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IMPACT ASSESSMENT

Accompanying the document

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing an Instrument for Pre-accession Assistance (IPA II)**

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TABLE OF CONTENTS

1.	Procedural issues and consultation of interested parties	4
1.1.	Organisation and timing	4
1.2.	Consultation and expertise (public and internal)	4
1.3.	Impact Assessment Board	6
2.	Problem definition.....	6
2.1.	The problem requiring action and the scope of the instrument.....	7
2.1.1.	Description of the problem.....	7
2.1.2.	Description of the current instrument	8
2.1.3.	Evolution of the context that justifies a new instrument.....	10
2.2.	Lessons learned and outcome of reviews.....	10
2.3.	The underlying drivers of the problem.....	14
2.3.1.	Development gap/challenges in the beneficiary countries and limited capacity to overcome these from own resources	14
2.3.2.	Weak public institutions and administrative capacity in the beneficiary countries ...	14
2.3.3.	Heterogeneity of beneficiary countries	14
2.3.4.	Aspects of the current IPA set-up affecting its flexibility to respond to needs, absorption of funds and results/impact of the assistance	15
2.4.	Legal base for EU action.....	17
2.5.	EU Added Value	18
3.	Objectives.....	18
3.1.	Policy framework and objectives	18
3.2.	Consistency with external action priorities	21
3.3.	Consistency with other EU policies	22
3.4.	Geographical/thematic coverage	23
4.	Policy options.....	24
5.	Analysis of impacts	27
5.1.	Likely economic, social and environmental impacts of each of the options	28
5.1.1.	Economic impacts	28
5.1.2.	Social impacts, including impacts on human rights.....	29
5.1.3.	Environmental impacts.....	30

5.2.	Impact in terms of management / implementation modalities	31
6.	Comparing the options	32
6.1.	Weighing of positive and negative impacts per option.....	32
6.2.	Preferred option.....	34
7.	Monitoring and evaluation	34
7.1.	Core indicators of progress towards objectives	34
7.2.	Outline for monitoring and evaluation arrangements	35

1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Organisation and timing

The drafting of the Impact Assessments for the EU external action instruments¹ for the period 2014-2020, including this document, was coordinated by a Task Force composed by the Commission services in charge of EU external action as well as the Legal Service. The drafting teams, appointed on 7 June 2011, took duly into account the results of consultations, reviews and studies mentioned at points 1.2 and 2.2 below and liaised with other Commission services to ensure consistency with other EU policies. The Task Force met with the drafting team in charge of this Impact Assessment on 7 June, 4 July, 15 July and 2 August 2011 for organisational and quality-check purposes.

An Impact Assessment Steering Group, composed by the members of the Task Force and representatives of interested Directorates General and the Secretariat General, was launched on 22 June 2011. It met twice, on 13 and 26 of July 2011.

The Impact Assessment Board (IAB) chaired by the Secretariat General of the Commission reviewed this Impact Assessment on 14 September 2011.

In line with article 27 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002) and article 21 of the Implementing rules of the Financial Regulation (Commission Regulation (EC, Euratom) No 2342/2002), the Commission conducted an ex-ante evaluation of the Instrument for Pre-Accession Assistance (IPA) which underpins this Impact Assessment, as further referred to at points 1.2 and 2.2 below.

1.2. Consultation and expertise (public and internal)

(a) Stakeholders consultation on future pre-accession assistance

Preparations for the future pre-accession financial instrument post-2013 were based on extensive consultation with stakeholders which started at the Conference on "*IPA: sustainable results and impact*" that the Commission organised in Brussels on 6 and 7 December 2010. This was followed by a series of consultations with stakeholders throughout the first part of 2011, in the context of an *ex-ante* evaluation supporting the preparation of the future pre-accession assistance instrument² (see **Annex 1**). Those included:

- An **online survey**, obtaining 338 responses from: Member State representatives; public administrations and non-public stakeholders of candidate countries³ and

¹ The external action instruments are the following: Internal Agreement for the 11th European Development Fund; Development Cooperation Instrument; Instrument for Pre-Accession assistance; European Neighbourhood Instrument; Instrument for Stability; Instrument for Nuclear Safety Cooperation; European Instrument for Democracy and Human Rights; Partnership Instrument and the instruments for the EU-Greenland Partnership. The Macro-Financial Assistance instrument, the Common Foreign and Security Policy, the Humanitarian aid instrument and the Civil Protection mechanism are not part of this joint exercise.

