cross-border cooperation programmes between Member States and beneficiaries, and eight IPA cross-border programmes among Western Balkan countries have been established. Table A.2 below gives an overview of these programmes and their main objectives.

Table A.2 List of CBC programmes 2007-2013

Name of programme	Main programme objective
CBC programmes between Member States and beneficiaries	
Bulgaria – the former Yugoslav Republic of Macedonia	Sustainable development in the cross-border region.
Bulgaria – Serbia	Strengthen territorial cohesion of the Bulgarian – Serbian cross-border region
Bulgaria - Turkey	Sustainable development in the Bulgarian – Turkish cross-border area
Greece – Albania	Increase the standard of living of the population
Greece – the former Yugoslav Republic of Macedonia	Enhance convergence in the programme area by sustainable local development
Hungary – Croatia	Enhancement of sustainable environment, tourism, economy and human resources development
Hungary - Serbia	Facilitation of a harmonic and cooperating region

⁵¹ http://www.cbib.eu/en/ipa/ipa_component_II/index.html

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Romania – Serbia	Balanced and sustainable socio-economic development of the Romanian – Serbian border area
Slovenia – Croatia	Support and promote sustainable development of the cross-border area

CBC programmes between IPA beneficiaries

Albania – Montenegro	Promotion of cooperation between people, communities and institutions in border regions.
Bosnia and Herzegovina – Montenegro	Fostering of joint sustainable development of the cross-border area, its economic, cultural, natural and human, resources and potentials
Croatia – Bosnia and Herzegovina	Encouraging the creation of cross-border networks and partnerships and the development of joint cross-border actions
Croatia – Montenegro	Improving the quality of life in the cross-border area between Croatia and Montenegro
Croatia – Serbia	Stimulating cross-border cooperating in order to diversify and improve the regional economy in a socially and environmentally sustainable way
the former Yugoslav Republic of Macedonia – Albania	Promoting sustainable development in the cross-border area
Serbia – Bosnia and Herzegovina	Bringing together the people, communities and economies of the border area to jointly participate in the development of a cooperative area
Serbia - Montenegro	Bringing together the people, communities and economies of the border area to jointly participate in the development of a cooperative area

In addition to the above, the IPA Adriatic Cross-border cooperation Programme provides assistance through component II. The eligible areas included: Italy, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania, Greece and Serbia. Its main priorities are:

- Economic, social and institutional cooperation
- Natural and cultural resources and risk prevention
- Accessibility and networks
- Technical assistance

From amongst the 13 EU-sponsored transnational cooperation programmes, the current potential candidates and candidate countries are eligible for participating in two: the South East Europe Transnational Cooperation Programme and the Mediterranean Programme.

Management

Component II is based on the principle of 'common benefit', whereas neighbouring countries receive equal and balanced programming and decision making structures on both sides of the border. The principle is based on a single set of rules which is applicable to the beneficiary countries. The component is based on joint programmes, joint management and joint financing of projects as both countries have to benefit from the financed measures.

DG ELARG and DG Regional Policy (DG REGIO) are jointly responsible for the implementation of Component II. It supports cross-border cooperation at borders between candidate countries/potential candidates and between them and the EU countries. It may also fund participation of beneficiary countries in Structural Funds' trans-national co-operation programmes and Sea Basins programmes under the European Neighbourhood and Partnership Instrument (ENPI).

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Several management structures and authorities are responsible for the implementation of the component. Under centralised management, these comprise the National IPA Coordinator, the Operating Structures and the EC Delegations.⁵²

- National IPA Coordinator: responsible for the coordination of the CBC programmes and acts as the representative of the beneficiary country. The coordination task may be delegated to the IPA component II coordinator.
- Operating Structure: in each country an Operating Structure will be appointed which is directly responsible for the CBC programme's implementation. Common coordination mechanisms are a necessity in the programme and, therefore, the Operating Structures of the countries will work in close collaboration in the programming and implementing stages.
- EC Delegation: the EC will act as the Contracting Authority in the country with centralised management. Its main responsibility concerns the execution of ex ante evaluation on calls for proposal and for awarding grants, tendering, contracting and payment functions.

The national structures under decentralised management include the following structures: national IPA Coordinator, Competent Accrediting Officer, National Authorising Officer, National Fund, Audit Authority, Operating Structure and the EC Delegation.⁵³

- National IPA Coordinator: in charge of the overall coordination.
- Competent Accrediting Officer: issues, monitors, suspends or withdraws accreditation of the National Authorising Officer and the National Fund
- National Authorising Officer: head of the National Fund and responsible for the overall management and control system, such as: accreditation of the operating structure.
- National Fund: payment task
- Audit Authority: verifies effective and sound functioning of the management and control systems
- Operating Structure: responsible for preparing, managing and implementing the part of the programme related to the country concerned. The Operating Structure is represented in the Joint Monitoring Committee and it includes an Implementing Agency responsible for awarding grants, tendering, contracting and payments.
- EC Delegation: according to the progress made in decentralisation process of the country it may perform ex ante control.

Moreover, there are two joint structures in place: the Joint Monitoring Committee and the Joint Technical Secretariat.⁵⁴

- Joint Monitoring Committee: oversees the programming and implementation of the programme. The committee considers and approves the selection criteria and it is responsible for selecting projects. The latter may be delegated to a Steering Committee.
- Joint Technical Secretariat: consists of employees of both sides of the border and it is responsible for the day-to-day management of the programme. It assists the Joint Monitoring Committee and the Operating Structures in the programme implementation.

In case the CBC programmes are implemented through shared management with a member state, the following three structures need to be put in place in one of participating member states.⁵⁵

- Managing authority: in charge of managing the programme
- Certifying authority: responsible for making payment requests, receives funds from the Commission and makes payments to the project's lead partner
- Audit authority: in charge of verifying the effective functioning of the management and control system

⁵² IPA Implementing Regulation

⁵³ *ibid.*

⁵⁴ *ibid.*

⁵⁵ *ibid.*

Programme delivery is done via the cross-border programme, which sets out the implementation and programming process of the cross-border cooperation under IPA. The cross-border programme is based on, among others, a Strategic Framework, European Partnerships, Multi-annual Indicative Financial Framework, Multi-annual Indicative Planning Document. The cross-border programmes elaborate on the programming process, the cooperation strategy, the financial plan and the implementation provisions.

Prior to launching calls for proposals, the countries need to have the Financing Agreements signed and the Joint Management Structures have to be established. Once the countries meet the requirements, the calls for proposals are launched and published in, for instance, newspapers, the programme's website and websites of Operating Structures in both countries. In addition, an information campaign is launched which will allow potential applicants to gather more information on the calls for proposals. The applications to the calls for proposal have to be submitted to the Joint Technical Secretariat, that will evaluate the projects. According to PRAG, a ranking list will be set up with respect to the submitted project proposals. PRAG is a guide explaining the contracting procedures that apply to all EU external aid contracts financed from the EU general budget and the European Development Fund.⁵⁶ The Joint Monitoring Committee will proceed and take a final decision on the projects to be selected. The projects that are selected by the Joint Monitoring Committee are recommended for financing to the Contracting Authorities by the EU Delegations. Once the grants contracts have been signed, the implementation stage can begin. During the implementation stage, Interim and Final Reports have to be submitted to the respective Contracting Authorities by the lead beneficiaries and the Project Progress Report has to be submitted to the Joint Technical Secretariat. The Progress Report reports on the overall project overview and the activities and achievements on both sides of the border. The programme monitoring is done on the basis of the progress reports. This stage is of paramount importance for the implementation. It will be examined by the Joint Monitoring Committee, after which the operating structures send the Commission and the national IPA Coordinators an annual report and a final report regarding the implementation of the programme. Lastly, the programme is evaluated by internal or external experts or bodies.⁵⁷

The programmes are delivered through these cross-border cooperation programmes, complying with the provisions stipulated in the IPA Implementing Regulation. Provisions with respect to the financing of these programmes are laid down in article 90 of the IPA Implementing Regulation. The Community contribution shall not exceed 85% of the eligible expenditure and the contribution for each priority axis shall not be less than 20%. The remaining 15% must be financed from national public sources from the participating countries. The payments from the Community funds shall be done via pre-financing, interim payments and payment of the final balance. When it concerns a CBC programme among beneficiary country – member states not included – the Commission issues a grant to the lead beneficiary.

Component III - Regional Development

Overall scope

Component III is the regional development component which offers support in the areas of transport, environment and economic development by financing investments and associated technical assistance. This component is under the responsibility of the DG REGIO and it is open to candidate countries only.

The component's main objective is to prepare the candidate country for the future use of Cohesion Policy. Operations under Component III are eligible under the following priorities, each priority having its own operational programme:⁵⁸

- transport infrastructure,

⁵⁶ http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/documents/2010_prag_en.pdf

⁵⁷ http://www.cbib.eu/ipa/ipa_component_II/cross_border_programmes/programme_implementation_process/index.html

⁵⁸ http://www.cbib.eu/en/ipa/ipa_component_III/index.html

- environment measures,
- regional competitiveness, productive environment and sustainable employment.

Management

Within the European Commission, DG REGIO is responsible for Component III.

The national operational programmes are based on the Strategic Coherence Framework, a reference document itself based on the MIPD, which includes objectives and a list of programmes. All together these documents outline a framework with regards to budgetary decisions and the allocation of IPA funds.

The multi-annual operational programme is the main document that provides details concerning programme delivery under Component III. Close cooperation between the country, the Commission and stakeholders is of the utmost importance. Thus, the programme is developed by the operating structure, which is the body within the administration of the beneficiary country in charge of the management and implementation of the operational programme, in coordination with the Commission and stakeholders. It is established by country, by component and by theme and it is being implemented under decentralised management. As a result, the candidate countries are responsible for the implementation of the actions, however, subject to ex ante or ex post scrutiny by the Commission. The operational programme outlines the strategic goals of assistance (priority axis), measures to be taken to achieve these goals and indicators for measuring the progress on policy implementation.⁵⁹ The Certifying Authorities – Competent Accrediting Officer, National Authorising Officer, National Fund – and the audit authority monitor the Operating Structure's finances.

Within the scope of the financial instruments, article 159 of the IPA Implementing Regulation stipulated the following: 'As part of an operational programme, the Community contribution may finance expenditure related to an operation comprising contributions to support financial engineering instruments for enterprises, such as venture capital funds, guarantee funds and loan funds. Preference shall be given to small and medium-sized enterprises'.⁶⁰ The types of assistance that are concerned according to article 15 of the IPA Regulation are: finance investments, procurement contracts, grants, special loans and loan guarantees and financial assistance, budgetary support, and other specific forms of budgetary aid, and the contribution to the capital of international financial institutions or the regional development banks. Budgetary support is exceptional.⁶¹

After the programming and institutional set up stage is finalised, the programme delivery stage can commence. The Operating Structure is in charge of launching a call for proposal and public tenders. The call for proposals procedure is applicable to all operations other than major projects and implemented by final beneficiaries other than national public bodies. A selection committee is established which is in charge of selecting proposals. It formulates an opinion on the results and the operating structure can approve or reject these. The projects have to be in line with EU rules and they will be selected on the basis of calls for proposals, public tenders and direct awards. The latter applies only in specific cases. The IPA funds will finance the projects and the national government will also provide a small amount of funding. The eligible expenditure is based on the public expenditure, as identified in the IPA Implementing Regulation. 'The Community contribution shall not exceed the ceiling of 75% of the eligible expenditure at the level at the priority axis. In exceptional and duly justifies cases, with regard to the scope of the priority axis, the ceiling may reach 85%'.⁶² Under component III, projects may be financed in the areas of environment infrastructure, transport infrastructure and regional competitiveness. Major projects are those projects that exceed the ten million euro threshold, however, projects below this threshold are also eligible. Major projects have to

⁵⁹ <http://ec.europa.eu/esf/main.jsp?catId=32&langId=en>

⁶⁰ Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

⁶¹ Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an instrument for Pre-Accession Assistance (IPA)

⁶² Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)

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be approved by the Commission. Potential beneficiaries include: state administration bodies, public and scientific institutions and the business community.

Component IV – Human Resources Development

Overall scope

Component IV, managed by DG Employment, Social Affairs and Social Inclusion (DG EMPL), aims to prepare the countries for the use of the European Social Fund (ESF) upon accession. Component IV is closely connected to the European Employment Strategy and its main priorities are (i) Employment – attracting and retaining more people; (ii) Education – improving workers and enterprises’ adaptability and flexibility; and (iii) Social inclusion – integration of disadvantaged people into the workforce.⁶³

In addition, three horizontal purposes have been identified, to which all Component IV projects should make a contribution:⁶⁴

- Strengthening economic and social cohesion;
- Promoting partnerships between public bodies, social partners, NGOs and the private sector; and
- Bolstering the administrative abilities of institutions and the efficiency of public services.

Management

Assistance under Component IV is delivered on the basis of specific operational programmes, which are composed of priority axes, measures and operations. Those operations entail a project or a group of projects that aim to achieve the goals of the measures. The beneficiary country is in charge of initiation and implementation and the Commission executes ex ante monitoring. The *Sectoral Monitoring Committee* and the *Operating Structure* are the two bodies that are mainly involved in the selection procedure of the operations. First of all, the selection procedure has to be in accordance with transparency, equal treatment and must ensure non-discrimination. All operations that are approved and selected need to be in conformity with criteria and mechanisms that are applicable to the programme, national and Community rules. Thus, they also need to be in line with the priorities and objectives set in the operational programme.

The selection procedure of calls for proposal is applicable to those operations that are implemented by final beneficiaries other than national public bodies. While operations implemented by final beneficiaries that are national public bodies can be selected without calls for proposals. The EU co-financing rate can not exceed 85%.

Component V – Rural Development

Overall scope

The fifth IPA component, also called ‘Instrument for Pre-Accession in Rural Development’ (IPARD), provides financial and technical assistance in the area of agriculture and rural development to candidate countries. The management is under the responsibility of the DG AGRI.

It aims at providing assistance in the implementation of the *acquis communautaire* in the area of agriculture and rural development to align with the CAP; as well as at contributing to sustainable adaptation of the agriculture and rural areas.

Management

The implementation structures are similar to those of the other components, however the implementation in a fully decentralised manner without any ex-ante controls by the Commission leads to a number of additional tasks to be undertaken by the implementing entities and preparation is more

⁶³ <http://ec.europa.eu/esf/main.jsp?catId=32&langId=en>

⁶⁴ <http://ec.europa.eu/esf/main.jsp?catId=32&langId=en>

complex. The MIFF and the MIPD are used for component V as well, whereas the MIFF sets out the financial allocation and the MIPD outlines the strategy for each country for the five IPA components. These are based on the priorities that were previously identified in the Accession Partnership, the NPAA and the Regular Reports as well as by national priorities identified in a national rural development strategy. Component V is the component that aims at the specific programming of all matters related to rural development, with IPARD as implementing tool.

Once a country is granted the status of 'candidate country' it is eligible for components III, IV and V. There are several actions that need to be taken prior to the IPARD implementation. Firstly, the IPA Rural Development Programme needs to be adopted. This is similar to the operational programmes under component III and IV, however it covers a much longer period 2007-2013 in order to mirror what is done for the Member States and to provide for a longer, strategic orientation of the implementing period. It is prepared at national level and it sets out the programme delivery with respect to rural development in the respective countries. It is developed by national authorities in consultation with relevant actors and approved by the Commission.

The Framework Agreement is also part of this process, in which general rules between the beneficiary country and the Commission are set with respect to financial assistance. It covers a general description of the management structures and authorities, the accreditation, conferral of management powers under decentralised management. Under IPARD the Framework Agreement is complemented by a Sectoral Agreement. It elaborates and provides more detailed provisions and rules on, among others, accreditation and conferral of management without ex-ante controls, eligibility of expenditure, financial management, the IPARD operating structure and is based whenever appropriate on provisions applicable to rural development programmes for Member States.

The IPARD structures and authorities that need to be put into place are rather similar to those of the other components as the National IPA Co-ordinator, National Authorising Officer, the National Fund and the Audit Authority are common for all IPA components. The IPARD specific Operating Structure is consisting of the Managing Authority and the IPARD Agency.

The rural development programme is the main document stipulating the programming details for each candidate country for the 2007 – 2013 period. The beneficiary country, in consultation with third parties, is responsible for the development and the implementation of the programme. The programme forms the linkage between identified priorities and the actual implementation. One multi-annual programme covering the period 2007-2013 is set up for each country.

The projects that are being executed under the rural development component under the IPARD Agency are in line with the priorities and measures identified in each of the programmes.

The co-financing principle is similar to that under SAPARD and is based on the rules applicable to rural development assistance for Member States. As a general rule 50% of the total eligible costs of the investment is public aid. Out of the public aid, 75% is EU contribution and the national contribution is 25%. Private contributions make up the other 50%.⁶⁵

⁶⁵ IPA Implementing Regulation

Annex 5 The findings of the online consultations

The consultation process

The online stakeholder consultation on the future instrument for pre-accession assistance took place between 1 March and 6 April 2011. The survey was hosted on GHK's website and stakeholders were invited to participate by the Commission and Delegations.

The purpose of the consultation was to gather views from governmental as well as non-governmental stakeholders from the EU, donor countries and beneficiaries on the performance of the current instrument and on options for the next generation of IPA.

This annex presents an analysis of the results of the online questionnaire used in the consultation. The questionnaire gathered information about future needs and added value of interventions, objectives, and delivery options, amongst other topics.

Profile of respondents

A total of 338 respondents participated in the survey. The large majority – close to three quarters – of answers were submitted by stakeholders from candidate countries or potential candidates, beneficiaries of IPA: 154 (46% of total) from beneficiary public administrations⁶⁶ and 88 (26%) from non-governmental actors.

Representatives of Member State public administrations submitted altogether 25 responses (7%), whilst officials from EU institutions submitted 37 (11%). More than two thirds of the latter group comprised of officials from DG Enlargement, others coming from DG Agriculture and Rural Development, EU delegations and other EU agencies. Six (2%) answers came from donors and IFIs.

Almost one third of the respondents – public, private or third sector stakeholders – are members of either the IPA Management Committee (30 persons), the IPA Joint Monitoring Committee (31) or a component-specific Monitoring Committee (44).

Following from the above, almost three fourths of respondents are located in one of the beneficiary countries: 27% of the respondents came from Turkey, 11% from the former Yugoslav Republic of Macedonia and 9% in Croatia. They are followed by stakeholders from Bosnia and Herzegovina, Albania, Serbia, Kosovo and Montenegro. No responses were received from Iceland.

Figure A.3 Breakdown of respondents by type

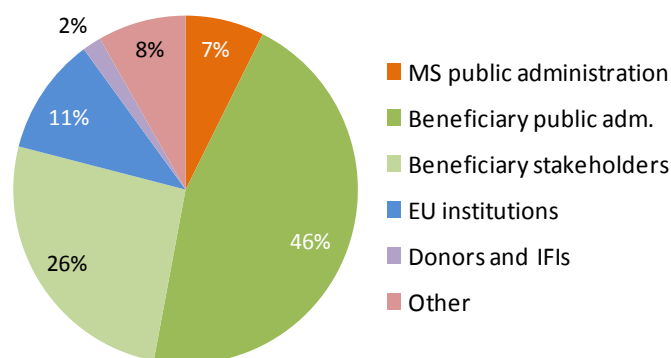
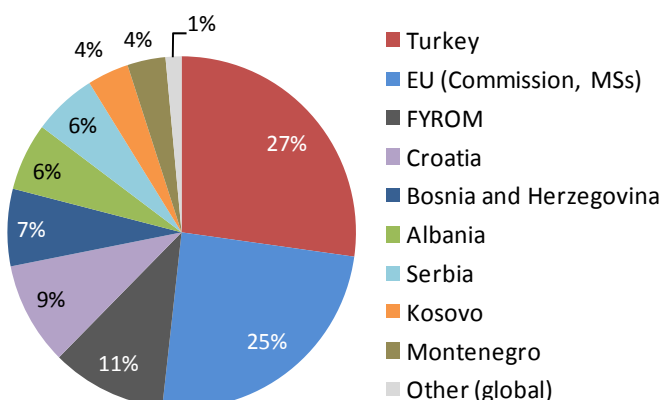


Figure A.4 Breakdown of respondents by country



⁶⁶ This category comprises responses from various government departments, local governments, and also includes 6 responses from NIPAC offices.

25% of the respondents are located in Brussels (EU institutions) or in one of the Member States.

Responses

Future needs in beneficiary countries

Question 1.1

Please indicate below the importance of different needs to be addressed in the beneficiary countries - either through financial assistance or through other policy activities.

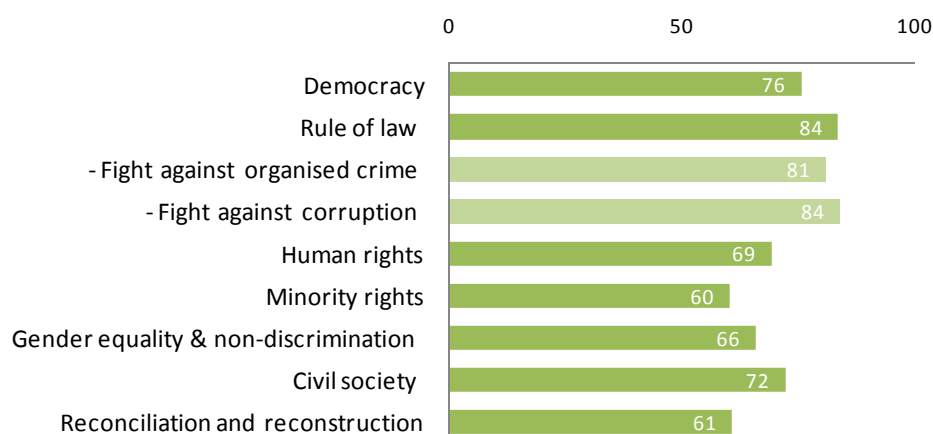
Proportion of respondents considering the need 'significant' or 'highly significant'.

Stakeholders were asked about the future importance of a set of needs, grouped into five categories:

- Political criteria;
- Economic criteria;
- Ability to take on the obligations of membership;
- Supporting structures and measures for compliance with the criteria; and
- Management of funds

From amongst the needs grouped under the political criteria of accession, the most pressing needs to be addressed are ensuring the rule of law, in specific two subordinated issues: the fight against corruption and organised crime, with over 80% of respondents indicating these as significant needs for the future programming period (see Figure A.5). Strengthening democracy and the civil society were also considered to be of importance, with 76% and 72% of respondents respectively. Promoting human rights, gender equality and non-discrimination, reconciliation and reconstruction and minority rights were considered to be somewhat less significant needs in comparison, although still important to 60-69% of stakeholders.

Figure A.5 Significance of needs - Political criteria



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The analysis by beneficiary shows considerable variation of stakeholder views. Most of the needs pertaining to achieving the political criteria of accession seem to be slightly less pressing in Croatia, the former Yugoslav Republic of Macedonia and Turkey, but they are important issues to address in the potential candidates and Montenegro, which has only recently acquired candidate status, according to respondents (see Table A.3).

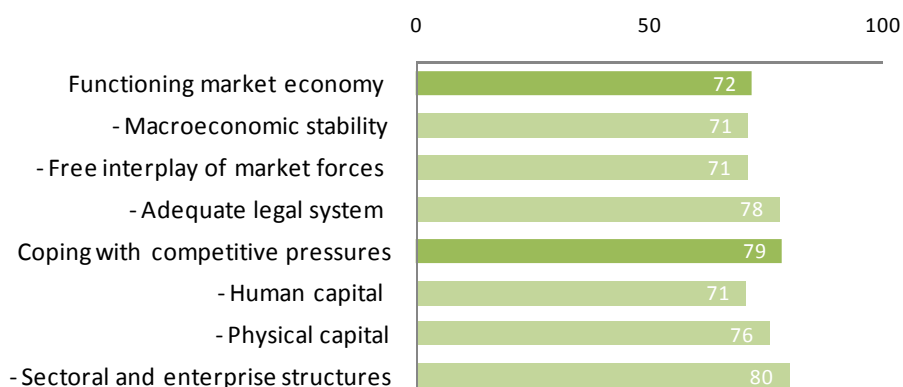
Table A.3 Significance of needs by beneficiary (in percentage) – Political criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Democracy	71	82	90	74	92	86	87	79
The rule of law	76	81	90	76	88	86	92	91
- Fight against organised crime	82	79	80	67	80	87	93	83
- Fight against corruption	81	76	90	73	93	86	100	93
The promotion and the protection of human rights and fundamental freedoms	62	71	75	71	68	79	72	73
Respect for and protection of minority rights	55	57	72	58	55	77	83	60
The promotion of gender equality and non-discrimination	53	58	76	79	59	75	72	55
The development of civil society	66	61	81	73	82	79	86	88
Reconciliation, confidence-building measures and reconstruction	50	32	60	62	52	79	79	48
Total respondents (number)	38	36	21	48	28	24	15	29

Needs of individual beneficiaries exceeding the beneficiary average by more than ten percentage points are bold and shaded green. Needs assessed below the average by more than 10 percentage points are in italics and shaded pink.

As concerning needs grouped under the economic criteria (see Figure A.6), all were considered almost as equally important by stakeholders. Slightly prioritised were the availability of adequate sectoral and enterprise structures and the capacity to cope with competitive pressures and market forces in general, as well as creating the adequate legal system necessary for a functioning market economy, with 76-80% stakeholder support. However, other needs, including macroeconomic stability, ensuring the free interplay of market forces and the availability of adequate human capital were considered almost as equally important with 71-72% of respondents considering them as 'significant' or 'very significant'.

Figure A.6 Significance of needs - Economic criteria



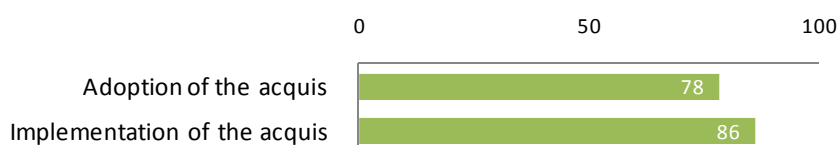
From the comparison between beneficiaries it emerges that the needs related to the economic accession criteria are most pressing in Bosnia and Herzegovina and Kosovo (under UNSCR 1244) in stakeholders' opinion. These needs are less elaborate in Albania and Serbia, and especially the candidate countries. Amongst the latter, Turkey is seen as lagging least behind in terms of having a functioning market economy and free market.

Table A.4 Significance of needs by beneficiary (in percentage) – Economic criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Existence of a functioning marketing economy	70	68	67	58	74	82	92	72
- Macroeconomic stability	71	65	67	65	69	79	86	77
- Free interplay of market forces	74	77	83	59	81	74	79	81
- Adequate legal system	71	83	76	65	86	88	86	79
Capacity to cope with competitive pressures and market forces within the European Union	87	82	72	75	89	88	85	81
- Availability of sufficient human capital	76	79	74	81	76	92	92	72
- Availability of sufficient physical capital (incl. RTD, infrastructure)	72	76	79	75	79	88	100	79
- Availability of adequate sectoral and enterprise structures (incl. support for SMEs)	84	85	83	76	88	92	100	89
Total respondents (number)	39	35	21	49	29	25	14	29

With respect to beneficiary countries' ability to take on obligations of membership (see Figure A.7), both the adoption or alignment with the acquis, and the implementation or enforcement of the acquis were viewed as important by stakeholders. However, a somewhat higher proportion of respondents considered the implementation/enforcement as a significant need (86%) in comparison to adoption/alignment only (78%).

Figure A.7 Significance of needs - Ability to take on obligations of membership



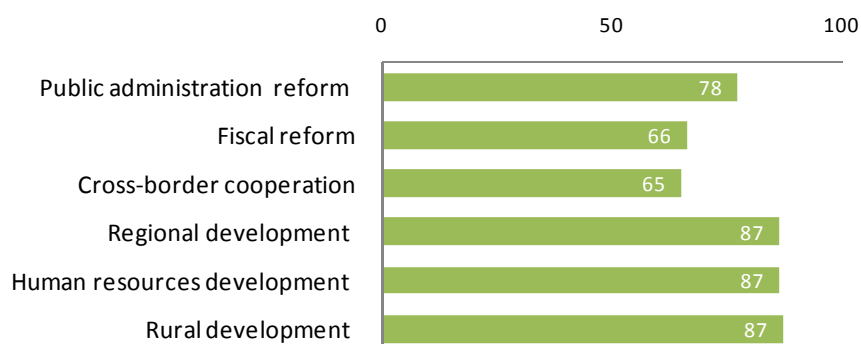
The beneficiary-by-beneficiary analysis of survey responses does not reveal large variations. The adoption of or alignment with the acquis seems to be only a slightly more significant need amongst potential candidates than candidate countries, with Kosovo standing out a bit. The implementation and enforcement of the acquis is a very pressing need everywhere.

Table A.5 Significance of needs by beneficiary (in percentage) – Ability to take on the obligations of membership

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Adoption of or alignment with the acquis	75	74	76	75	83	84	93	78
Implementation and enforcement of the acquis	83	97	90	80	90	88	93	89
Total respondents (number)	41	36	21	60	30	25	15	27

In relation to the supporting structures and measures for compliance with the institutional requirements (see Figure A.8), the three areas of development which are associated with Components III to V and significant funding needs - regional, rural and human resources development – were considered the most 'significant' or 'very significant', all by 87% of the stakeholders. The three other areas with less public investment involved - public administration reform (78%), fiscal reform (66%) and cross-border cooperation (65%) were less emphasised.

Figure A.8 Significance of needs - Supporting structures and measures



Some differences across beneficiaries are identifiable in the detailed analysis of responses (Table A.6). Turkey, which is perceived to have a relatively strong public administration, is less seen to be in need of public administration and fiscal reforms. The latter, including improving domestic revenue collection is a stronger need in Croatia, Montenegro and Kosovo. Investment in rural areas to increase living standards is considered by all (100%) respondents as a significant or very significant need in Kosovo.

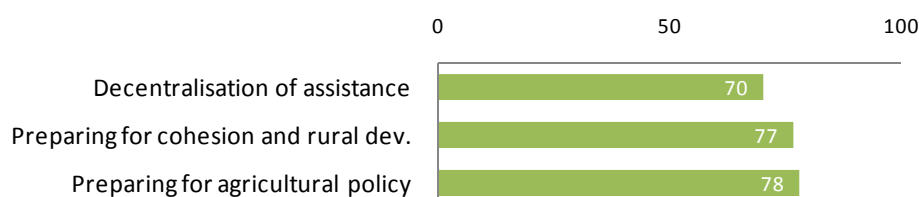
Table A.6 Significance of needs by beneficiary (in percentage) – Supporting structures and measures for compliance with the criteria

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Public administration reform	82	82	86	61	82	88	80	89
Fiscal reform, improving domestic revenue collection	81	60	78	51	71	57	79	67
Cross-border cooperation measures	66	53	75	54	59	67	79	71
Investment needs in regional development	86	91	79	90	86	87	92	85
Investment needs in human resources development	87	83	79	85	86	92	93	85
Investment needs in to develop rural areas/economies to increase living standards	87	77	89	88	82	96	100	93
Total respondents (number)	39	36	21	52	29	24	15	28

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Preparing beneficiaries for the management of EU funds upon accession is middle-ranked priority (see Figure A.9). Preparing for cohesion and rural development funds, as well as CAP (direct payments) were viewed as the important needs by 78% and 77% of stakeholders, respectively. Slightly less, 70% of respondents think that the decentralisation of pre-accession funds (under Component I) – a sort of precursor to assuming greater responsibilities in managing EU funds – is a significant need.

Figure A.9 Significance of needs - Management of funds



The beneficiaries do not differ from each other much. Croatia, which is closest to accession, naturally considers the preparations for managing the cohesion and rural development instruments a little more important than other beneficiaries. Interestingly, all of the fifteen respondents said that preparing for CAP would be a significant need in Kosovo – even though they have not been granted candidate status and are thus at the moment far from joining the EU.

Table A.7 Significance of needs by beneficiary (in percentage) – Management of funds

Needs to address	Candidate countries				Potential candidates			
	HR	MK	ME	TR	AL	BA	XK	RS
Decentralisation of the management of EU pre-accession assistance	70	68	60	72	70	65	60	70
Preparing for the implementation and management of the EU's cohesion and rural development policy	89	83	83	73	67	74	85	83
Preparing for implementation of the EU's common agricultural policy	86	75	93	79	85	83	100	88
Total respondents (number)	37	34	20	50	27	23	15	27

The additional needs mentioned by stakeholders can broadly be grouped into three categories: economic; social; and capacity development.

- The three most common needs of an economic nature amongst responses concerned the labour market; attracting foreign investment; and the rural/agricultural sector. Respondents reported that delivering growth in employment, particularly the employment rate of women and young people was a particular need post 2013. Attracting investment is particularly necessary to achieve this. For example, inward foreign direct investment in manufacturing was considered very important in reducing unemployment in Macedonia. In Montenegro, creating a positive image of the country and presenting the region as a prime tourist destination is seen as being useful to address. Promoting the export potential of agricultural products was also seen as being necessary, and assistance for the development of rural financial services was also mentioned. Support for candidate countries and potential candidates to establish/develop their national rural networks and join the European Network for Rural Development was also reported as a need post 2013.

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There seems to be a need for capacity building in relation to economic policymaking, with an emphasis on suitability to the national context, rather than only alignment with EU policies (which are not always fully relevant in the current situation and development level of beneficiaries). One respondent from Turkey highlighted the need for strengthening cooperation with the private sector. In Kosovo, more support for the development of the private sector was also reportedly a pressing need, particularly in regard to the development of the SME sector and promotion of small businesses.

- In terms of social needs of candidate countries and potential candidates, there were four broad areas of concern: the environment; social inclusion; health; and education. It was reported that improved environmental integration, standards and protection were necessary post 2013. The social inclusion and respect of socio-economic rights of various groups (including Roma, those with disabilities and young people) was considered as key needs. Specific investments to improve health services (for example, a blood transfusion service) were also mentioned.
- Capacity development needs generally involved the strengthening of decentralized public administration arrangements and building capacity to undertake programme management in general. Respondents also reported that the development of regional policy and regional networks was also a need for candidate countries and potential candidates.

European added value

Question 2.1

In which areas will pre-accession assistance bring the most European added value in the next period after 2013, under the individual components of the current IPA?

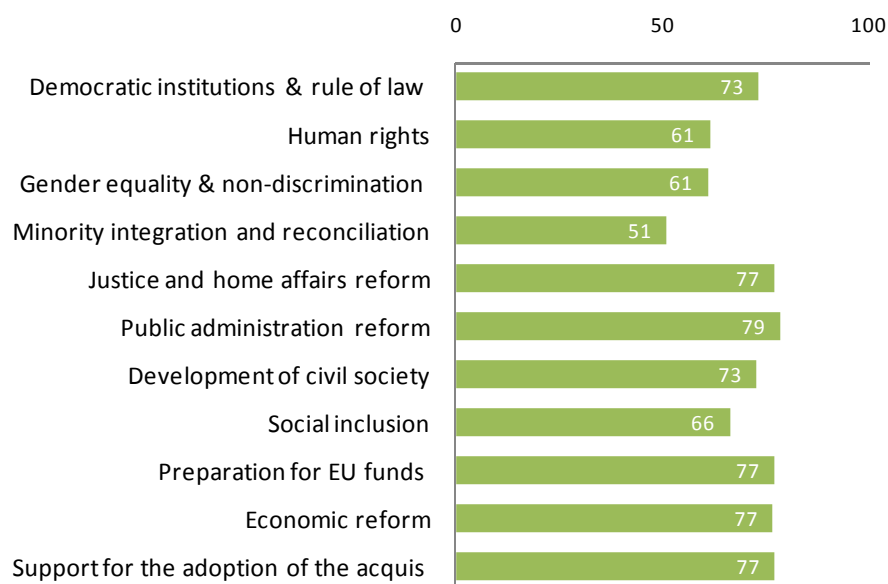
Proportion of respondents considering the intervention area having 'the most' or 'much' European added value.

In general, the EU added value of IPA interventions was rated high by respondents across all components. On average, about 70% of respondents rated the individual interventions as bringing 'much' or 'the most' European added value. The results by component are presented in more detail below.

Within Component I (Transition Assistance & Institution Building), in particular public administration reform was rated to have high added value by most respondents (79%), closely followed by justice and home affairs reform, preparatory action for the management of cohesion and rural development funds (Components III to V), economic reforms in general and support for the adoption of the acquis, with 77% of survey participants rating EU added value high (see Figure A.10).

However, only 51% of the respondents thought that promoting minority integration, reconciliation and confidence-building measures will bring much EU added value during the next programming period. Especially respondents from the public administration in beneficiary countries were sceptical (39%), whereas Member States and beneficiary non-governmental stakeholders were on average more positive. On the other hand, minority rights and reconciliation are important in certain beneficiaries: a considerable majority of respondents from Kosovo and Montenegro assigned high added value to them. Similar observations can be made as regards to promoting gender equality and non-discrimination and human rights and fundamental freedoms in general.

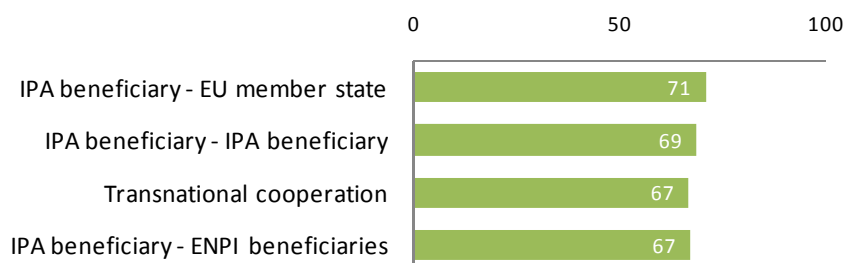
Figure A.10 Added value - Transition Assistance and Institution Building



As far as cross border cooperation is concerned (Figure A.11), EU added value is recognised by respondents, irrespectively of the specific geographical scope of the cooperation (results range from 67 to 71%). Interestingly, respondents from EU institutions were by far the least convinced of the EU added value, except for CBC programmes between IPA beneficiaries themselves (note that most of these respondents came from DG Enlargement which is responsible for the management of intra-Western-Balkans cooperation). Respondents from outside the public administrations of beneficiaries see more EU added value in cross border cooperation (78 to 85% of them saw much EU added value in the activities).

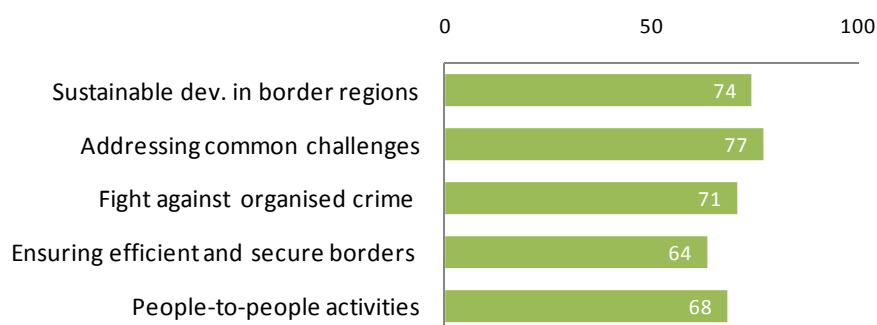
The responses from individual country perspectives did not differ much. Stakeholders from Turkey, which has had difficulties in launching cross-border programmes as has no shared border with another IPA beneficiary, were less convinced about the added value, stakeholders from Bosnia and Herzegovina were more enthusiastic.

Figure A.11 Added value - Cross-Border Cooperation (geographical scope)



As regards to the content of cross border cooperation (Figure A.12), views on the EU added value were quite uniform across the main objectives and different types of activities. the ability to ensure that borders are efficient and secure is less widely seen as important - especially by respondents from EU institutions.

Figure A.12 Added value - Cross-Border Cooperation (content)



In regional development under Component III (Figure A.13), the most EU added value was found in environment measures (supported by 85% of respondents), followed relatively closely by the other three main areas.

The differences between the four objectives were much more elaborate amongst participants from Member States' public administration and EU institutions: both groups were sceptic about EU added value in enhancing regional competitiveness and promoting energy efficient resource use; trailing the first two objectives considerably, by 20-30 percentage points. On the other hand, virtually no difference can be seen between the four objectives in the answers of beneficiary public servants and non-governmental actors.

Figure A.13 Added value - Regional development



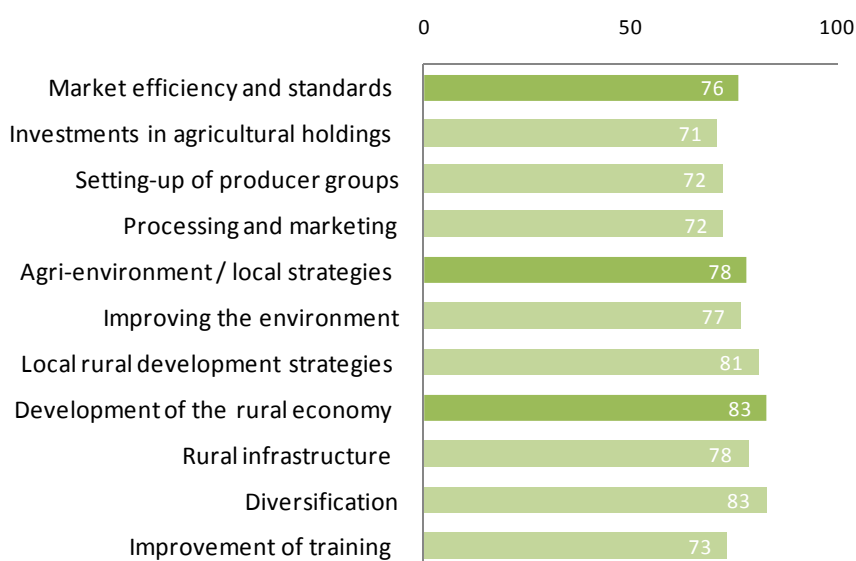
Under Component IV, Human Resource Development (Figure A.14), similar levels of EU added value were assigned to all actions, with rates ranging between 67 and 76%. Here again, beneficiary stakeholders did not differentiate much between the objectives and were more positive overall. Less enthusiasm and more pronounced variations were identified in the answers of Member States and EU institutions. Interestingly, whilst EU officials did express a relatively favourable view about the added value of reinforcing social inclusion (58%), this was the least frequently picked up by Member States (29%).