² 'Evaluation to support the preparation of pre-accession financial instruments beyond 2013' – Final Report, 13 June 2011 (henceforth 'Ex-ante evaluation')

³ Croatia, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Turkey

potential candidates⁴ benefiting from IPA assistance (hereafter also referred to as 'beneficiary countries' or 'enlargement countries'); Commission staff; donors and international financing institutions; other international organisations; non-governmental organisations (NGOs), researchers, experts and interest groups.

- A series of **focus groups**, in particular: one high-level working group; four mixed groups comprising Commission officials as well as external stakeholders; three special focus groups on IPA assistance for cross-border cooperation, regional, human resources and rural development; two meetings with Member State representatives in the technical committee that assists the Commission in implementing the pre-accession assistance; and, a meeting with authorities of Western Balkans focussing on options for future cross-border cooperation at 'intra' Western Balkans borders.
- **Consultations** with: individual Commission officials in headquarters and EU Delegations in beneficiary countries; structures providing technical assistance or policy support to the beneficiary countries; offices of the National IPA Coordinators of the beneficiary countries; multilateral and bilateral donors; international and regional organisations (United Nations agencies, Regional Cooperation Council, OSCE, etc); and, NGOs (European Stability Initiative, International Crisis Group, Open society foundation etc) at EU level.
- A **working level meeting** organised by the Commission in cooperation with the Hungarian Presidency in Zagreb on 10-11 May, where the preliminary results of the consultation were presented and discussed.

(b) Internal consultation on future pre-accession assistance

Within the Commission, preparations for the instrument for pre-accession assistance post-2013 involved extensive working level discussion within and between the four services involved in managing the assistance, i.e. the Directorates General (DGs) for Enlargement (ELARG), Regional Policy (REGIO), Employment, Social Affairs and Inclusion (EMPL) and Agriculture and Rural Development (AGRI) as well as with the EU Delegations in the Western Balkans, Iceland and Turkey.

(c) Public consultation on all external action instruments

The future of pre-accession assistance was also covered by a broader public consultation on future funding for EU external action that the Commission held between 26 November 2010 and 31 January 2011. The consultation was based on an online questionnaire accompanied by a background paper '*What funding for EU external action after 2013?*' prepared by Commission and EEAS services involved. The 220 contributions received reflect the broad and diverse structures and views of the external action community.

Among other aspects resulting from this public consultation that apply more specifically to development assistance, the following are relevant also for pre-accession assistance:

- A majority of respondents confirmed that EU intervention provides a **substantial added value** in the main policy areas supported through external action financial

⁴ Albania, Bosnia and Herzegovina, Serbia as well as Kosovo under UNSCR 1244/99

instruments⁵. The EU added value is put forward by many respondents as the main driver for the future: the EU should exploit its comparative advantage linked to its global field presence, its wide-ranging expertise, its supranational nature, its role as facilitator of coordination, and to economies of scale.

- Nearly all respondents supported a **more differentiated approach**, tailored to the situation of the beneficiary countries, based on sound criteria and efficient data collection, to be used as a way to increase the impact of EU financial instruments.
- Regarding simplification of instruments, as concerns the balance between geographic and thematic instruments, opinions were mixed regarding a review of EU thematic programmes and a possible reduction in number. **Increased flexibility of the geographic limits of EU instruments** was supported by a significant majority of respondents as a way to respond to interregional challenges.

1.3. Impact Assessment Board

A draft of this Impact Assessment Report was submitted to the Impact Assessment Board on 5 August 2011. The Board issued its opinion on 16 September 2011, recommending that the definition and analysis of objectives, options and impacts could be improved, providing details on aspects that should be better developed. The recommendations of the Board are largely reflected in this final version of the Report.

2. PROBLEM DEFINITION

The rationale behind the Enlargement policy

Article 49 of the Treaty on European Union stipulates that any European State which respects the EU values referred to in Article 2 of the Treaty and is committed to promoting them may apply to become a member of the Union. The EU is obliged to treat all applications in an objective way and to assess the applicant countries against a set of political and economic criteria, the so-called ‘Copenhagen criteria’⁶, as well as against the capacity of the EU to integrate further members.

The rationale for continuing with the enlargement of the EU was described most recently in the Council conclusions 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

⁵ i.e. peace and security, poverty reduction, humanitarian aid, investing in stability and growth in enlargement and neighbourhood countries, tackling global challenges, promoting EU and international standards and values, and supporting growth and competitiveness abroad

⁶ The key requirements for accession are set out in the conclusions of the European Council in Copenhagen in 1993. 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. 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”. Prospective members have to meet these criteria before membership negotiations can begin.

growth”. 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.

For the past 50 years the EU has simultaneously pursued integration and enlargement, increasing from 6 to the present 27 Member States and from a population of less than 200 million to more than 500 million people. A review, five years after the fifth enlargement of the EU in 2004,⁷ 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.

An analysis⁸ of the potential benefits of enlarging to the current candidate countries and potential candidates points to potential economic benefits deriving from the expansion of the internal market comparable to those that accrued to both the EU and the acceding countries at the time of the 5th enlargement in 2004/2007⁹. Other potential benefits identified include accelerating the upgrading of transnational infrastructure networks and cross-border cooperation, reduced risks of political instability, improved security and leverage on fighting organised crime, reduced migration pressures, cultural enrichment and reduced negative environmental externalities, e.g. greenhouse gas emissions.

2.1. The problem requiring action and the scope of the instrument

2.1.1. Description of the problem

In its own interest, the EU needs to grant efficient and effective support to the enlargement countries. Candidate countries need to meet the political and economic conditions set by the ‘Copenhagen criteria’. Potential candidates need to be sufficiently prepared before they can submit an application for membership which is receivable. *There is a need to further assist those countries in preparing for eventual membership and implementing the necessary reforms.*

Future Member States must be soundly prepared to assume the full responsibilities that go with membership status and to develop an economy which can withstand the competitive pressure in the internal market. To ensure a comprehensive approach of accession preparations, reinforce the sustainability of the assistance and secure that beneficiary countries can fully enjoy the benefits from accession, in addition to supporting alignment with the *acquis*, pre-accession assistance needs to address more strongly public administration reform, including public finance management and financial control, as well as law

⁷ “Five years of an enlarged EU – economic achievements and challenges” - Communication from the Commission to the Council, Parliament, European Economic and Social Committee, Committee of the Regions and the ECB, 20 February 2009

⁸ Cf. Annex 1, Ex-ante evaluation, Section 2.2 and related Annex 6

⁹ ‘Income per capita rose from 40% of the old Member States’ average in 1999 to 52% in 2008. It is estimated that the accession process boosted economic growth in the new Member States by about 1¾ percentage points per year over 2000-08, when growth increased from 3½%, on average, in 1999-2003 to 5½% in 2004-08. Growth in the old Member States also benefited from enlargement (adding up to a cumulative increase in output of around ½% over the same period), in particular in those countries that increased trade with and investment in the new Members’ – Cf. ‘Five years of an enlarged EU – Economic achievements and challenges’ – COM(2009) 79/3 of 20.2.2008, page 4

enforcement capacity. Socio-economic development and social inclusion, in particular the inclusion of vulnerable groups with a focus on Roma and people belonging to minorities, are also pressing issues that need to be addressed as a matter of priority. Furthermore, enlargement countries need to be prepared to withstand global challenges and contribute to the Europe 2020 Strategy objectives for smart, sustainable, and inclusive growth. Climate change is one of these challenges and it will be important to accompany the enlargement countries towards a low carbon economy, building upon the EU climate and energy package and its 2020 targets. Also linked to the attainment of EU objectives, capacity building in the field of research and innovation should be strengthened to underpin the objectives and facilitate the necessary reforms required to join the EU.

The assistance must be deployed swiftly: *it needs to be efficient and well targeted*, and aim at sustainable results and impacts (reforms completed, increased institutional capacity, etc.) bringing lasting improvements in the countries' readiness for membership.