Figure A.14 Added value - Human resource development



Component V measures are also areas in which EU added value is seen as being relatively high (Figure A.15), especially for the development of the rural economy (for 83% of respondents). The most important single measure was the diversification and development of rural economic activities (83% of respondents). Other measures with a high EU added value include: the development of local rural development strategies (81%); improvement and development of rural infrastructure (78%); and preparatory actions for implementation of the agri-environmental measures and local rural development strategies (78%).

Figure A.15 Added value - Rural development



Synergies and resource needs

Question 2.2

To what extent do you agree with the following statements?

Proportion of respondents 'agreeing' or 'totally agreeing' with the statement.

Figure A.16 illustrates that synergies between activities under the different components of IPA are by many stakeholders not seen as sufficiently developed: just over half (52%) of the respondents find the current situation adequate. Respondents from Member States, public administration in beneficiary countries and EU institutions are however overall more positive than the other subgroups of respondents.

Better coordination of the component structure of IPA seems to be in general an important issue for the next programming period, according to the respondents to the survey. In their detailed answers, they mentioned both the need for better coordination of the funds in the beneficiary country (including better coordination between the NIPAC and line ministries, as well as with other public bodies and civil sector organisations), better coordination between the activities of the 5 components of IPA, and within different units of the European Commission as well as EU Delegations. Coordination among institutions participating in the programming and implementation phases, as well as the level of knowledge of responsible staff could sometimes be improved. The main problem seems not to be a structure of IPA (this was assessed positively by the majority of respondents) but implementation rules. These are regarded to restrict flexibility in implementation, to allow the European institutions too much influence over the content of programmes, and to maintain a certain degree of distrust between EU and beneficiaries.

Figure A.17 presents respondents' views on the scale of EU public resources needed for a successful implementation of IPA-type interventions. Overall, respondents think that more EU resources would be needed (77%), and only 12% think that reducing EU resources while still meeting pre-accession need is a viable option.

Respondents from beneficiary countries, donors & IFIs and other international organisations are among those most convinced of the need of increased EU resources (75 to 88%). Respondents from EU institutions have divergent views: 54% estimate that more EU resources are required while 21% are confident that pre-accession needs could be met with less EU resources. Member State respondents reluctant to grant additional EU resources (24% only answered in favour) and 18% argued in favour of less EU resources.

Figure A.16 Views on the level of synergies

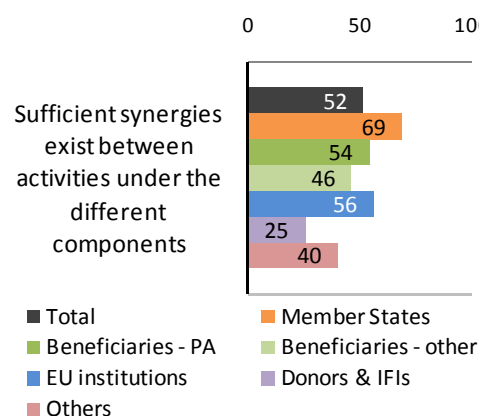
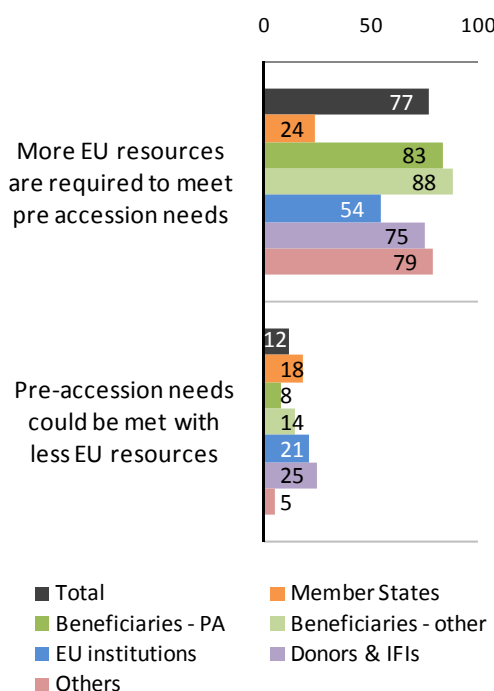


Figure A.17 Views on the level of EU resources



In additional comments, stakeholders made following observations:

- Availability of funding: The overall amount of available funding (especially for Turkey as a large-sized country) was criticized as insufficient to stimulate the European integration process. The investment needs of Western Balkans and Turkey are very high.
- Considering reduced levels of donor funding: The need for more resources is also underpinned with the fact that bilateral and non-governmental assistance (other donor funds) is rapidly decreasing in the region, and thus the importance of EU assistance for the alignment with the acquis and European economy is becoming even more explicit. EU funds should not simply replace funding from the international donor community, but should aim instead to be more coherent with the remaining funds, supporting and complementing each other (finding the optimum level of synergies).
- Structure of funding: The share of Technical Assistance versus investment funds does not always appear to be adequate. It is believed that a large part of EU funds spent is 'soft expenditure' on project managers, implementation structures and consultants, and only the remainder is spent on activities with actual outcomes.
- Beneficiary absorption capacity: It is not only the amount of resources that counts; it is **how** they are distributed and **who** is taking the decisions upon activities. Additional national resources and strategies should support EU pre-accession interventions. However, together with increased levels of funding, there is a need to support absorption capacity, as all beneficiaries have problems here. The obstacles are both technical and financial of their nature. Disseminating funding models and best practices could be helpful to help local governments and regional agencies to implement the programmes.
- Specific funding needs: There is a need for more funds to tackle the challenges of cross-border corruption and organised crime and for more funds available directly for CSOs (especially those working on such issues). The TACSO (Technical Assistance for CSOs) desks currently consume a significant portion of total funds allotted to the Civil Society Facility and their implementation necessarily reduces the level of funding available directly to CSOs. The disbursement of more operational funding relative to project-related funding through the Civil Society Facility would also enable CSOs to focus more on their core activities. More funds should be also devoted to developing democracy, promotion and protection of human and minority rights (incl. Roma), and e.g. in case of Croatia – for supporting return of refugees and sustainability of returnees. Finally, it is also claimed that more funds should be allocated for additional operating structures for topics such as tourism, energy, R&D. In some countries, such as Montenegro, tourism is very important field and therefore it should be recognized as a separate item in the IPA. Rural development and environment deserve more support in many countries as well. There is also a need to step up the funding allocation for Component II and more funds should be concentrated on local and regional socio-economic development. In case of some countries (e.g. Bosnia and Herzegovina), more EU actions aimed at building EU support on local level are needed.

Future policy objectives

Question 3.1

Please indicate how you think the relevance of the policy objectives will change for the next financial framework (after 2013)?

Proportion of respondents considering the objective to become 'more relevant' or 'much more relevant' in the future.

The relevance of the current policy objectives may slightly change for the next financial framework. In particular, the following objectives were considered to become (much) more relevant by the stakeholders:

- Sustainable socio-economic development;
- Regional cooperation;
- Adoption of the acquis and management of EU funds; and
- Reforms in governance and the economy.

Promoting social inclusion, reconciliation and the fight against poverty; as well as the objective of strengthening democratic institutions, the rule of law and human rights were considered by fewer respondents to become more important.

Overall, sustainable socio-economic development was considered to become 'more' or 'much more' relevant by 77% of stakeholders, in particular by respondents from the beneficiary countries - both inside and outside of public administration. In contrast, considerably fewer respondents from the Member States (56%) as well as respondents from EU institutions (63%) and donors and IFIs (67%) thought that sustainable economic development was to become more relevant objective.

The adoption of the acquis and management of EU funds, regional cooperation and reforms in governance and economy were also considered important objectives for the future (69-70%). Here, beneficiary stakeholders were more, and Member States were less supportive (especially for regional cooperation); the latter group favoured strengthening of democratic institutions the most.

Regional cooperation was expected to become more important particularly by donors and IFIs (83%) as well as by beneficiaries from inside and outside of public administration in beneficiary countries (83-78%), whereas only minority of respondents from Member States (39%) and EU institutions (44%) thought this would be the case.

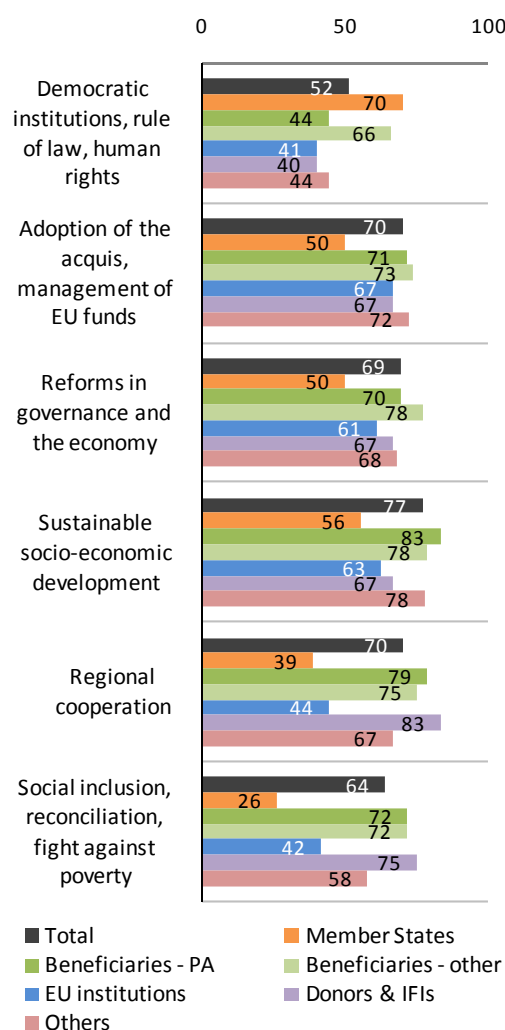
Apart from giving an assessment to the closed questions, respondents also reported that corruption was a key issue that needed to be addressed in candidate and potential candidate countries. Transparency International's latest Corruption Perception Index ranks all EU accession countries with a score below 5.0 – indicating serious perceived levels of domestic and public sector corruption. It was stated that there was a lack of trust in those currently trying to fight existing corruption and a need for greater transparency and oversight. The issue was seen as a serious political problem, with a danger of even prime ministers, ministers and other high level officials facing accusations. Indeed, it was reported that progress towards accession for candidate and potential candidate countries was being held back because of high levels of corruption. It was recommended that the decentralisation of management of pre-accession funds should not take place until the issue of corruption had been sufficiently tackled. Furthermore, the links between corruption and organised crime needs to be addressed by EU assistance.

Labour market reforms (such as the promotion of decent work and quality jobs) are seen as necessary in order to create disincentives for engaging with informal economies.

Strengthening the beneficiaries' capacities to deal with organised crime, including regional co-operation to prevent the trafficking of people was also identified as an important objective. Capacity building was also mentioned in connection with supporting the development of the private sector. There was a concern that the use of funds so far had been inefficient and there was a need for future improvements.

Many stakeholders wished a greater emphasis on the education sector which underpins economic and democratic development, particularly in Western Balkan countries. According to respondents, improvements in school infrastructure would be necessary.

Figure A.18 Future relevance of policy objectives



Providing better access to information to private and third sector stakeholders was also considered important. It was stated that there was a culture of secrecy in public administrations, also regarding which EU legislation would be publically available. In some cases it is not possible for citizens to obtain information on the programme 's performance indicators at a basic level, for example, with regard to the amount of funds available and actually spent by each country.

Raising agricultural production and preparation for the CAP were especially regarded as important given the weight of agriculture in the economies of pre-accession countries.

Coherence

Question 4.1

To what extent should future EU pre-accession assistance be aligned with the following EU priorities in the next financial framework (after 2013)?

Proportion of respondents considering assistance should be 'more' or 'much more' aligned with the given EU priority.

Most stakeholders expressed the opinion that future IPA assistance should be more aligned with key Europe 2020 priorities (flagship initiatives). In particular, according to respondents' views, the future assistance should focus on the following two priorities of the strategy:

- New skills and new jobs; and
- More efficient use of (natural) resources.

Boosting research and innovation as well as creating a competitive and sustainable European industry were also viewed as important EU priorities to focus on. Increased mobility of young people and fight against poverty are considered by a slightly lower share of stakeholders as areas with which the pre-accession assistance should be more aligned.

Overall, respondents are in favour of aligning future EU pre-accession assistance with Europe 2020 priorities in the next financial framework (after 2013). The main reasons evoked are that:

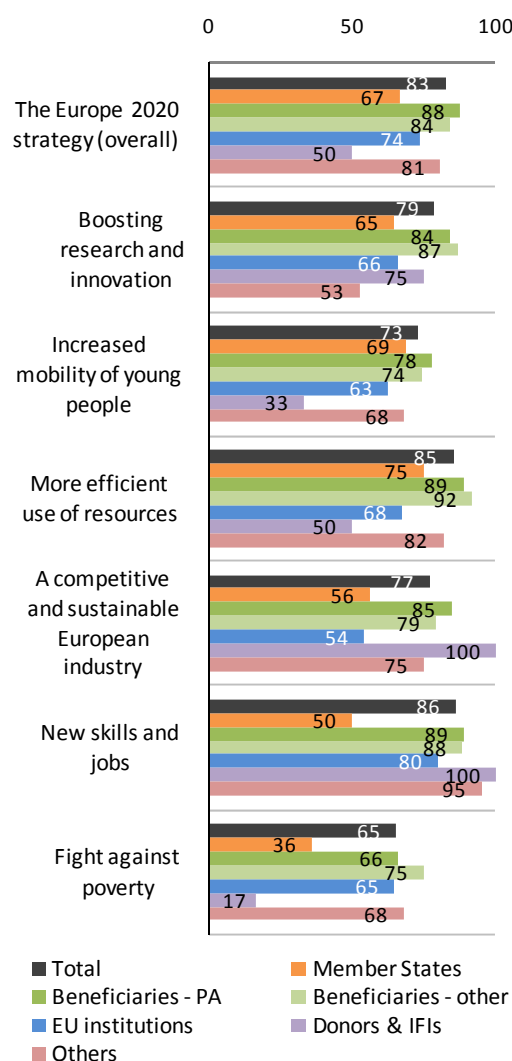
- It is important that IPA countries follow latest socio-economic trends at the same time than EU Member States in order to process real convergence in enlarged EU.
- It provides ground for candidates and potential candidates to take part in the overall European vision-building process.
- It addresses challenges which also concern the Western Balkans, such as demographic changes and the decline in the active workforce.

Nevertheless, counter arguments are that:

- The EU 2020 are largely economic and social challenges but not necessary the challenges for joining the EU. Their relevance remains therefore largely unchanged. It should thus not become an additional criterion for EU enlargement.
- The IPA instrument should focus in priority to the objectives of the rule of law and implementation of the *acquis communautaire*. There are many changes that are expected from IPA countries already, it is therefore not relevant to ask them to compel with the EU2020 at this stage.

Specific comments made to the individual priorities are as follows:

Figure A.19 Need for alignment with EU priorities



- **Boosting research and innovation ('Innovation Union'):** Enhancing research and innovation leads to competitive and sustainable European industry which will create new jobs and skills that will reduce poverty. There is thus an added value of involving all actors and all regions in the innovation cycle. Specifically for the Turkish IPA assistance, R&D and innovation activities are seen to be crucial for Turkey's development. Aligning future EU pre-accession assistance with 2020 Strategy and especially with Innovation Union will further strengthen Turkey's R&D and innovation capacity. However, IPA funds in Component III can only be used in regions with a GDP per capita below 75 % of the Turkish average. This is limiting the Turkish potential in R&D activities and convergence with the EU. If geographical coverage of IPA intervention in R&D and innovation related areas will be extended to all over Turkey, integration into the European Research Area and the absorption capacity for Research Framework Programmes would be strengthened and her innovation activities further stimulated.
- **Increased mobility of young people ('Youth on the Move'):** Youth – as labour force and source for creativity – is seen as the driving force behind the development of Europe. There is thus the need to give new opportunities to the young population in candidate countries.
- **More efficient use of resources:** There is indeed a need for more efficient use of resources. Many natural resources remain so far untouched in the beneficiary countries. The efficient use of resources needs a firm step to be taken in order to diminish the pressure on the environment. Benefits of such activities are more and more visible every day, as mentioned by the Environment Commissioner Potočník: 'waste recycling sector alone could create half a million new jobs'.
- **A competitive and sustainable European industry:** As industry is the major generator of growth in the enlargement region, attention should be put on creating a competitive and sustainable industry. In this context, future pre-accession assistance should further take into account the specific needs of small and medium sized enterprises, as the main source of employment. For this purpose, it is crucial that companies receive support to comply, at their level, with acquis requirements so that they will be competitive in an enlarged EU and cope with the competitive forces of the Internal Market.
- **New skills and jobs:** No specific opinions were expressed on this topic. Overall, there is a need to create more job opportunities in IPA countries.
- **Fight against poverty:** Future EU pre-accession assistance should be aligned with the important priority of reducing poverty. Poverty in the IPA region is still unacceptably high. A poverty reduction strategy for IPA should establish a mechanism for social entrepreneurship especially in small municipalities, villages and remote areas and support local based financial mechanisms that will enable establishment of loans for such entrepreneurship. This measure should be in close relationship with measures for local agricultural policy and measures towards the decentralization of the energy sector and sustainable transport patterns. These should lie at the heart of future IPA support mechanisms. In case this kind of support is not established, current trends toward diminishing and further deterioration of local communities will be even more rapid. For example, more than 1800 villages in Serbia are in danger of depopulating. There is the need to fight corruption as well since it has been demonstrated that corruption aggravates poverty (UN Convention Against Corruption - UNCAC)

Questions 4.2 and 4.3

To what extent is current pre-accession assistance aligned with the challenges and needs identified in the enlargement negotiation process / with national (beneficiary) priorities?

Proportion of respondents considering assistance is 'closely' or 'very closely' aligned.

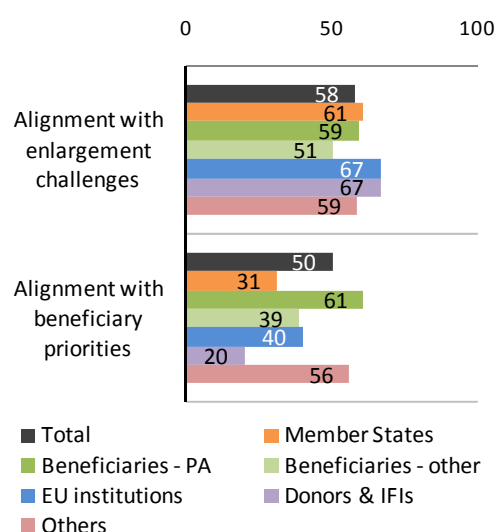
Overall, an encouraging 58% of the respondents participating in the survey think that the current pre-accession assistance is closely linked to the challenges and needs identified in the enlargement negotiation process. Respondents from EU institutions and donors and IFIs were the most convinced of this (67%), followed by Member States officials (61%) and stakeholders from the public administrations in beneficiary countries (59%).

Concerning alignment with beneficiary country priorities, the picture is less positive. Although half of all respondents (50%) considered that the alignment is adequate, this is mainly due to the more positive assessment of beneficiary public administrations (61%). Member States, EU institutions and donors were more sceptical about this.

In the detailed comments stakeholders said that more could be done to better allocate funds:

- Whereas linking with national policies and strategies may be relatively good, implementation of what is supposed to be done is quite poor.
- It is not easy to align current pre-accession assistance with national strategies in the first place, not because the approach of the IPA would be wrong, but because of the instability of national priorities that follow politicians' changing needs, rather than approved national policy documents.
- It is not for the EU to align with country priorities but rather the other way round. Also, a certain degree of flexibility should be allowed as priorities can evolve and change from the planning to the execution phase.
- Pre-accession assistance is trying to push and support government actions towards alignment. However, sometimes political will is missing. The high-level political declarations for EU integration are not compatible with the governmental priorities and behaviour once the rule of law and transparency, the independence of judiciary, media and civil society are in question. It is thus important that the fight against corruption remains a key priority of the EU.
- Substantial amounts (often around 70%) are allocated for component III to V. Some think (mostly Member States and some EU officials) that this is not optimal for accession preparations, more focus should be put on the narrow Copenhagen criteria instead.
- Programming should allow for a more individual approach, since the situations in the IPA beneficiary countries are very different.
- There is the need to adopt an open programming approach: requesting medium and long-term national plans in a specific sector, for example in the area of research and development, regional economic cooperation, environment; as well as the medium-term national budget allocations; and then to analyse whether IPA should co-fund those specific investments or not.
- It would be necessary to jointly work on alignment with local (regional) priorities instead of national only. Indeed, the lack of communication to the regional and local level makes it both difficult to

Figure A.20 Alignment of assistance with challenges and priorities



assess and hard to adhere to priorities that have not been discussed with those who are most concerned.

Some specific comments made on the possible mismatch between priorities and actual assistance on the ground are as follows:

- There is a funding gap between the need to prevent and fight corruption, and on the other hand the amount of pre-accession assistance allocated. The need is not translated into sufficient funding to support reforms in the judiciary and rule of law to combat corruption.
- More focus should be put on the development of good governance at the local level (i.e. in municipalities and cities acting close to citizens and responsible for quality of life in local communities, as well as for the development of the economy, including the preconditions for economic development, such as human resources and infrastructure).
- Institutional reforms, for instance in Macedonia, are not effective as politics frequently replaces already trained and experienced staff with new, often not sufficiently skilled people, affiliated to the political parties in power.
- There is the need to allocate further resources to fund investments in human resources and technical infrastructure in public administration in order to be able to implement EU best practices. Consultancy work is not sufficient. The possibility of procuring the necessary technical equipment from IPA funds is either non-existent or very restricted, and often rendered practically impossible due to highly onerous administrative procedures.
- Macedonian authorities are continuously striving to tackle and align the assistance with the national strategic priorities and with objectives defined within the national strategic framework in different sectors. Efforts should be put on attaining the greater rule of ownership. In the case of Serbia, the government is producing its own document identifying the needs, prioritising assistance on comparative analyses with national strategies. Such practice has to be continued and improved. EU assistance has to be planned and National Fund and Budget office must provide more information on the use of the EU funds. Alignment with EIB, EBRD borrowing must be improved.
- Support for civil society, and particularly direct funding for CSOs is needed to improve their capacity to operate effectively. The vast majority (roughly half) of the money reserved for civil society goes to TACSO help desks (Technical Assistance for CSOs), necessarily reducing the level of funding directly available to CSOs.
- There is the need to assist the educational system which, for the moment, does not follow job market needs. For example, half of the unemployed people in Macedonia only have primary education which makes the country uncompetitive if one day it joins the EU. In addition, the recent crisis hit particularly hard the majority of the beneficiary countries which led to double digit unemployment rates and surge of the informal economy. Hence, there is a significant need to promote decent work and quality jobs and social protection in order to bridge skills gaps and help especially vulnerable people in entering the labour market.
- The pre-accession assistance under Component V can be provided only to candidate or members of EU. Nevertheless, there is still a high priority on rural development for some beneficiary countries. Albania, for example, has a GDP and population oriented on rural sector such as agriculture and livestock (which makes more than 20% of GDP and 55% of employment); the focus should be thus on rural development.

Question 4.4

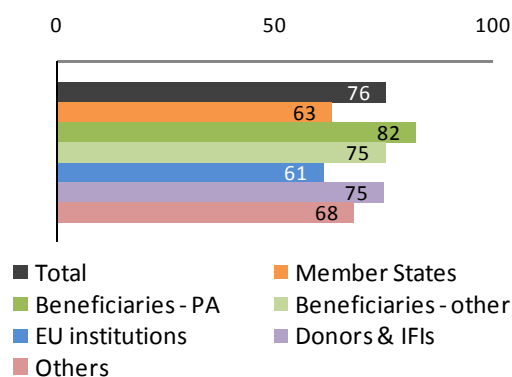
Should EU pre-accession assistance identify different priorities for candidates and potential candidates?

Proportion of respondents 'agreeing' or 'totally agreeing' with the statement.

The majority of respondents (76%) think that EU pre-accession assistance should identify different priorities for potential candidates and candidate countries. In particular, respondents from the beneficiary countries (82%-75%) and donors and IFIs (75%) expressed the opinion that different priorities should be considered, whereas slightly fewer stakeholders in Member States (63%) and EU institution (61%) held this view.

According to the respondents, it is of crucial importance to open all five IPA components to the potential candidate countries. Only this would ensure good coordination between different components and only then would IPA assistance be able to address the needs and priorities of beneficiary countries in proper way. Access to the funds should only be related to progressing in the implementation of DIS and not to the candidate status. Not having access to all five components especially component five is very often slowing development of the country in most undeveloped area and most challenging one in terms of EU regulation and impact that these regulations have on the economic development of individual beneficiaries.

Figure A.21 Need for different priorities for candidates and potential candidates



Policy foundations of programming

Question 5.1

When selecting the range of measures and activities to be undertaken in beneficiary countries, to what extent should programming decisions reflect the following strategic documents?

Proportion of respondents considering that the below documents should be 'more influential' or 'much more influential'.

Reflecting in programming the priorities set out in the key strategic documents, to use strategic document to anchor programming decisions, is generally seen as important. Depending on the document concerned, the share of beneficiaries considering the document important range from 57% to 90%, while the equivalent proportion for respondents from Member States and EU institutions oscillate between 40% and 63%.

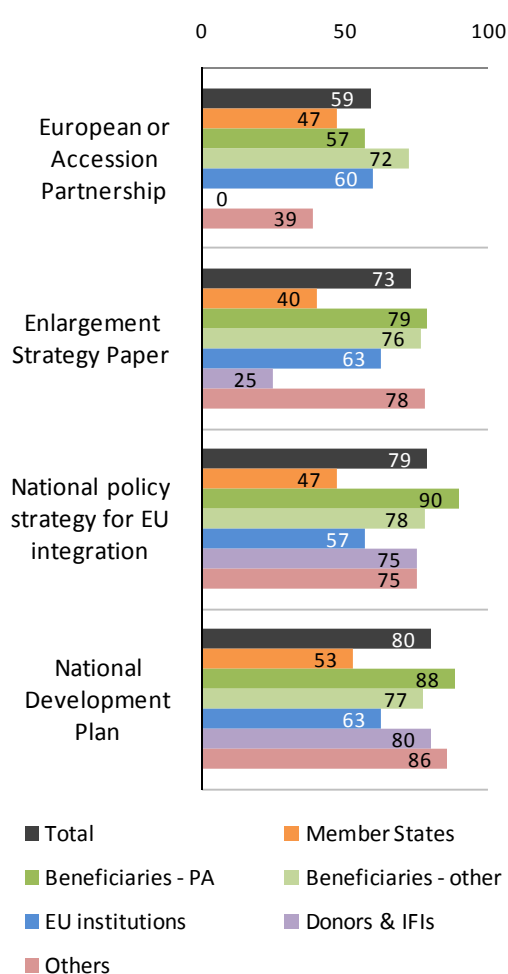
National level documents compiled by the beneficiary, i.e. a National Development Plan and a national policy/strategy for EU integration score the highest, especially among beneficiaries (between 77 and 90%). Respondents from the beneficiaries' public administration are less convinced about the need to embed the programming decisions in the European / Accession Partnerships (only 57% find it important).

Respondents answering from the perspective of Bosnia and Herzegovina, Serbia and to some extent Turkey are the most sceptical with European / Accession Partnerships (only 41%, 50% and 56% respectively find it important for programming decisions). At the same time they (together with Kosovo) value the National Development Plan and the national integration policy/strategy the most (90% approximately).

According to the detailed answers of respondents, it would be important that all of the above documents (Enlargement Package, national policy strategies for EU integration, National Development Plans and national sector strategies) were used during the programming period, taking into consideration that some of the countries do not have some of these documents (e.g. Serbia does not have a National Development Plan). It is also to be taken into account that national strategies are often closer to the real needs of the different stakeholders in a specific sector. It is therefore important that programming decisions take more and more into account these sector strategies. However, the quality of the documents is sometimes rather poor and they are not detailed or strategic enough to build programmes upon them.

EU strategy papers should focus more on general, political issues of the country, while national development plans and strategies shall have more influence on the concrete measures and activities in order to ensure national ownership and accountability of the accession process. For specific issues like anti-corruption, EU documents can play a very important role: Enlargement Progress Reports and

Figure A.22 Importance of the following strategic documents



Final Report

Strategy Papers are vital to push the issue of anti-corruption and good governance, because anti-corruption is often a politically very sensitive issue for national governments – they require the political support of and pressure from the EU to materialise.

Question 5.2

When programming pre-accession assistance, should more or less influence be given to the views of the following actors in the next financial framework (after 2013)?

Proportion of respondents considering that the below actors should be given 'slightly or 'significantly more' influence.

Largely in line with the views on the future importance of strategic documents, respondents would like to strengthen the role of beneficiary stakeholders in programming pre-accession assistance. Regional and local authorities in beneficiary countries are seen as the ones whose influence should be increased the most (79% of total respondents). There is also strong support for an increased influence of the civil society in beneficiary countries.

On the other hand, relatively few respondents think that EU actors (Delegations or Member States) should be given more influence.

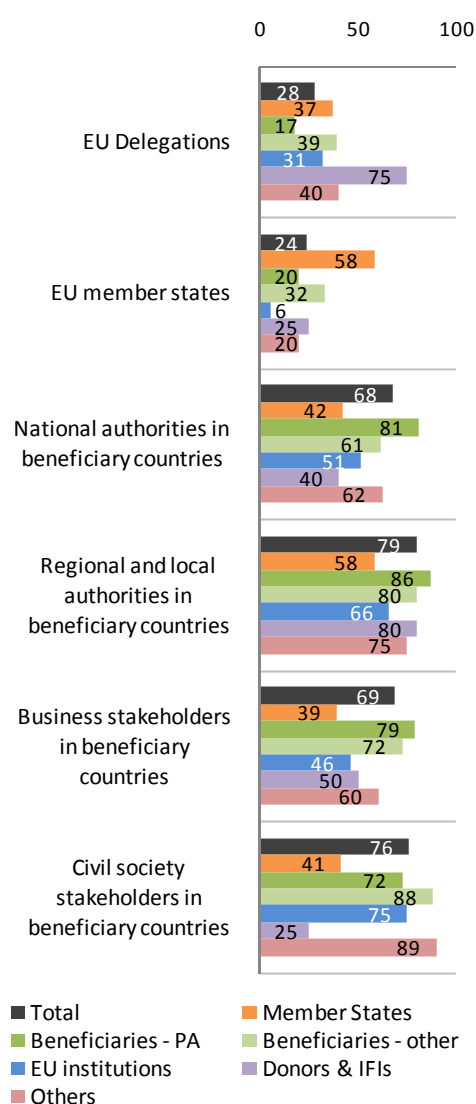
However, there are differences amongst the opinions of different stakeholder groups. Member State representatives would welcome more influence for themselves and most of them would not give a larger weight to beneficiary authorities or non-governmental actors in taking programming decisions.

EU institutions disagree in this: they would not increase Member States' influence but are in favour of emphasising regional authorities' and civil society's role.

Interestingly, IFIs and donors would advocate increased responsibilities for EU Delegations in the beneficiary countries.

In general, most of the respondents thought that the EU Delegation has to play an advisory rather than a leading role: ensuring from the very beginning that programmes are aligned with EU policies and the requirements for accession. Ownership of the programming has to shift from EU Delegations to the national authorities. Most of the respondents say that national authorities – and also regional and local authorities – should be more actively involved in

Figure A.23 Influence to be given to the views of the following actors in the next financial framework



programming. But it has to be taken into consideration that they have sometimes only weak programming capacities.

It was also suggested that greater influence given to civil society stakeholders and business stakeholders would yield more impact. Business and civil society needs to 'buy in' and be part of reforms, otherwise it will be difficult to achieve a long-term and sustainable change in the beneficiary countries.

Strategic planning and programme design

Question 6.1

General views on programming

Proportion of respondents who 'agree' or 'completely agree' with the below statements.

Opinions on the appropriateness of MIPDs are overall not too positive. Only around one third of the respondents agree with the positive statements listed in the questionnaire.

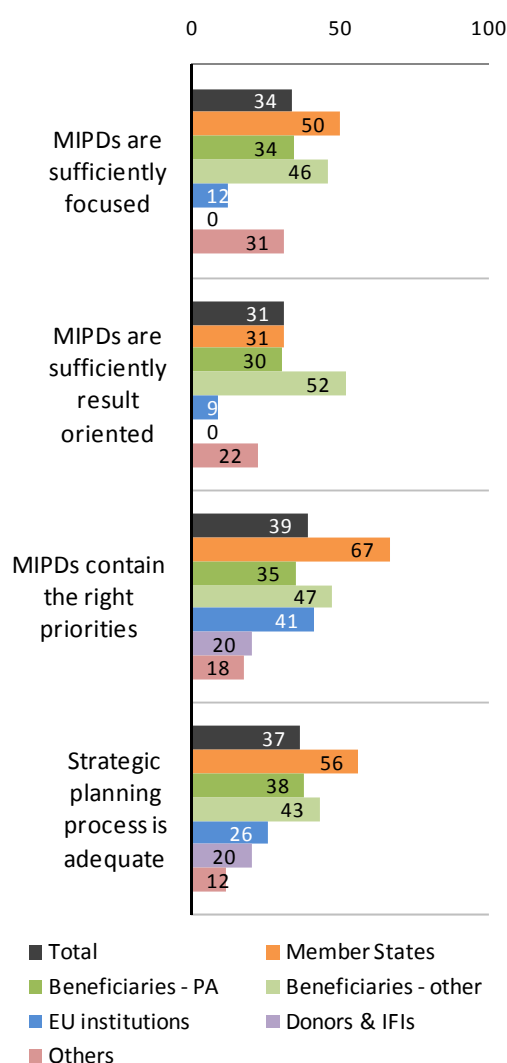
The question on the adequacy of the priorities contained in the MIDP received the most positive answers (39% of total respondents agree), but even this is still well below 50%. Respondents are more sceptical towards the result-orientation of MIDPs (only 31% find this is sufficiently the case).

Two stakeholder groups were relatively more satisfied with the MIPDs: respondents from the Member States and from non-governmental actors from the beneficiary countries. In particular, 52% of non-governmental stakeholders think that MIPDs are sufficiently result-oriented, while the average lies around 30% and drops to a mere 9% among EU institutions.

Respondents from the EU institutions were less satisfied (11 to 22 percentage points less than average), and IFIs and donors were the most critical - none of them thought MIPDs were sufficiently focused or result-oriented.

On a country-by-country basis, respondents answering from the perspective of Serbia were significantly less convinced on the adequacy of MIPDs than the average (of 20% on average). Similar is true for Bosnia and Herzegovina, especially with regards to the adequacy of the priorities of the MIPD (only 16% were satisfied).

Figure A.24 General views on the programming process



Question 6.2

To what extent are the actions (set of measures) currently offered adequate to prepare candidate countries to manage and implement cohesion policy/rural development funds upon accession?

Proportion of respondents who consider the actions 'adequate' or 'completely adequate'.

Just over half (53%) of respondents find that the actions currently offered under Components II-V are adequate to prepare candidate countries to manage and implement structural, cohesion and rural development funds upon accession. However, it needs to be mentioned that those who work on the components on a day-to-day basis - EU institutions and public administration in beneficiary countries - expressed higher levels of satisfaction (65% and 57% respectively). IFIs and donors, as well as other stakeholders (mostly CSOs, academia and business associations from Member States and international organisations) were the least satisfied.

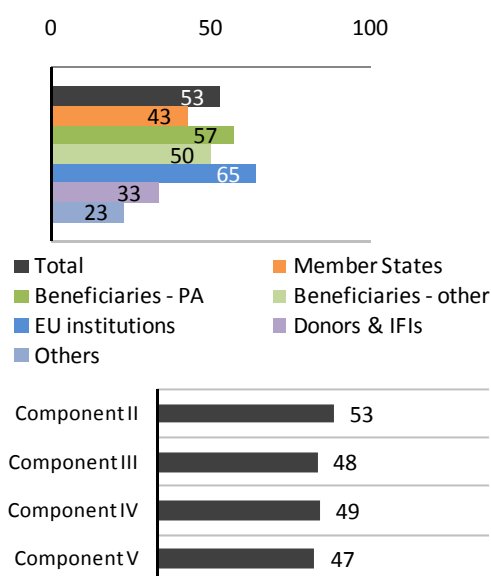
The level of satisfaction did not vary significantly across components, ranging from 47% for Component V to 53% for Component II.

Many respondents voiced concerns about information available on IPA actions, and the concrete implementation of the IPA measures.

There are overlaps between different actions, a lack of synergies, and delays in payment.

Regarding the CBC component, most of the concerns were related to the operation of this component as three separate sub-instruments: cross-border programmes with Member States; programmes between IPA beneficiary countries; and transnational programmes. This situation creates a great deal of complexity and confusion in the management of CBC programmes.

Figure A.25 Adequacy of current actions (measures) for preparations for management of EU funds



Question 6.3

Is the current programming process adequate to deliver the intended results?

Proportion of respondents who consider the actions 'adequate' or 'completely adequate'.

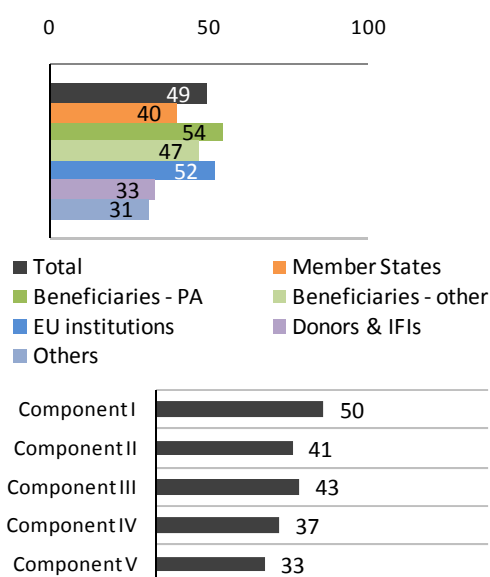
Only around half (49%) of respondents to the survey find the programming process adequate to deliver the intended results.

Here again, those directly involved in the programming and implementation process have a slightly more favourable opinion: 52% of respondents from EU institutions and 54% from public administration in beneficiary countries find the process adequate. IFIs and donors and other stakeholders expressed a more negative opinion.

There is more consensus on the adequacy of the programming process with regards to Component 1 (50% of respondents) compared to other components (from 43% for Component III to only 33% for Component V).

There was a general view amongst stakeholders responding to the survey that a lack of transparency in programming is evident: line ministries often do not have the necessary competence to develop and consult on project fiches and are reliant on external consultants. There is also a lack of transparent criteria to select priorities. The descriptions of the measures are sometimes rather vague, leading to different interpretations by stakeholders. In some programmes however, they are too detailed and thus restrictive. These issues do not help to deliver results on the ground. Regulations should be clearer or clear guidance should be provided by the Commission to remedy this situation.

Figure A.26 Adequacy of the programming process to deliver the intended results



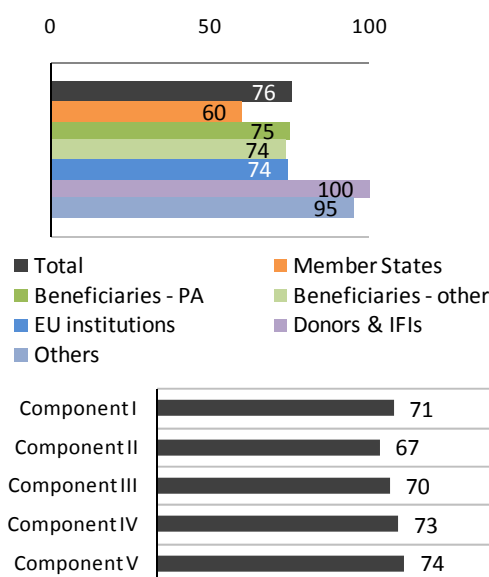
Question 6.4

Would the simplification of administrative and payment procedures (including control mechanisms) be helpful?
Proportion of respondents who consider simplification 'helpful' or 'very helpful'.

About three quarter (76%) of respondents would welcome the simplification of administrative and payment procedures; especially international stakeholders (donors & IFIs and other organisations), who agreed with this proposal (almost) unanimously.

On the other hand, Member States seem to be somewhat more reluctant towards allowing a simplification of procedures, with only 60% of respondents supporting it. This may be in line with their frequently voiced concern that a high level of financial control over IPA expenditure needs to be ensured – and certain simplifications may have an adverse effect on this. In general, even though respondents agreed that the instrument would benefit from less complex administrative procedures, this *'must not come at the cost of effective control mechanisms and accountable and transparent management of funds, which is crucial to prevent any risk of corruption'*.

Figure A.27 Helpfulness of simplification of administrative and payment procedures



In their detailed comments, beneficiaries were afraid that at the present state more effort is put in the administration of IPA than in the implementation of projects. Amongst the most crucial problems the following topics were mentioned: complexity; length; language; difficulty to cope with formal criteria. Participants believe that these problems root in the fact that the administrative capacities of the beneficiary countries do not meet the standards of EU Member States.

Most of the respondents said that on the level of project implementation, the elimination of administrative obstacles, simplification of the bureaucratic procedures (especially of the application for funding, and the criteria for applicants) would increase the number of applications. Efforts should be focused on improving and shortening the planning process.