2.1.2. Description of the current instrument

EU assistance to candidate countries and potential candidates to sustain their efforts and investments needed for acceding to the EU was, since 2000, provided through separate instruments with different geographic coverage and scope (PHARE¹⁰, ISPA¹¹, SAPARD¹², the Turkey Pre-accession Instrument¹³ and CARDS¹⁴). In 2006, there was a major rationalisation of pre-accession assistance as part of a revised external aid framework for the 2007-2013 financial perspectives. All existing instruments were merged into one single instrument, the Instrument for Pre-accession Assistance (IPA)¹⁵ in order to reinforce coherence and coordination.

The overall objective of the instrument is to assist beneficiary countries in their progressive alignment with the standards and policies of the EU, including where appropriate the *acquis* with a view to membership. The instrument directly addresses needs of beneficiary countries to comply with the Copenhagen criteria. IPA is also used to promote social inclusion and reduction of poverty depending on countries' needs, within the limits of the funds available.

IPA is structured in *five different components*: I - Transition Assistance and Institution Building; II - Cross-Border Co-operation (CBC); III - Regional Development; IV - Human Resources Development; V - Rural Development. While components I and II are open to candidate countries and potential candidates, components III, IV and V are open to candidate countries only with a view to prepare them for the management of EU Structural, Cohesion and Rural Development Funds becoming available upon accession. This requires beneficiary countries to have adequate administrative capacity and structures to take responsibility for the management of IPA assistance.

¹⁰ Council Regulation (EEC) No 3906/89 of 19 December 1989 on economic aid to the Republic of Hungary and the Polish People's Republic

¹¹ Instrument for Structural Policies for Pre-Accession, Council Regulation (EC) No 1267/1999 of 21 June 1999

¹² Special Accession Programme for Agriculture and Rural Development, Council Regulation (EC) No 1268/1999 of 21 June 1999

¹³ Council Regulation (EC) No 2500/2001 of 17 December 2001

¹⁴ Community Assistance for Reconstruction, Development and Stabilisation, Council Regulation (EC) No 2666/2000 of 5 December 2000

¹⁵ Council Regulation 1085/2006 of 17 July 2006

Within the Commission, ELARG manages component I and the part of component II that covers cross-border cooperation between candidate countries/potential candidates. REGIO manages cross-border cooperation with neighbouring Member States and component III. EMPL manages component IV and AGRI manages component V. ELARG leads in the coordination of the IPA instrument as a whole and prepares the overall Enlargement policy and the annual Enlargement Strategy¹⁶.

The indicative breakdown of the overall IPA envelope by country and by component is provided by the *Multiannual Indicative Financial Framework (MIFF)* adopted by the Commission. Based on MIFF allocations and on the priorities identified in the Enlargement Strategy, the Commission established, in consultation with beneficiary countries and other stakeholders, *Multi-annual Indicative Planning Documents (MIPDs)* per beneficiary and at multi-beneficiary level. MIPDs give a three-year strategic perspective, reviewed annually, and represent the Commission's view of the main priorities for assistance that are expected to be covered by IPA programmes.

The programmes covering technical assistance, capacity building, *acquis* compliance and investment actions funded under component I have been so far adopted *annually, based* on project proposed by the IPA beneficiary countries. On the other hand, reflecting the approach used in Member States for Structural, Cohesion and Rural Development Funds, assistance for regional, human resources and rural development is *programme-based* and adopted on a *multi-annual* basis. Operational Programmes for regional, human resources and rural development are based on strategic documents prepared by the beneficiary countries (Strategic Coherence Frameworks, National Rural Development Strategies) and, in the case of regional development, are defined by theme (transport, environment, regional competitiveness). In all cases, programmes undergo extensive consultation with stakeholders and are subject to the approval of the relevant Committee of Member States¹⁷.

IPA assistance can take various forms, inter alia technical assistance to national authorities; twinning with Member States¹⁸; supplies, services and works for developing infrastructures; grants for investment projects, people-to-people projects, civil society organisations, etc.; support for participation in EU programmes or Agencies; general or sector budget support¹⁹ (granted exceptionally and subject to supervision).