A simplified administration procedure could result in quicker implementation, would make funding more accessible and would make decision-making processes shorter. Beneficiary countries would welcome *'practical manuals for proper introduction of all these activities introduced by EU'* and preparatory studies in advance (e.g. definition of procedures *'as much as possible'*).

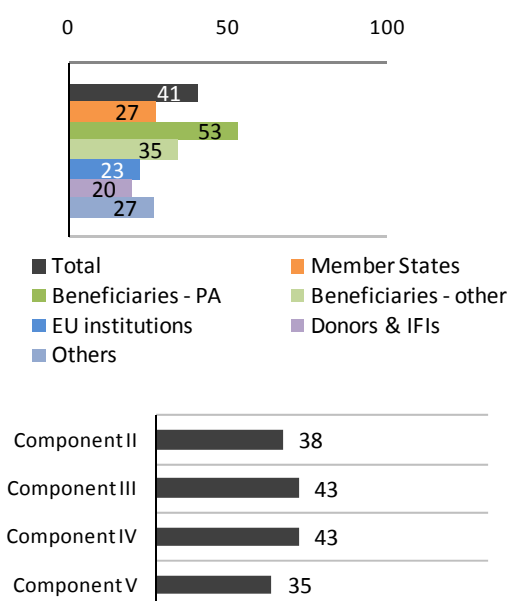
Question 6.5

*Are the management structures in place to manage the funds under the individual IPA Components adequate?
 Proportion of respondents who consider management structures 'adequate' or 'very adequate'.*

Overall, the level of satisfaction with the adequacy of management structures in place to manage the funds under the individual IPA Components II-V is rather low (41% only agreed they are 'adequate' or 'very adequate'). The assessment ranged between 35% for Component V, and 43% for Components III and IV.

Stakeholder from EU institutions and IFIs were most dissatisfied here (23% and 20% respectively), whereas more than a half beneficiary public administrations expressed a positive opinion.

Figure A.28 Management structures in place to manage the funds under the individual IPA Components II-V: adequate



Question 6.6

Is the decentralised management system currently employed under IPA helpful in building capacity for the management and control of pre-accession assistance?

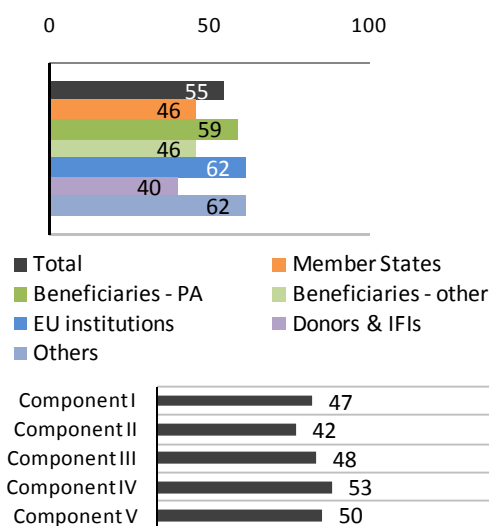
Proportion of respondents who consider decentralised management system 'helpful' or 'very helpful'.

The decentralised management system currently employed under IPA is seen by 55% of respondents as a good way to build capacity for the management and control of pre-accession assistance. Especially respondents from EU institutions and other international stakeholders (62%) and beneficiaries' public administration (59%) – i.e. mostly those who are working with these structures on a day-to-day basis - show comparatively higher levels of satisfaction.

Other, external stakeholders (Member States, non-governmental beneficiary stakeholders, IFIs and donors) expressed a more cautious opinion.

Differences between components are not elaborate; the assessment ranges from 42% for Component II to 53% for Component IV.

Figure A.29 Helpfulness of the decentralised management system in building capacity



Question 6.7

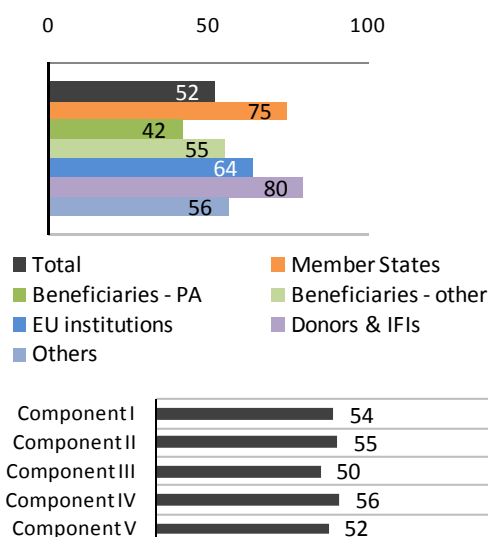
Would the incorporation of conditionalities in payments on the basis of performance criteria be helpful in improving the efficiency of IPA (e.g. withholding funds until financing agreement between beneficiary country and EU is signed)?

Proportion of respondents who consider conditionalities 'helpful' or 'very helpful'.

The incorporation of conditionalities in payments on the basis of performance criteria (e.g. withholding funds until financing agreement between beneficiary country and EU is signed), is a controversial proposition.

Whilst slightly above half (52%) of respondents agreed with the notion, respondents of the public administration in beneficiary countries were rather rejecting the idea (only 42% agreed), whilst the majority of stakeholders from EU institutions (64%) and EU Member States (75%) were supporting the idea.

Figure A.30 Helpfulness of conditionalities



Question 6.8

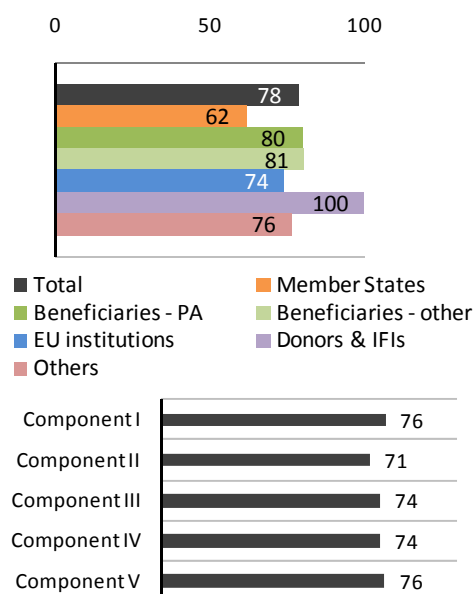
Would financial incentives given to beneficiary countries for better programme performance be helpful in improving the efficiency of IPA (e.g. a performance reserve from which well-performing beneficiary countries or component programmes can receive additional funding)?

Proportion of respondents who consider incentives 'helpful' or 'very helpful'.

As compared to the more systematic use of conditionalities asked in the previous question, using a performance reserve from which well-performing beneficiary countries or component programmes can receive additional funding is a much more popular proposition with stakeholders (78% of respondents thought it would be helpful or 'very helpful').

Only respondents from Member State public administration were somewhat less enthusiastic (they favour conditionalities).

Figure A.31 Helpfulness of financial incentives



Question 6.9

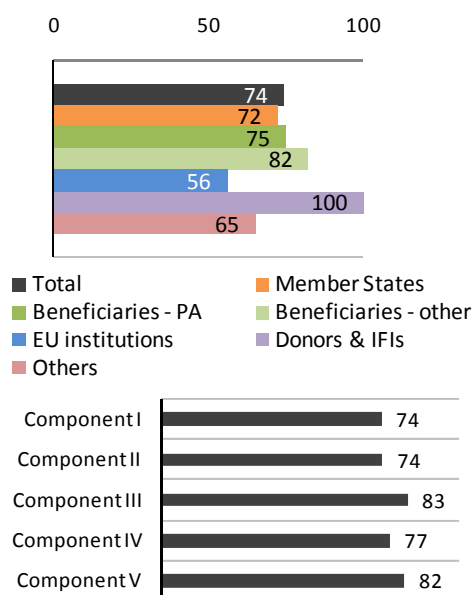
Would an extended use of leveraging IPA funding to support strategic investments (e.g. blending IPA grants and loans from other donors) be helpful in improving the efficiency of IPA?

Proportion of respondents who consider leveraging 'helpful' or 'very helpful'.

Further leveraging IPA funding, thus increasing the resources available to support strategic investments (e.g. by blending IPA grants and loans from other donors) is also seen as helpful by the large majority of respondents (74%).

Respondents from EU institutions are however less eager to implement this idea (they agree only at 56%), as many of them are concerned about the problems associated with IFIs having different priorities, requirements and procedures. The projects pushed by IFIs would consume large amounts of IPA funding but may ultimately not be the most important projects from the accession perspective.

Figure A.32 Helpfulness of leveraging IPA funding



Question 6.10

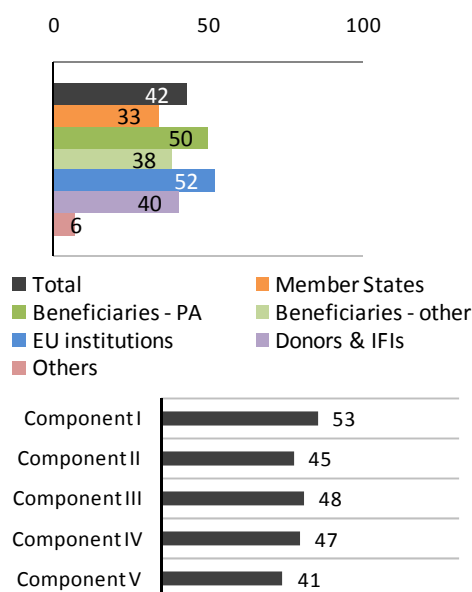
*To what extent are relevant stakeholders involved in the programming and implementation of the programmes?
 Proportion of respondents who consider stakeholder involvement 'sufficient' or 'completely sufficient'.*

The assessment by respondents of the extent to which relevant stakeholders are involved in the programming and implementation of the programmes give somewhat mixed results. Generally, the majority of stakeholders is not satisfied. Only 42% of respondents find the level of involvement adequate.

Stakeholders outside the public administration in beneficiary countries, EU Member States and especially other (international) stakeholders are the least satisfied. EU institutions and public authorities of beneficiary countries expressed a more positive view on this issue.

Respondents from Serbia were the most dissatisfied (27%). On the other end of the range, the situation in Bosnia and Herzegovina (50%) and Turkey (45%) seems to be better.

Figure A.33 Adequacy of stakeholder involvement



Question 6.11

Is the current level of beneficiary 'ownership' (active participation and commitment to results) in the implementation of actions under the IPA Components adequate?

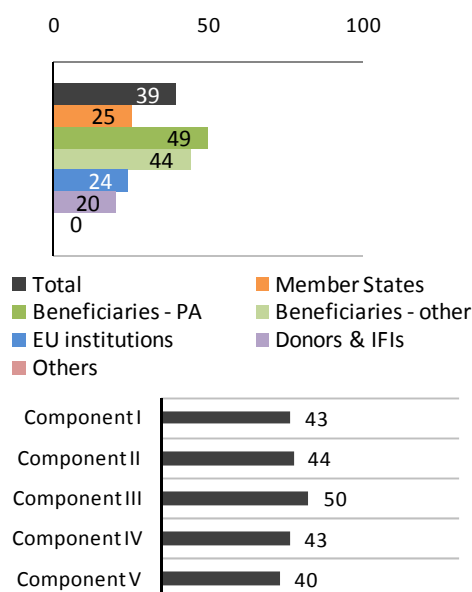
Proportion of respondents who consider beneficiary ownership 'adequate' or 'completely adequate'.

In line with the findings for the preceding question, satisfaction levels amongst stakeholders concerning the current level of beneficiary 'ownership' is below average and stands at 39% overall.

Interestingly, beneficiaries themselves (public administration and non-governmental actors) are the most satisfied: 49% within the public administration and 44% outside see ownership as being adequate or completely adequate. The corresponding figures for EU institutions, Member States and IFIs are much lower, in the range of 20-25% only.

Around half of the respondents answering from the perspective of Turkey find current levels of ownership adequate while the proportion lies at 27% in Albania.

Figure A.34 Adequacy of beneficiary ownership



Options for the modification of implementation of Component I

Question 7.1

In your opinion, how might the following options impact on the overall performance of Transition Assistance and Institution Building (currently Component I) actions in the next round of pre-accession assistance (after 2013)?

Proportion of respondents who consider the impact of the below options 'slightly' or 'significantly' positive.

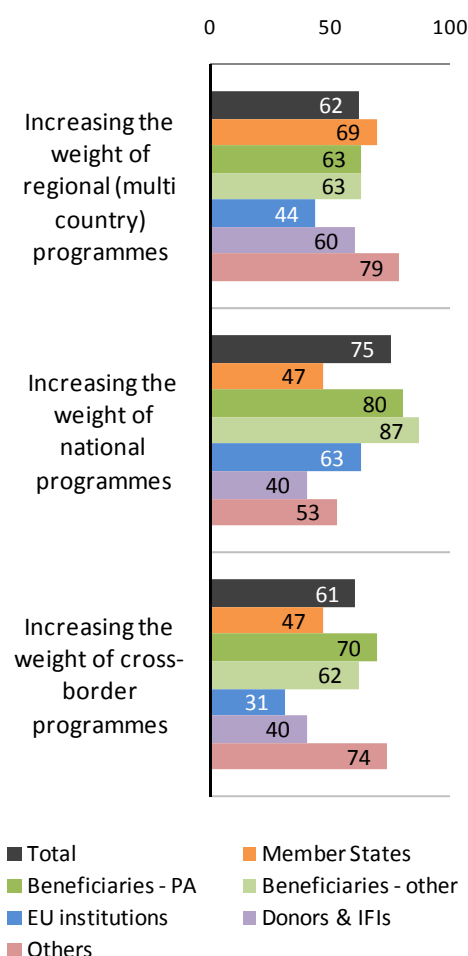
Overall, respondents would support increasing the weight of all three types of intervention: regional/multi-beneficiary programmes, national programmes and cross-border cooperation. These three options are mutually exclusive and cover the entirety of IPA interventions (not counting technical support and central communication activities), i.e. it is of course not possible to increase the weight of all of them.

In relative terms, the option that gathers the most support from stakeholders is increasing the weight of national programmes (three quarters of respondents, compared to around 60% for the two other options). This is mainly due to the favourable opinion of beneficiary countries, be it within or outside the administration (80 and 87% of favourable opinion respectively).

This is also the preferred option of respondents from the EU institutions (63% of support), possibly due to its capacity to reduce the administrative burden on the Commission and delegations via decentralised management and to increase ownership.

Especially respondents from Turkey opted for increasing the weight of national programmes (89% of Turkish respondents).

Figure A.35 Views on the geographical structure of delivery



All the proposed modifications regarding programming and implementation of Component I received support from more than 60% of the respondents, except one: increasing the use of twinning.

Increasing the use of twinning was favoured only by 46% of the respondents and only one third of respondents from the beneficiary countries' public administration. Many of them think that twinning does not produce results that is visible to the population, or is premature in countries far away from accession. In addition, some of the beneficiaries do not have the internal capacities to cope with an increased twinning approach.

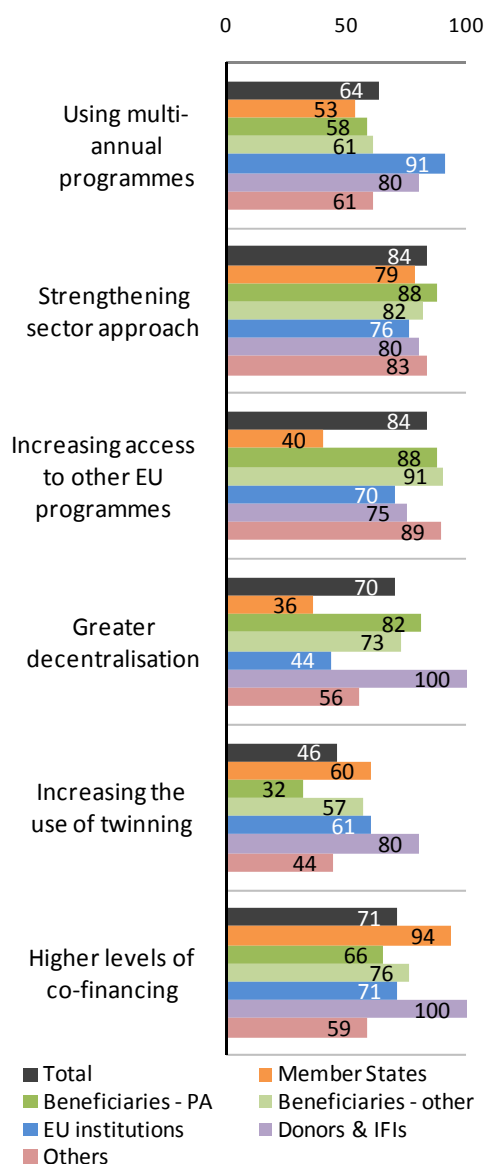
The two options that score highest (84% each) are the strengthening of sector approach and an increased access to other EU programmes. The option on strengthening sector approach gathers the same support across all groups of respondents, while support for an increased access to other EU programmes reflects mainly the opinion of respondents in beneficiary countries (around 90% in favour) and, to a lesser extent, in the EU institutions (70%). The majority of Member States would not support this latter option.

Around 70% of respondents favour higher level of co-financing (to increase ownership). Support is especially strong in Member States' public administration (94%) but it is also supported by the other actors, including, interestingly, by two thirds of respondents in beneficiaries' public administration.

Greater decentralisation is seen by 70% of the respondents as an option which would have a positive impact on performance. It is especially popular amongst stakeholders from beneficiary countries (73% outside the administration and 82% within) while EU institutions and Member States are more sceptical (44% and 36% of positive opinions respectively).

The use of multi-annual programmes is clearly supported by respondents from the EU institutions (at 91%, compared to 64% overall).

Figure A.36 Views on programming and management



Annex 6 The benefits of enlargement and costs of non-enlargement

As evidenced in many studies and by the EU itself, enlargement brings benefits to both MSs and the acceding countries. The consecutive enlargement waves were considered major successes on the road of European integration – and further expanding the EU is an objective. As formulated in the Commission's 2010 Enlargement Strategy paper:
*"Enlargement reinforces peace and stability in Europe. It is in the EU's strategic interest to take the enlargement process forward on the basis of the agreed principles and conditions and the renewed consensus on enlargement approved by the European Council in December 2006."*⁶⁷

The benefits mentioned above focus on the main argument for enlargement: ensuring peace and stability in Europe, which was also the major driver for European integration after the Second World War. But there are other benefits as well for the Union above regional stability.

A review, five years after the fifth enlargement of the EU in 2004,⁶⁸ concluded that: the latest enlargements brought greater prosperity for all EU citizens and made Europe a stronger player in the world economy; the institutional and legal frameworks and the common policies of the EU played a vital role in ensuring success; entrepreneurs and citizens experienced clear benefits; and, the enlarged EU is better prepared to address current and future challenges. On the negative side, while the rapid integration brought many benefits it also created vulnerabilities in some of the new MSs, further exacerbated by the current economic crisis. Overall, the enlargements were a milestone in unifying Europe with the Union better positioned to face increased global competition and take a leading role in the world economy. Arising from the years of careful thorough preparation and ongoing monitoring, the EU continues to operate smoothly after enlargement.

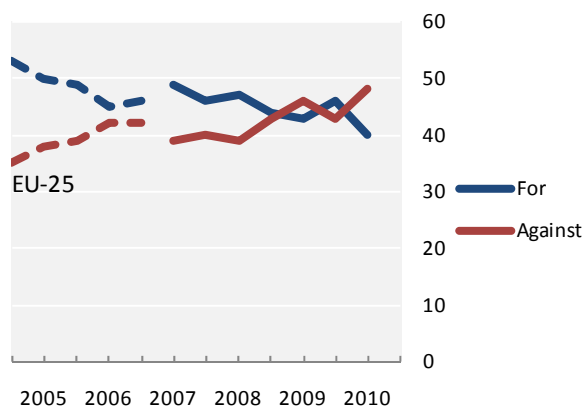
However, despite the obvious benefits, politicians and the media often talk about an 'enlargement fatigue', meaning that the resources of the EU should currently be used to resolve the economic and labour market problems that characterise the aftermath of the financial crisis of 2009, and the ongoing debt crises of certain Member States (e.g. Greece, Portugal, Ireland, Hungary, Romania and Latvia). In times of budgetary austerity there are no free funds available to pay for the socio-economic development of new Member States. Many also argue that the attention should not be diverted from key policy issues such as European competitiveness, boosting research and innovation, handling climate change and fighting against organised crime and terrorism. It is often argued that after the 2004 and 2007 enlargements that brought in countries which were poorer and in some aspects very different from old Member States, the EU now needs time to integrate them adequately first, before accepting other candidates.

⁶⁷ http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/strategy_paper_2010_en.pdf

⁶⁸ "Five years of an enlarged EU – economic achievements and challenges" Comm. from the Commission to the Council, Parliament, European Economic and Social Committee, Committee of the Regions and the ECB, Adopted by the College on 20 February 2009

The general public also feels increasingly uneasy about enlargement. Support for enlargement amongst the population has weakened considerably since 2004.⁶⁹ The proportion of EU citizens who are for further enlargement fell from 53% to 40% in the 6-year period between beginning of 2005 to end of 2010. The proportion of those who are against it rose from 35% to 48%. According to the latest figures of 2010, the majority of EU citizens who expressed an opinion are not supporting enlargement any more.

Figure A.37 Public views in the EU-27 on further enlargement (%)



Source: Standard Eurobarometer No. 62-73 (2004-2010)

Looking back at the 2004 enlargement, only 29% of respondents said in 2007 that it had rather positive impacts on the EU, 23% thought its impact was negative.

The reasons for disillusionment may lie in part in cultural issues, and in part in more tangible economical ones, some of which may not have much to do with enlargement itself. In a 2009 Eurobarometer survey (Eurobarometer Flash No. 257), 54% of respondents thought that enlargement has created problems because of the existence of different cultures and values among the countries of the enlarged EU. 50% said it had increased the feeling of insecurity in Europe as a whole. 56% of respondents thought that enlargement contributed to job losses (the survey however coincided with the economic downturn which brought heavy job losses everywhere, not only in the EU).

This disillusionment may result in a halt to future enlargements, which, if it happens, will incur certain costs to the EU. These costs are discussed in the following subsections. The presentation is based mainly on evidence gathered on the impact of the EU fifth enlargement, more specifically two main publications: a 2009 report of the Directorate-General for Economic and Financial Affairs (DG ECFIN) titled "Five years of an enlarged EU – Economic achievements and challenges", and a 2008 review titled "5th Enlargement Impact Study", undertaken by the Sussex European Institute.

Economic costs

Losing out on enlarging and diversifying the Internal Market

Enlargement brings economic benefits primarily through the expansion of the internal market. The combined GDP of the candidate countries and potential candidates was 551 billion euro in 2009, corresponding to 4.7% of the EU-27 GDP.

⁶⁹ The question on whether citizens are for or against further enlargement is a standard question in the Eurobarometer surveys.

Table A.8 GDP of beneficiaries at market value, 2002-2009 (€ billion, at market exchange rate)

Beneficiary	2002	2003	2004	2005	2006	2007	2008	2009	Annual growth**
<i>Candidate countries</i>									
Croatia	28.1	30.0	32.8	35.7	39.1	42.8	47.4	45.4	7.1%
former Yugoslav Republic of Macedonia	4.0	4.1	4.3	4.7	5.2	6.0	6.7	6.7	7.6%
Iceland	9.5	9.7	10.7	13.1	13.3	14.9	10.3	8.7	-1.3%
Montenegro	1.4	1.5	1.7	1.8	2.1	2.7	3.1	3.0	11.9%
Turkey	243.6	269.3	314.3	387.7	419.0	472.9	501.3	441.6	8.9%
<i>Potential candidates</i>									
Albania	4.7	5.0	5.9	6.6	7.2	7.8	8.9	8.5	8.8%
Bosnia and Herzegovina	7.1	7.4	8.1	8.8	9.8	11.1	12.6	12.3	8.2%
Kosovo*	1.7	1.8	3.0	3.1	3.2	3.4	3.8	3.9	12.3%
Serbia	16.0	17.3	19.0	20.3	23.3	28.8	33.4	30.0	9.3%
Total	316.1	346.2	399.7	481.7	522.3	590.5	627.6	559.9	8.5%
EU-27	9,950	10,118	10,617	11,072	11,700	12,398	12,494	11,787	2.5%

* under UNSCR 1244

** Annual average growth of the nominal GDP in the 2002-2009 period

Source: Eurostat.

The relative economic weight of these countries is likely to further increase if the enlargement process continues. GDP growth in these countries surpassed that of the EU by a sizeable margin. As indicated in Table A.8, between 2002 and 2009, the annual average nominal growth of GDP at market exchange rates was 8.5% in the candidate and potential candidate countries; this compares with 2.5% in the EU.

A simple extrapolation of these trend data would put the prospective GDP (at market prices) of enlargement countries to close to 850 billion by 2014, which will be more than 6% of the corresponding EU-27 figure. For comparison, the ten countries that joined the EU in 2004 added only another 4.9% to the combined GDP of the Union, i.e. less than the aggregate economic potential of the current candidates and potential candidates will be in 2014.⁷⁰

This expansion of the internal market produces considerable benefits for European companies, like it did in the previous enlargement, through increasing business opportunities via better access to new consumers (either directly or through continuing privatisation of banks and public utilities), opportunities arising from large-scale investments (partly enabled through cohesion policy support), and better availability of skilled labour with relatively low wage levels, thus lowering the costs of production.

⁷⁰ The calculations were made on the basis of Eurostat data on GDP at market prices.

Growth benefits of EU enlargement

The Commission's presentation on the benefits of enlargement ('Good to know about EU Enlargement')⁷¹ explains that firms from the old Member States benefited from new market opportunities following the 2004 enlargement: new Member States, with their 100 million additional European consumers with rising income levels gave new opportunities for exports and foreign investment.

The enlargement has fostered trade integration considerably. Trade between the EU-15 and the new Member States increased by a factor of three in less than 10 years (from € 175 billion in 1999 to approximately € 500 billion in 2007). The 12 new Member States became more important trading partners for old Member States, absorbing 7½% of their exports (compared to 4¼% a decade ago).

The DG ECFIN report further analyses how foreign investments have flowed into new Member States, now part of the internal market. FDI inflow started to increase already before accession: several academic studies established a significant correlation between the announcements of political decisions on EU accession and FDI in the future new Member States. Enlargement appears to have stimulated FDI not only from the old Member States but also from the outside world.

The integration process, especially the better utilisation of national resources via modern investments, have yielded high growth rates in the new Member States (on average 5½% in 2004-2008), which allowed them to catch up in terms of GDP per capita, reaching 52% of the EU-15 average in 2008 (from only 40% five years before enlargement). This resulted in steady increases in income levels, i.e. purchasing power of the population, and correspondingly, more opportunities for EU companies as the size of the internal market expanded.

The effects of enlargement on growth were not only felt in the acceding countries. A regression analysis estimated that accession significantly boosted GDP growth in the old Member States as well (the combined additional growth over the 2000-2008 period accounted to about 0.5% of the GDP of 2000, which translates to an annual surplus of about 5-6 billion euro). In the new Member States, the effect on growth was around an annual 1¾% on average during the period 2000-2008.

It seems reasonable to assume that the expansion of the Internal Market to include all of the candidate countries and potential candidate s would bring similar long-term benefits to the ones following the 2004 enlargement. The countries concerned are in an economic situation which is similar to that of the 2004 accession countries: they are all engaged in an economic catching-up process with expanding consumer markets, with less competitive domestic companies that need considerable investments in technologies and, high investment needs in infrastructure and public services.

The quantified effect may be indeed roughly on the same scale: although the combined economies of the current enlargement countries are slightly larger on one hand, they are on the other hand on average considerably poorer than the 2004 joiners (which translates into reduced purchasing power). These effects may balance out themselves. Consequently, it is reasonable to assume an annual surplus in GDP of about 5 billion euro per annum in the EU-27; and an annual additional growth of 1.5-2% (about €13-17 billion) in the acceding countries.

In the absence of enlargement, these benefits would not accrue to the European economy.

It should be pointed out however that the additional growth in the countries acceding the EU at some point will be partly achieved through relatively high levels of EU transfers via the European cohesion and rural policy instruments (ERDF, Cohesion Fund, ESF, EARD) for a period of time. The current new Member States of the Union are all net beneficiaries. In 2009, their operating budgetary balance (receipts minus contributions to the EU budget) accounted to about 2% of their gross national income (see Table A.9). The same level for the current enlargement countries would translate into a net transfer of circa €17 billion per annum.

⁷¹ http://ec.europa.eu/enlargement/pdf/publication/screen_mythfacts_a5_en.pdf

Table A.9 Operating budgetary balances of new Member States, 2009

Member State	Operating budgetary balance (€ million)	Gross National Income (€ billion)	Balance per Gross National Income (%)
Bulgaria	33.1	624.2	1.9%
Czech Republic	129.1	1,702.5	1.3%
Estonia	13.4	573.0	4.3%
Latvia	20.1	501.5	2.5%
Lithuania	26.6	1,493.3	5.6%
Hungary	87.6	2,719.4	3.1%
Malta	5.4	8.6	0.2%
Poland	300.0	6,337.1	2.1%
Romania	113.7	1,692.5	1.5%
Slovak Republic	62.6	542.1	0.9%
Slovenia	34.4	241.9	0.7%
Total	826.0	16,436.1	2.0%

Source: DG Budget

With the support of the cohesion and rural development funds, the new members of EU were able to quickly modernise their economies, making the Union stronger and more competitive.

Economic reforms due to the previous enlargement

The DG ECFIN report recognised the extensive reforms the new Member States undertook to modernise their economies. The political and economic stability provided by their accession to the EU helped to increase trade and investment relations between old and new Member States, thus creating a win-win situation for all. No evidence was found of eventually disruptive impacts on product or labour markets of the EU-15.

As outlined in the report, New Member States' economies went through a rapid modernization process. The structure of their economies got better aligned with that of the old Member States. Whilst agriculture and manufacturing are still playing a substantially greater role than in the old Member States (they produced 4.5% and 21.3% of GDP in 2006, respectively, compared with only 1.5% and 16.8% in the old Member States), the share of services in GDP also increased (from 56% of GDP in 1995 to 63% in 2006). Technology-intensive exports as well as employment in knowledge-intensive sectors also grew considerably. RTDI expenditure increased by 10% over the period 2004-2006, building the basis for further expansion of the knowledge economy in the Eastern part of the EU.

With regards to general economic policies and compliance with the economic criteria for enlargement, certain indicators suggest that new Member States' institutional framework and regulations have become significantly more business-friendly. The DG ECFIN report of 2009 illustrates the rapid regulatory convergence with the help of the *Fraser index* of regulation in product, labour and capital markets.

Limited access to a fresh and skilled labour pool

The EU faces the challenge of an ageing society. Only 67% of the current EU population is of working age (i.e. between 15 and 64 years) and this is anticipated to reduce to 57% by 2050. In numbers, this means a reduction from 336 to 299 million in the next forty years

according to the population projections of Eurostat (even accounting for migration) (see Table A.10).

Table A.10 Population projections for the EU-27 (million persons)

	2010	2015	2020	2025	2030	2035	2040	2045	2050
Total population	501	508	514	519	522	525	526	526	524
Working age population (15-64 years)	336	334	331	327	322	316	310	305	299
Share of working age population	67.0%	66%	64%	63%	62%	60%	59%	58%	57%

Source: Eurostat

The proportion of working age population is roughly the same in the candidate countries and potential candidates, but they have on average younger populations (with the exception of Croatia and Serbia), as evidenced in Table A.11. This means that they have the potential to contribute to labour supply and offset the potential need for third country migration to the EU.

Younger populations also mean greater macroeconomic stability: the majority of enlargement countries do not face the threat that a future decline of working age population would pose on their economic growth and the sustainability of social security, at least not imminently. However, population decline is anticipated in the longer term as total fertility rates are currently lower in these countries, except Turkey, than the EU average.

Table A.11 Population by age group, 2009 (%)

	EU-27	HR	IS	ME	MK	TR	AL	BA	RS	XK
Under 15	16	15	21	19	18	26	25	18	15	30
15-64 years	67	67	68	68	70	67	66	68	68	63
65 and more	17	18	12	13	12	7	9	14	17	7

Source: Eurostat

Non-enlargement would reduce the growth potential of the European economy and put mounting pressure on national welfare systems. As explained in the DG ECFIN report, the overall effect of labour migration on both sending and receiving countries was positive. Free movement of labour allowed workers in the new Member States to take advantage of new employment opportunities abroad. Simulations quoted in the report⁷² suggest that in the medium term, intra-EU economic impact of labour mobility is positive: it was estimated to boost the GDP by 0.27%, i.e. a gain of around €30 billion for the EU-25 (the gain above the baseline was estimated to be 0.38% for the EU-15). It is reasonable to assume that a further enlargement will equally result in increased GDP growth, this factor is however already included in the previous estimate of 5 billion per year, additional GDP in the EU-27.

Fears that enlargement takes away jobs from workers in the old Member States were not confirmed by the experience from the fifth enlargement in 2004. The perception that enlargement contributed to job losses in home countries is still widespread among EU citizens (for example, 56% of respondents in the 2009 Flash Eurobarometer survey thought so). However, evidence compiled in the DG ECFIN report suggests that increasing levels of outward FDI were not associated with loss of employment at home. The growth in

⁷² The simulation was done using the Commission's QUEST model, in: D'Auria, F., K. Mc Morrow and K. Pichelmann (2008), 'Economic impact of migration flows following the 2004 enlargement process: a model based analysis', European Economy – Economic Papers, No. 349, Economic and Financial Affairs DG, European Commission

employment of about 1.5% annually in the new Member States was coupled with rapid employment creation in the EU-15 as well (about 1% per year since enlargement). Migration from new Member States to old Member States was rather limited (about 3.6 million by 2007, up from 1.6 million in 2003). In old Member States, the arrival of migrant workers has prevented labour shortages in specific sectors such as construction and services.

The candidate countries and potential candidates are potentially also a source of highly skilled labour who find less opportunities for exploiting their full potential at home; considering the low number of innovative companies and that expenditure on RTDI as a proportion of GDP is significantly lower than in the core regions of the EU.

Slow upgrading of transnational infrastructure networks and limited cross-border cooperation

Most of the enlargement countries are small, and are thus more dependent on good connectedness to the outside world than larger countries. Transnational transport networks, the interconnection of oil and gas pipelines and electricity networks, access to power generation facilities abroad to ensure security of supply and the proper functioning of liberalised energy markets are key needs for countries of the Western Balkans.

In the absence of the EU accession process, the enlargement countries would not have sufficient support and incentives to cooperate in building new networks and upgrading existing ones. It is generally difficult to agree on terms and technicalities, even amongst countries that have a long established working relationship concerning joint investment projects, based on mutual trust – the current enlargement countries don't yet necessarily have this experience.

Funding of cross-border or transnational projects is also much more difficult without the EU policy and financial framework (through cohesion policy instruments).

The situation is similar for other, otherwise less expensive cooperation projects, such as hospitals with possible cross-border intakes. These are projects that use the cross-border dimension to maximise economic benefit – responding to the specific geographical accessibility context, or simply to capitalise on economies of scale. The practical problems are however considerable: financing agreements need to be concluded, legal requirements, rules, procedures need to be harmonised. These tasks are difficult to adequately perform if the countries participating lack an appropriate framework for cooperation. Through EU integration, these projects would be much easier to implement – European Directives would provide a common legal ground; as cooperation of the authorities would be more intense anyway more trust would be built up, and co-financing could be provided by the EU.

Without enlargement, the practical difficulties of cross-border and transnational projects will weigh in significantly when governments decide on their investment priorities. Underinvestment in interconnectedness and transnational transport networks will result in costs to EU business: reaching these markets (and others further away) will remain difficult; production in local factories will be more expensive due to dearer and less secure energy supply; taking advantage of cross-border cooperation opportunities will be more challenging.

Regions bordering the enlargement countries would suffer the most.

Political costs

Higher risk of political instability

It was already evidenced by the extract from the EU enlargement strategy in the introduction to this section that the EU primarily uses enlargement as a leverage to promote and preserve peace, stability, security, conflict prevention and democratic change, to the benefits of all its citizens.

Several of the candidate countries and potential candidates have been involved in conflicts in recent years. These have generated casualties and major costs for the countries

concerned, the EU and the international community, in particular the Bosnian War and the Kosovo conflict.

- The Bosnian War (1992-1995) was the bloodiest in Europe since World War II. The bitter ethnic conflict left a country deeply divided between the Serb, Croat and Bosniak populations. A report of the American Woodrow Wilson Center estimated the total dollar cost of the conflict reached 54 billion USD (38 billion euro) including economic losses; with the military costs alone amounting to more than 19 billion USD (13 billion euro).⁷³ Much of these costs were borne by the state, citizens and businesses of Bosnia and Herzegovina or by the US military, but the EU also had to finance a significant part of this via the NATO and UN interventions, humanitarian aid and economic knock-on effects. The EU is – although the financial implications are small compared to the costs of the preceding war – still active in the country through the Office of the High Representative (with a budget of about 20 million euro), the European Union Force Althea (costing the Member States about 43 million euro in 2006), the European Union Police Mission (with an initial budget of about 14 million euro for start-up costs for 2002 and 38 million euro yearly running costs)
- The last of the wars in the former Yugoslavia took place in Kosovo in 1998-1999. Ethnic divisions and a repressive and militaristic regime in Belgrade resulted in bloodshed and an eventual redrawing of international borders. The conflict included fighting throughout this period between Serb-dominated security forces and the Albanian Kosovars, and the 1999 NATO bombing of Yugoslavia. The Economist Intelligence Unit estimated that the war reduced the GDP in the affected Balkans region by a combined 7.8 billion USD in 1999 alone.⁷⁴ The EU is heavily engaged in Kosovo through its peacekeeping mission EULEX Kosovo (with a budget of 265 million euro), and by its strong Liaison Office that oversees many aspects of governance activities.

A partly EU-funded peacekeeping mission under UN umbrella has also been deployed in the former Yugoslav Republic of Macedonia, with a total cost of about 234 million USD (163 million euro).

Insecurity and related circumstances in the candidate countries and potential candidates had impacts apart from the direct costs other negative consequences for the EU. These include a large numbers of asylum seekers, and irregular migration (see under social costs), less trade and investment opportunities.

These potential losses would probably be completely eliminated through the accession of the candidates. No EU Member State ever has had regular armed conflicts with another Member State or a neighbouring country, nor were any of them engaged in civil war (excluding acts of terrorism). The EU is indeed a haven of peace and its stabilising power is perhaps the most important aspect of the European integration process, especially for a conflict-ridden area such as the current enlargement countries.

Changing political orientations of beneficiaries

In the absence of a clear accession perspective, some beneficiaries may forge new political alliances and strengthen their economic links with other powers. Missed opportunity to increase the political weight of the EU in the world

The Commission's 2009 presentation of the benefits of enlargement emphasised that an enlarged EU would be in a better position in the global community to address global issues. The Sussex European Institute's study illustrates how an enlarged EU would have a bigger weight on the international scene. The academic study concludes that enlargements in the past have "strengthened the EU's influence without substantially undermining EU coordination at the United Nations".

⁷³ <http://www.wilsoncenter.org/subsites/ccpdc/pubs/costs/chap02.pdf>

⁷⁴ <http://www.worldbank.org/html/prddr/trans/mayjun99/pgs11-12.htm>

Box 2.3 Enlargement and EU on the world stage

The DG ECFIN report underlines that the role of the EU has become more prominent on international fora following the 2004 enlargement, particularly in the IMF and World Bank and during trade negotiations under the WTO umbrella - although it also mentions that a further harmonisation of positions would be beneficial to make the EU even more influential.

Social costs

Reduced security of EU citizens: less leverage on fighting organised crime

Enlargement is a strong symbol ultimately reunifying Eastern and Western Europe. It can be demonstrated that the appeal of joining the “club”, in combination with the corresponding conditionalities (accession criteria) has been a powerful tool in the peaceful and successful democratic transformation of Central and Eastern Europe.⁷⁵ The EU’s ‘soft power’ on countries wishing to join is considerable and is put to use to align candidate countries with European values and principles, including respect for human rights, minority rights, promotion of gender equality, adequate social protection focusing on social inclusion and reduction of poverty, which all bring considerable social benefits to its citizens.

Box 2.4 Enlargement and fundamental rights

The Sussex European Institute’s study confirms the beneficial impact of enlargement in the 2004 accession countries, notably on fundamental rights. Progress in the area of the political accession criteria was substantial in the previous pre-accession period and in certain areas even post-accession.

European integration also benefits the citizens of old Member States - largely acknowledged by EU citizens. According to Eurobarometer Flash survey No. 257 done in 2009, 58% of European citizens agree that enlargement has contributed to preserving security and stability in Europe, whilst 58% think that security in Europe has increased due to improvements in the fight against organised crime and the control of illegal immigration. In addition, 73% of respondents reported that enlargement facilitated the spread of democratic values and protection of human rights.

Without enlargement and the associated exertion of soft power by the EU, there is a real risk that the fight against corruption and organised crime will be far less emphasised in the candidate countries and potential candidates.

Migration pressures

The EU is the most preferred destination for illegal migrants and for those seeking asylum, putting a considerable burden on the Union – especially those Member States who serve as the point of entry. Spain and Italy and recently Greece (after bilateral agreements between the former two Member States and Mediterranean countries have eased the burden there slightly) are particularly hit by influxes of immigrants applying for asylum. The costs for Member States providing shelter, medical service, education, legal advice etc. are considerable, even though EU funds are available to share the financial burden. This was recently evident from the budgetary pressure put on Italy by increased immigrant flows following the conflicts in Tunisia and Libya.

The candidate countries and potential candidates (with the notable exception of Iceland) are themselves very significant sources of asylum seekers. In 2010, the number of applicants from the eight beneficiaries concerned amounted to 50,450 persons - in the Member States reporting breakdown by citizenship -, i.e. 19.5% of the total. In the ranking by country of citizenship, Serbia came 3rd, Kosovo (under UNSCR 1244) 6th, the former Yugoslav Republic of Macedonia 9th and Turkey 12th. These data are given in Table A.12.