¹⁶ Available at: http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

¹⁷ The IPA Committee for programmes funded under components I and II; the Coordination Committee for the funds (COCOF) for programmes under component III; the COCOF and European Social Fund (ESF) Committee for programmes under Component IV; the Rural Development Committee for programmes under component V.

¹⁸ Twinning provides the framework for administrations and semi-public organisations in the beneficiary countries to work with their counterparts in Member States. Together they develop and implement a project that targets the transposition, enforcement and implementation of a specific part of the *acquis*.

¹⁹ Budget Support (general or sector-related) is an aid modality consisting in transferring 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. The typical eligibility criteria and conditions for budget support 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. Find more on this at http://ec.europa.eu/europeaid/how/delivering-aid/budget-support/index_en.htm

2.1.3. *Evolution of the context that justifies a new instrument*

Currently, the EU is dealing with 5 candidate countries and 4 potential candidates (see footnotes 3 and 4). Before 2014, at least one candidate country should become a Member State, and some potential candidates may become candidate countries. With the exception of Iceland – which has been a member of the European Economic Area for years – the GDP per capita and other socio-economic indicators show that enlargement countries are still well below EU average and even below the level of the lowest ranked Member States²⁰. The very low level of socio-economic development in some of them causes the *need for substantial investments* to bring their situation close to one that is aligned to EU standards and allows them to withstand the competitive pressures of the single market and to take on board the obligations of membership.

In addition, the countries in the Western Balkans are still relatively young states formed after the disintegration of the former Yugoslavia. *Political stability, the full establishment of the principles of democracy and the respect of human rights and good governance* – all fundamental values of the EU – *still need to be strengthened*.

These countries cannot sustain alone all the efforts and cost of meeting the criteria for joining the EU. There are encouraging signs of their ability to reduce debt and attract foreign investment, but nevertheless most of them lack the capacity to finance alone the public investments and reforms necessary to stabilize their societies and economies and put them onto a sustainable development path. Like in the previous enlargement rounds, the EU should continue to offer them technical and financial assistance to overcome their difficult situation and develop sustainably, gradually aligning on EU rules and standards.

The legal basis for IPA will expire at the end of 2013. The key challenge for the new instrument is how best to focus the limited funds in relation to the new challenges faced by the EU and the future members and the political response to these challenges taking into account also the Europe 2020 Strategy.

2.2. **Lessons learned and outcome of reviews**

In assessing the options for the new instrument for pre-accession assistance, the Commission took into account the lessons learned from the implementation of current and past assistance, as identified in various evaluations:

(a) IPA meta evaluation

A mid-term meta evaluation of IPA, completed in February 2011 and focused mainly on the IPA strategic framework (MIPDs) and programming (mainly technical assistance and institution building component), assessed the intervention logic and the performance (actual or expected) of the assistance, particularly as regards its relevance, efficiency, effectiveness, impact and sustainability (see **Annex 2**).

Regarding the intervention logic (i.e. how assistance is planned and programmed), the evaluation concluded that the MIPDs are key programming documents which provide essential direction and focus to the programming process and are clearly better than the equivalent programming documents for past pre-accession assistance programmes. The

²⁰ Cf. Annex 1, Ex-ante evaluation, Section 2.3 and related Annex 6

evaluation found also that the quality of objectives and indicators in the MIPDs and the programming documents had improved over time. Nevertheless, further improvements were recommended.

The evaluation found that IPA produced good and meaningful results. Overall, outputs/immediate results of the assistance were expected to be delivered. Effectiveness was found to be strongest in *acquis* related areas, while some horizontal areas, such as public administration reform, were found to be particularly challenging. The beneficiary countries' financial needs, particularly for infrastructure, clearly exceed available IPA (and other donors') funding. Therefore, a key challenge for the future was to use IPA funds efficiently and continue to play a leverage role for other financing sources. It was also found that projects were generally well targeted on EU accession requirements, but focusing institution building assistance on a more limited number of priority sectors could further enhance effectiveness and impact.

The evaluation found that the mechanisms for donor coordination and harmonisation of assistance were well established. Donors present in enlargement countries acknowledged the leading role played by the Commission, and to varying degrees they used the MIPDs to orientate their own programming. A determining factor in terms of achieving impact and sustainability was found to be the beneficiary countries' ownership of the reform agenda and the capacity of their administration, which need to be strengthened.