⁷⁵ See for example Milada Anna Vachudova, *Europe Undivided, Democracy, Leverage, & Integration after Communism*, Oxford University Press, 2005

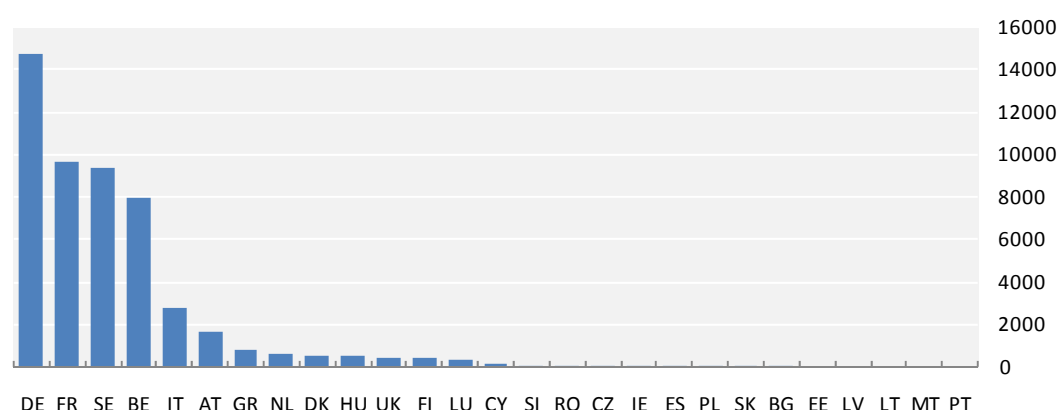
Table A.12 Asylum applications to the EU-27 by citizenship, 2010

	HR	IS	ME	MK	TR	AL	BA	RS	XK	Total
Number of asylum applications	170	-	400	7,550	6,335	1,900	2,095	17,715	14,285	50,450
Rank (all countries of origin)	81	-	63	9	12	29	27	3	6	N/A

Source: Eurostat. Contains only information for Member States that reported breakdown by citizenship to Eurostat

Unlike for most of asylum applicants, for whom Spain, Italy and Greece are the prime destinations within the EU, the majority of migrants from the candidate countries and potential candidates choose Germany, France, Sweden and Belgium. This is illustrated in Figure A.38 below.

Figure A.38 Asylum applications to the EU-27 from Candidate countries and potential candidates, by destination (2010)



Source: Eurostat. Contains only information for Member States that reported breakdown by citizenship to Eurostat

In the absence of enlargement, increases in the number of asylum seekers, legal and illegal immigration from many of the candidate and potential candidates may be expected – due to eventual external or internal conflicts, abuse of human rights, especially that of minority rights, no perceivable progress in the social and economic integration of the Roma community, general economic hardship and limited job opportunities for both unskilled and skilled workers.

Missed opportunity for cultural enrichment

With 12 new Member States, the EU has become culturally richer. The review of available research by SEI (2008) suggests that the EU cultural model tends towards pluralization and cooperation rather than homogenization or polarization. Fears of incompatibility between cultures have not materialized.

Contacts amongst citizens of various Member States have intensified, something which is ultimately expected to reinforce a sense of European identity. Due to the increased number of countries which are part of the Schengen area and the integration of aviation markets, travel has been made both easier and cheaper, as highlighted in a Commission booklet (2009). As a result, as shown in SEI (2008), tourism and student mobility, via the Erasmus programme, scaled up. Between 2004 and 2007, the number of travellers from EU 15 visiting EU 12 rose by close to 50%, while the increase amongst the new Member States

themselves amounted to 33%. Symmetrically, over 30% of exchanges originating in the EU27 concern students from the new Member States.

Environmental costs: negative externalities

Enlargement also brought benefits in the area of environment protection. The Commission brochure on the benefits of enlargement stresses that the adoption of EU standards enhanced the quality of water, food safety, animal health as well as nuclear safety in the countries joining the Union in 2004. This was also confirmed by the Sussex report of 2008, which reported that – although analyses on the merit of environmental policies have shown mixed results so far – commitment of new Member States has been strong and progress on the ground has clearly been made.

Opportunities in connection with the enlargement to the South East of Europe may include: the better management of the natural resources (water resources, biodiversity); and reduced levels of negative environmental externalities. A prime example for the latter would be the pollution of rivers communicating with the Danube, e.g. in Serbia, which needs to invest considerable funds in upgrading its waste water treatment infrastructure and avoid nutrient pollution.

Greenhouse gas emission can also be curbed by investing e.g. in energy efficiency projects (subsidised energy prices in the past led to artificially elevated energy demand and inefficient production methods) or the upgrading of outdated public transport fleet. Current energy efficiency levels in the candidate countries and potential candidates (with the exception of Iceland) are well below the EU average. As evidenced by data from the International Energy Agency, presented in Table A.13, CO₂ emissions per GDP in the enlargement countries are 2 to 10 times higher than in the EU.⁷⁶

Table A.13 CO₂ emission patterns, 2008

	OECD Europe*	HR	IS	ME	MK	TR	AL	BA	RS**	XK
CO ₂ emissions / GDP***	0.38	0.69	0.18	N/A	2.02	0.70	0.68	2.32	3.55	-

* A close proxy for the EU-27, including 23 countries: the EU-15, Czech Republic, Hungary, Poland, Slovakia, as well as Iceland, Norway, Switzerland and Turkey ** Includes Kosovo. *** In kg CO₂ / US dollar (2000 prices, at market exchange rate)

Source: International Energy Agency

In the absence of enlargement, less progress will be made in improving water and air quality, and reducing greenhouse gas emissions – this will have effects that transcend national boundaries. The negative impacts will be felt in the EU.

⁷⁶ <http://www.iea.org/co2highlights/>

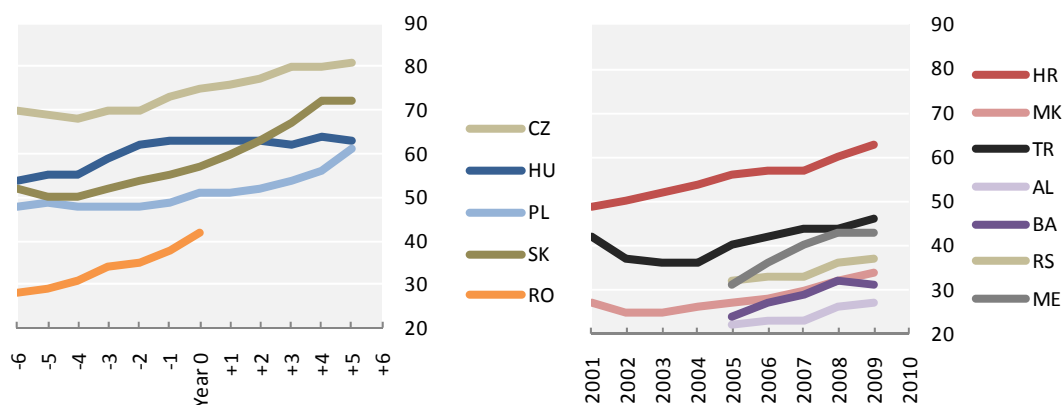
Annex 7 Beneficiary development trends

The following subsections make a comparison between candidate countries and potential candidates and selected new MSs under key aspects which are instrumental for the future development and accession-readiness of the beneficiaries.

Socio-economic conditions

Many of the candidate countries and potential candidates trail new MSs in terms of wealth by a sizeable margin. Apart from Iceland, only Croatia reaches a level comparable with the joiners of 2004 with a GDP per capita figure of 64% of the EU average. The corresponding figure is much lower in the other countries of the Western Balkans, as well as in Turkey, although Turkey has a number of developed regions. Turkey and the former Yugoslav Republic of Macedonia are around Romanian and Bulgarian levels at the time of their accession to the EU (i.e. 'Year 0'), the remaining countries are even further behind (see Figure A.39).

Figure A.39 GDP per capita (at Purchasing Power Standard), EU-27 = 100



Source: Eurostat; country progress reports. The labels on the first chart indicate years before and after accession

A look at the employment and unemployment rates (Figure A.40 and Figure A.41) gives a similar picture, and shows heterogeneity amongst candidate countries and potential candidates. The proportion of persons of working age (15 to 64 years) employed only slightly varies between the selected new MSs and over time (pre- and post-accession). Unemployment figures are similarly only slightly divergent.

This is not true however for the candidate countries and potential candidates. Many of these countries exhibit extremely low levels of employment and extremely high levels of unemployment (in close connection with their poor economic performance). Furthermore, these levels vary considerably over time. Only Croatia, Albania, Serbia and partly Turkey have employment figures that are relatively close to EU 'norms'.

Figure A.40 Employment rates (from persons aged 15 to 64)

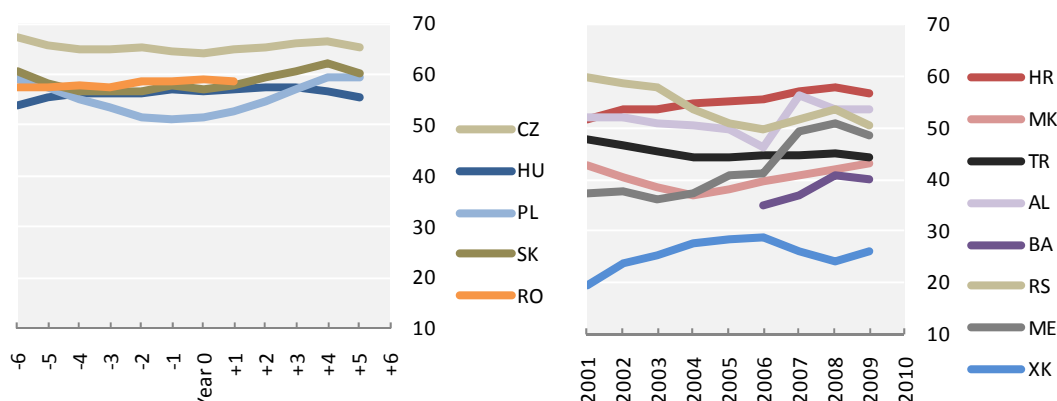
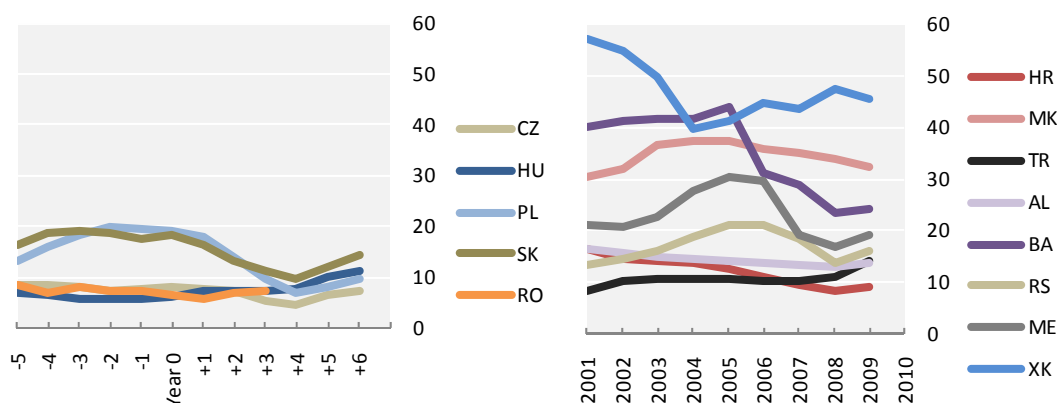


Figure A.41 Unemployment rates (percentage of economically active population)

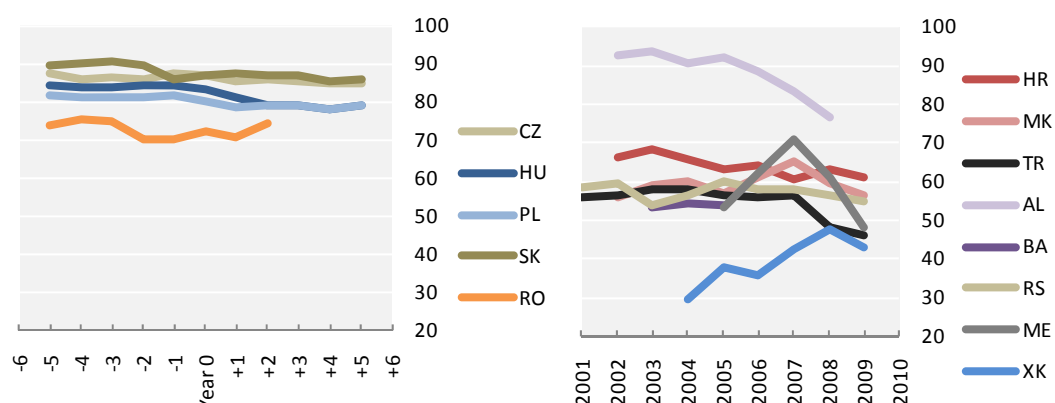


Source: Eurostat; country progress reports. The labels on the first chart indicate years before and after accession

Data on external trade does not show close economic integration with the EU bloc yet, and the relative significance of the EU as trading partner seems to have declined in the candidate countries and potential candidates (see Figure A.42). Countries of the later EU-27 accounted already for above 80% of the combined exports of the new MSs (slightly less in Romania) many years before their accession. Having cheap and skilled labour and being easily accessible by road and rail, they received large volumes of foreign direct investments (FDI) from the EU-15 in the 1990's, and became firmly integrated into the production processes of large multinationals e.g. in the automotive sector. The observable slight decline may be largely explained by the surge of powerful industrial production sites operated by multinationals that export partly to third country markets.

For the beneficiaries, the picture seems to be different: the EU is the target for only about 40-60% of their exports. The manufacturing boom experienced in Central and Eastern Europe has not unfolded in South East of Europe. This is most likely due to less easy access, political instability, a less skilled workforce, less favourable investment conditions including the rule of law, corruption, regulations and taxation (all factors where IPA and future EU membership can help considerably). And the EU's share has declined in most of the countries (this may however, be an effect of post-war regional economic integration which is a welcome development).

Figure A.42 EU share of total export (percentage)



Source: Eurostat; country progress reports. The labels on the left hand Figure indicate years before and after accession

Strength of governance

The current enlargement countries also exhibit clear gaps in the area of good governance – which is otherwise much needed in these countries to create the basic conditions for equitable social and economic development. Looking at the set of good governance (survey-based) indicators collated by Freedom House reveals a significant and persistent difference between the latest EU members and the IPA beneficiary countries. These indicators measure overall performance in democratic institutions (electoral process and democratic governance at national level), the independence of the judiciary, corruption and the development of the civil society.

The evidence suggests that the enlargement countries have still a very long way to go to catch up in good governance (see Figures A.43-48). Even the best-performing beneficiary country barely matches the levels that were reached by Romania, which is today still behind those Central and Eastern European countries that acceded in 2004. The only positive message is that more or less all of the beneficiaries seem to have improved, some at quite impressive speed, whereas new Member States started to return to lower levels on some indicators after their accession. It can be assumed that the progress was enabled by the enlargement perspective the candidates and potential candidates have and is supported by IPA (indeed, achieving the political criteria is perhaps the most important objective in terms on funding and focus in IPA).

Figure A.43 Electoral process performance

(1 indicating highest and 7 lowest level of democratic progress)

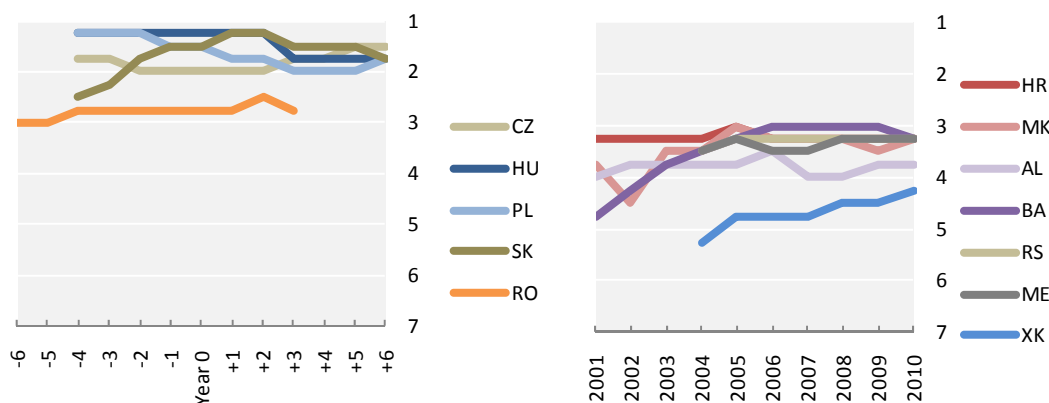


Figure A.44 National democratic governance

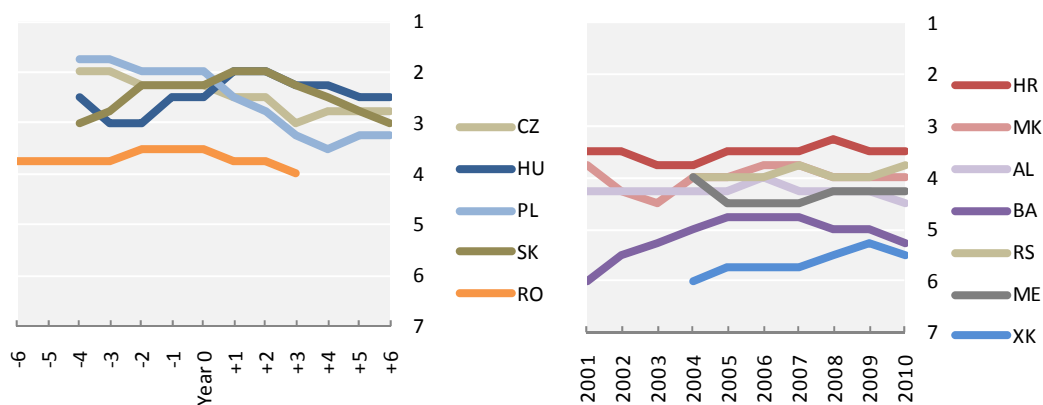
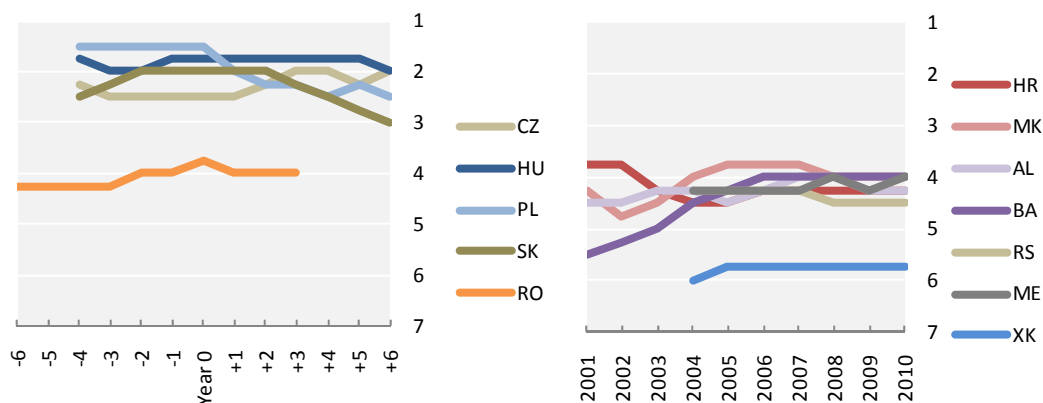


Figure A.45 Judicial framework and independence



Source: Freedom House (Nations in Transition 2010). The labels on the first chart indicate years before and after accession

Figure A.46 Corruption

(1 indicating highest and 7 lowest level of democratic progress)

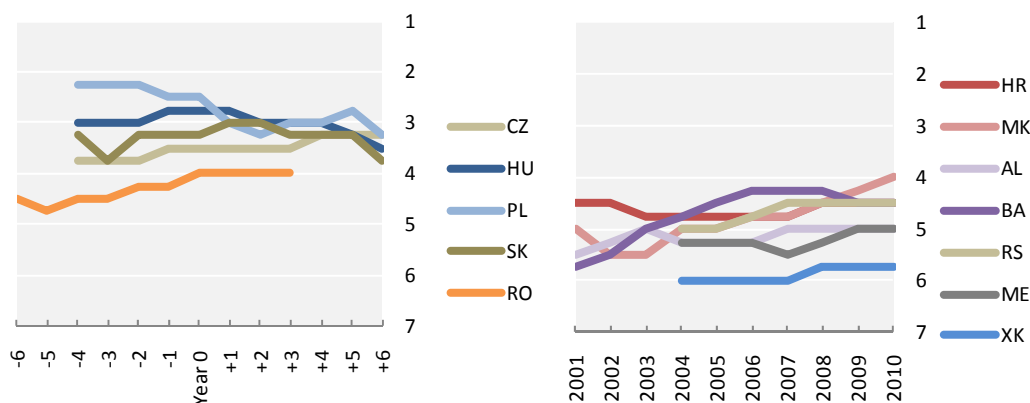


Figure A.47 Civil society performance

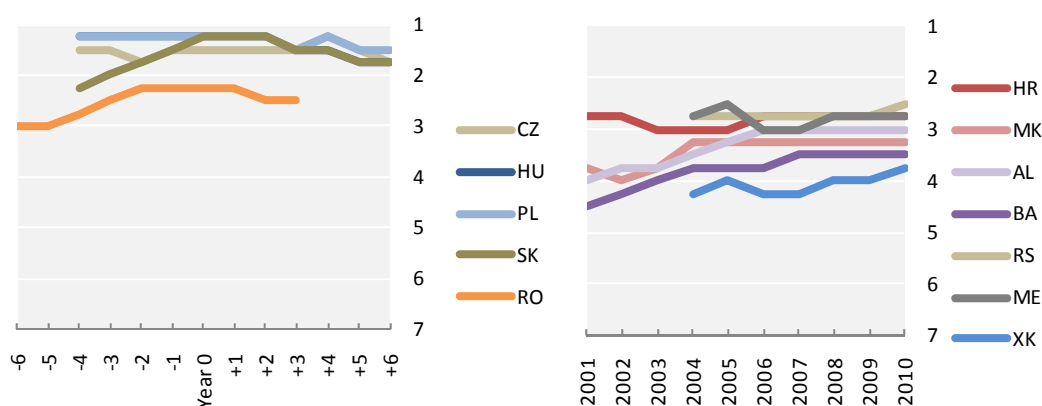
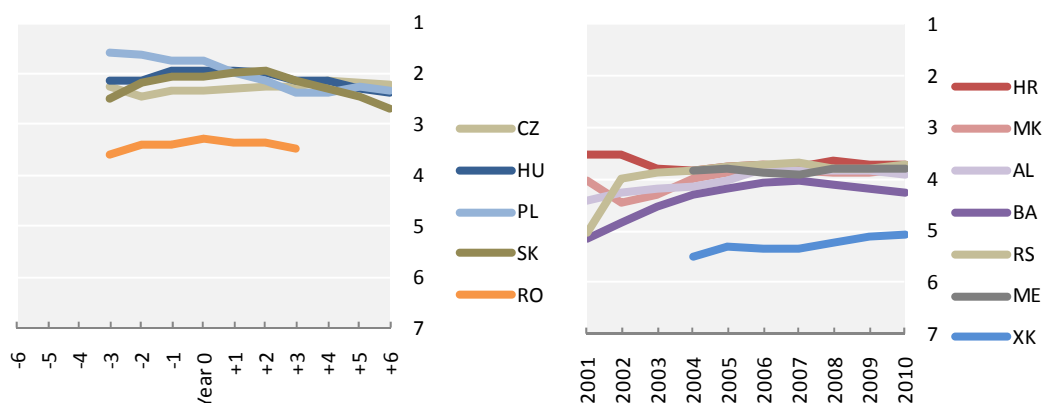


Figure A.48 Overall democratic score (composite index)



Source: Freedom House (Nations in Transition 2010). The labels on the first chart indicate years before and after accession

Macroeconomic conditions

A key question in judging the added value of any pre-accession aid is whether the beneficiaries are well equipped to finance their accession process themselves. A look at the public finances of the Western Balkan countries shows that most of the enlargement countries have few (or very few) free resources available to finance their socio-economic development needs and overall progress towards the accession criteria on their own. They are not only lagging behind but also have few opportunities to reduce poverty without EU resources. Stopping pre-accession aid would bode ill for their future (with all the resulting negative knock-on effects to the EU: losing out on business opportunities, instability, immigration etc.).

All enlargement countries have had current account deficits in the last decade, but the imbalances reached extreme levels in some of them. In 2009, three of the countries concerned, Montenegro, Kosovo and Albania, had deficits of above 15% of GDP (Figure A.49). Montenegro had a dramatic deficit of 30% of its GDP, with 40% and 51% in the years before. On the other hand, the current account deficit of Turkey is only 2%.

Correspondingly, most of the Western Balkans countries are heavily dependent on external sources. Net current (unrequited) transfers accounted to more than 10% of the GDP in the balance of payment of five beneficiaries, Kosovo, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, Serbia and Albania (Figure A.50).

Figure A.49 Current account balance
(percentage of GDP), 2009

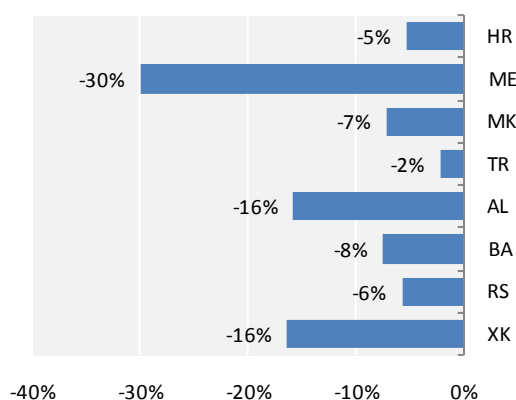
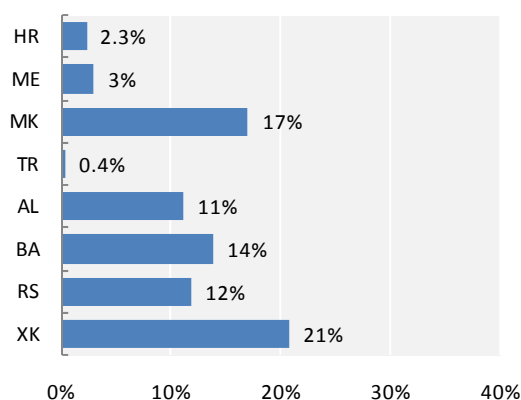


Figure A.50 Net current transfers (as percentage of GDP), 2009

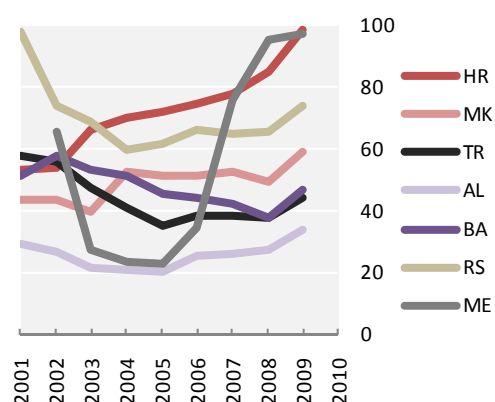


Source: Country progress reports

The total external debt of most of the enlargement countries (including private sector debt) is at high levels. Their economies' indebtedness has increased over time, this may be to a certain extent part of a positive process, i.e. private and public loans for revenue generating investments, but it can also make their currencies and economies more and more vulnerable. The external debt to GDP ratio of Croatia and Montenegro, two candidate countries, was already close to 100% in 2009 (Figure A.51).

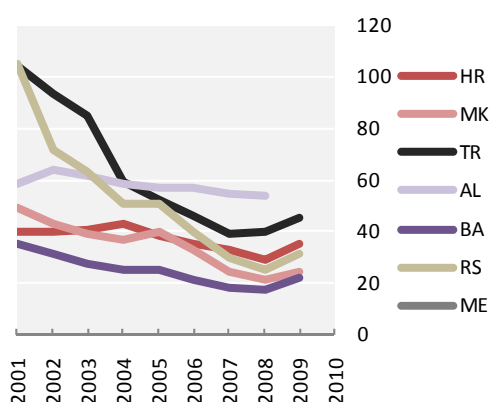
On the plus side, the extremely high government debt-to-GDP ratios in both the Western Balkans (in the post-war period) and in Turkey (in the post-financial crisis period) seem to have levelled off (Figure A.52).

Figure A.51 Total external debt (as percentage of GDP), 2009



Source: Country progress reports

Figure A.52 General government debt (as percentage of GDP), 2009



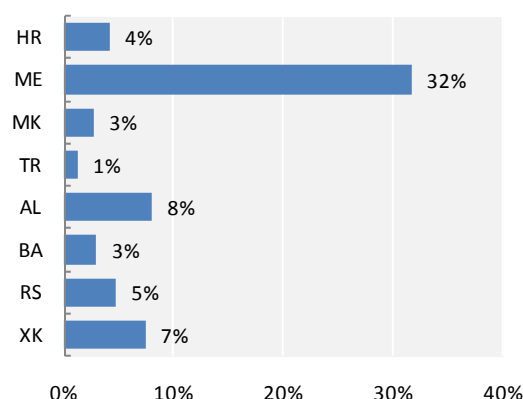
The countries of the Western Balkans have begun to attract FDI. In 2009, the inflows reached significant levels in GDP terms in Albania, Kosovo, Serbia and Croatia. In Montenegro, the level of FDI was a staggering 32% of GDP (Figure A.53).

The conclusion is that the current enlargement countries (with the exception of Iceland) lag in most aspects of socio-economic development and good governance (political accession criteria) far behind the current MSs, including the new MSs at the time of the fifth wave of enlargement. Few of the candidate countries, notably Croatia, and to a certain extent Turkey, are comparable with current MS of the EU. Considering the key indicators of democratic institutions and socio-economic development, they are more similar to the two less developed Member States that joined the EU in 2007 than to those acceding in 2004.

Whilst there are some encouraging signs as well in the public finances of the candidate countries and potential candidates of South Eastern European, notably in their ability to reduce public debt and to attract foreign direct investment, they generally lack the capacity (some more and some less so) to finance the public investments and reforms necessary to stabilise their societies and economies and put them onto a sustainable development path.

There is therefore a strong need for a programme to help them, otherwise they will not be able to continue their alignment with European values and standards and to navigate successfully through the enlargement process.

Figure A.53 Total foreign direct investment (percentage of GDP), 2009



Source: Country progress reports

Significance of external resources

The importance of IPA (and other EU sources) to the economies of the beneficiaries varies markedly. This has implications for the extent that IPA may lever policy change and influence and directly affect socio-economic development.

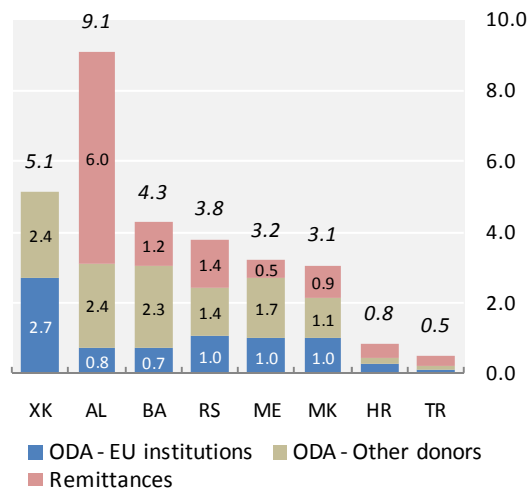
The importance of Official Development Aid (ODA) varies even more markedly. It represents 2.4% of GDP in Albania and Kosovo and just a fraction of 1% in Turkey. The significance of EU financial support compared with other ODA also varies. This has implications for the catalytic and coordination role of the EU.

Remittances from nationals working abroad, many of whom are likely to be working in the EU, also make an important contribution to the beneficiaries' economies. In some cases these contributions are much more significant

than the IPA resources. In Albania they are particularly significant. The relative scale of the remittances points to the importance of migration and issues such as visa liberalisation.

These variations indicate the heterogeneity of the beneficiaries and the challenge of IPA to be effective in different contexts. Key data are provided in Figure A.54.

Figure A.54 Key external resources, average 2007-2009, as percentage of GDP



Source: OECD

Annex 8 Detailed budget assumptions of the policy options

This annex contains detailed financial tables for Policy Options 2 to 4 (Policy Option 1 is the ‘Zero Option’ which is not associated with budgetary resources). The “status quo” against which changes are measured in the second column (in percentage) is understood as continuing in 2014 with the allocations of the current IPA for 2013 as of the latest MIFF (at 2013 prices).

Croatia and Iceland will not be supported from the future IPA, but their share of funding will be distributed amongst other beneficiaries. Regard has also been taken of the status of Montenegro and Serbia (the latter is assumed) as official candidate countries. The starting allocation for 2014 may be increased from year to year in proportion to increases in the overall EU budget.

Table A.14 Policy Option 2 Status Quo Continuation, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. "Status quo"	Total allocations
<i>Component I</i>		
Good governance and the rule of law / Political criteria	-	275
Economic development and social cohesion / Economic criteria	-	178
Approximation of sectoral policies / European standards / Ability to assume the obligations of membership	-	273
Programming support and participation in community programmes and agencies	-	27
Information and communication	-	11
Component I total	-	764
<i>Component II</i>	-	
CBC with Member States	-	18
CBC with neighbouring CCs/PCCs*	-	14
IPA Adriatic CBC**	-	12
Other ENPI and ERDF programmes incl. ERDF ETC "South-East Europe" and "Mediterranean"	-	13
Component II total	-	56
<i>Component III</i>		
Environment programme	-	202
Transport programme	-	184
Regional competitiveness programme	-	151
Component III total	-	537
<i>Component IV</i>		
Employment / Attracting and retaining more people in employment	-	58
Education and training / adaptability of enterprises and workers	-	39
Social inclusion / human capital investment	-	30
TA / Strengthening administrative capacity	-	5
Component IV total	-	132
<i>Component V</i>		
Priority 1: Improving market efficiency and implementation of the Community standards	-	173
Priority 2: Preparatory actions for agri-environmental measures and LEADER	-	14
Priority 3: Development of rural economy	-	90
Component V total	-	277
GRAND TOTAL (excl. support)	-	1,766
Support expenditure	-	65
Performance reserve	-	203

Components and intervention areas	Change vs. "Status quo"	Total allocations
GRAND TOTAL	-	2,035

Table A.15 Policy Option 3 Focus on support to meet Copenhagen criteria, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. "Status quo"	Total allocations
<i>Component I</i>		
Good governance and the rule of law / Political criteria	0%	275
Economic development and social cohesion / Economic criteria	-30%	125
Approximation of sectoral policies / European standards / Ability to assume the obligations of membership	-30%	191
Programming support and participation in community programmes and agencies	-30%	19
Information and communication	0%	11
Component I total	-19%	621
<i>Component II</i>		
CBC with Member States	0%	18
CBC with neighbouring CCs/PCCs*	0%	14
IPA Adriatic CBC**	0%	12
Other ENPI and ERDF programmes incl. ERDF ETC "South-East Europe" and "Mediterranean"	0%	13
Component II total	0%	56
<i>Component III</i>		
Environment programme	-30%	142
Transport programme	-30%	129
Regional competitiveness programme	-40%	90
Component III total	-33%	361
<i>Component IV</i>		
Employment / Attracting and retaining more people in employment	-30%	41
Education and training / adaptability of enterprises and workers	-30%	27
Social inclusion / human capital investment	-30%	21
TA / Strengthening administrative capacity	-30%	3
Component IV total	-30%	92
<i>Component V</i>		
Priority 1: Improving market efficiency and implementation of the Community standards	-30%	121
Priority 2: Preparatory actions for agri-environmental measures and LEADER	0%	14
Priority 3: Development of rural economy	-30%	63

	Component V total	-28%	198
GRAND TOTAL (excl. support)		-25%	1,328
Support expenditure		-30%	46
Performance reserve		-25%	153
GRAND TOTAL		-25%	1,526

Table A.16 Policy Option 4 Increased Resources, indicative annual financial allocation (million euro)

Components and intervention areas	Change vs. "Status quo"	Total allocations
<i>Component I</i>		
Good governance and the rule of law / Political criteria	0%	275
Economic development and social cohesion / Economic criteria	100%	356
Approximation of sectoral policies / European standards / Ability to assume the obligations of membership	50%	410
Programming support and participation in community programmes and agencies	30%	36
Information and communication	0%	11
Component I total	42%	1,087
<i>Component II</i>		
CBC with Member States	50%	27
CBC with neighbouring CCs/PCCs*	50%	21
IPA Adriatic CBC**	50%	17
Other ENPI and ERDF programmes incl. ERDF ETC "South-East Europe" and "Mediterranean"	50%	20
Component II total	50%	84
<i>Component III</i>		
Environment programme	70%	344
Transport programme	30%	239
Regional competitiveness programme	60%	241
Component III total	53%	824
<i>Component IV</i>		
Employment / Attracting and retaining more people in employment	70%	99
Education and training / adaptability of enterprises and workers	60%	63
Social inclusion / human capital investment	70%	51
TA / Strengthening administrative capacity	10%	5
Component IV total	65%	218
<i>Component V</i>		
Priority 1: Improving market efficiency and implementation of the Community standards	70%	294
Priority 2: Preparatory actions for agri-environmental measures and LEADER	0%	14
Priority 3: Development of rural economy	70%	153

	Component V total	66%	461
GRAND TOTAL (excl. support)		50%	2,674
Support expenditure		20%	78
Performance reserve		50%	306
GRAND TOTAL		50%	3,058

Annex 9 Draft intervention logic

Table A. 17 Outline of the intervention logic

Specific objectives	Intermediate objectives	Activities financed	Outputs and outcomes	Impacts
1. To further the alignment of beneficiaries with political criteria	To strengthen democratic institutions and promoting the rule of law	Implementation of sector strategies (combinations of institutional reforms and projects receiving finance)	Improved perceptions of democratic institutions, the justice system Lower court backlogs	Earlier meeting of Copenhagen criteria Reduced numbers of asylum seekers
	Promoting and protecting human rights, fundamental freedoms and non-discrimination	Funding for individual projects Budget support (possibly linked to sector strategies)	Improved perceptions with respect to human rights and non discrimination	Improved ratings on national comparisons (e.g HRI, TI)
	Supporting the fight against corruption and organised crime	Twinning with Member State governments TA: expert advice, Institutional capacity building, study visits etc. (Conditionalities)	Identification of transnational crimes Prosecutions, successful prosecutions Increased participation in European networks Transnational cooperation in criminal matters	Reduced human trafficking Improved scores on indicators of corruption (TI)
	Supporting regional reconciliation and confidence-building	Regional/multi-beneficiary programmes. Cross Border Cooperation projects.	Dialogue and cooperation at regional level Easier border crossing More opportunities for cross-border initiatives	Increased security and stability More political, economic and cultural interactions
	Contributing to public administration reform and good governance	Twinning with Member State governments, TA: Expert advice, study visits	Increased capacity, Improved efficiency Reduced staff turnover Improved response times	Earlier meeting of Copenhagen criteria Better legal environment Improving indicators of good governance (e.g. World Bank, competitiveness indices)
	Supporting the development of civil society	Financial support Institutional capacity building Study visits	Increased capacity at civil sector organisations Improved active citizenship	Earlier meeting of Copenhagen criteria Better policies and implementation Improved indicators (e.g. TI)

2. To further the alignment of beneficiaries with economic criteria	Supporting economic reforms necessary to cope with competitive pressure and market forces within the Union	Development and implementation of sector strategies (combinations of institutional reforms and projects receiving finance) Budget support (possibly linked to sector strategies) Twinning with Member States TA	Sound and effective strategies Improved legislative framework Sustained competitiveness of enterprises Emergence of new enterprises Increased potential for domestic revenue generation	Sustained economic growth Reduction in informal economy Improved budgetary positions Increased FDI increased trade
	Supporting the achievement of EU standards in the economy and economic governance	Experts advice Twinning with Member States	Regulation aligned with the acquis and EU standards Enforcement of legislation More efficient legislative framework	Macroeconomic stability Regulatory environment supporting competitiveness
	Contributing to the upgrading of human and physical capital	Physical infrastructure investment (transport, energy, environment, investments), Human capital (training, advice, capacity building), (Conditionalities)	Integration of TEN Improved transport infrastructure Better energy efficiency and security of supply More efficient communications networks Growth of enterprises, new start-ups Better skills and qualifications More adaptable workforce Better matching of needs and training More effective labour market services	Easier and cheaper market access More competitive business location Increasing GVA generated by business Increasing labour pool Moving up the production chain Rising wages Reduced level of unemployment (incl. long-term) Reduction of irregular migration
3. To increase beneficiaries' ability to assume the obligations of membership	Supporting the adoption and implementation of the acquis	Sector strategy implementation Twinning TA: experts, study visits	Legislation aligned with acquis, Enforcement of legislation	Preparedness to EU accession Avoiding infringement procedures upon accession
	Supporting preparations for the implementation and management of the	Financial support for investments Training for public officials	Establishment of management structures Conferral of management	Successful implementation of funds upon accession

	Community's cohesion and rural development funds	Administrative infrastructures Systems development Technical Assistance with preparation of strategies and projects	Sufficient capacity to increase public investment Spending the financial allocations	
	Supporting participation in EU cooperation programmes	Co-financing national contribution Training (finance etc.) Administrative capacities Infrastructure, systems	Related EU programme outputs	
4. To promote good neighbourly relations with the EU and economic integration	-	<i>Inputs as above under first specific objective</i>	<i>Outputs as under first specific objective</i>	Stability and security More political, economic and cultural interactions Integration of TENs
5. To contribute to equitable social and economic development, primarily the reduction of poverty	-	<i>Inputs as above under third specific objective</i>	<i>Outputs as under third specific objective</i>	Increased convergence Reduction of irregular migration