The evaluation concluded that adopting a multi-annual/Sector Based Approach (SBA)²¹ for planning and programming should facilitate prioritisation and sequencing of assistance, donor coordination and enhance beneficiary countries' ownership.

(b) Interim evaluation of cross-border cooperation (CBC) programmes at intra-Western Balkans borders

Concerning component II, a two-phase interim evaluation²² of the first eight IPA CBC programmes at intra-Western Balkans borders was completed in May 2011 (see **Annex 3**). The evaluation looked at efficiency in the use of financial assistance and focused on the (actual or likely) impacts of CBC programmes, with the aim of identifying lessons and provide recommendations for the revision of the 2007-2013 CBC programmes, due in 2011 and covering the remaining two years of the current programming period (2012-2013), as well as for the new IPA CBC post 2013.

The evaluation concluded that stakeholders perceive improved neighbourly relations as a consequence of the programme and view it as fundamental for future cooperation. The large number of applications received for the first calls for proposals showed that there was great interest and that conditions were mature for increased cooperation. The evaluation confirmed also that stakeholders at all levels considered the CBC programme as a precursor for Structural Funds, thereby facilitating preparation for EU accession. As IPA CBC rules closely reflect those of the Structural Funds CBC, cross-border cooperation provided a valuable

²¹ A sector approach to planning and programming of the assistance is based on country sector strategies, combines resources from different donors and aims to achieve broader policy objectives

²² Interim Evaluation of Cross-Border Programmes between Candidate/Potential Candidate Countries (Intra-Western Balkans Borders) under the Cross-Border Cooperation Component of IPA – Report I: Governance Structure, July 2010; Report II: Performance of Assistance, June 2011

learning opportunity and prepared the countries for the absorption of the more substantial funds that would become available upon accession.

(c) Ex-ante and interim evaluations of Operational Programmes under components III, IV and V and assessments

The objective of the *ex-ante* evaluations²³ was to support and streamline the programming process. Recommendations to strengthen the analysis underpinning the programmes orientation as well as to improve further the output, results and impact indicators were common to all programmes.

In addition, the importance of reviewing the result indicators to take into account their relevance to the objectives of the programmes as well as the availability of data was raised for regional development programmes. For some of them, the evaluation drew attention also on the need to better specify and measure environmental impact at programme level and to provide environmental indicators. Regarding partnership and consultation, it was highlighted the importance of indicating how feedback informed the content of the operational programmes.

For human resources development programmes, there should be a better link between the analysis and the definition of priority axes and measures. The evaluations recommended also putting more emphasis on a partnership approach, and on the quantification of objectives.

For rural development programmes, the hierarchy of programme objectives and the baseline should be developed further. The evaluations highlighted also the need for stronger focus on increasing the competitiveness of the agricultural sector, the importance of external factors such as training and the availability of rural credit to secure co-financing and increase absorption of funds as well as the availability of well-trained advisory services for the potential beneficiary countries.

Interim evaluations of multi-annual regional and human resources development programmes started only in the second half of 2011, as actual implementation commenced in 2009 and 2010, after conferral of management, and results are due in 2012. In the meantime the Commission assessed and identified elements of the current IPA instrument that contribute to the objective of an efficient preparation for management of EU funds after accession as regards:

- Strategic planning: multi-annual operational programmes follow the adoption of national strategic frameworks/rural development strategies that mirror the strategic documents required from Member States under the Cohesion and Rural Development policies.
- Sector analyses: agricultural and rural development sector programmes need to be underpinned by thorough independent sector analyses pointing out weak links in the production and processing chains, which the programmes can then address.
- Ownership: the operational programmes are implemented under the responsibility of national bodies.

²³ Available upon request.

- Partnership: Commission, regional local public authorities and economic and social partners are involved at both programming and implementation levels.
 - Management and controls structures in the beneficiary countries are almost identical to those in place after accession for Structural, Cohesion and Rural Development Funds.
 - Result orientation: the geographic and thematic concentration and the practical experience gained by the country ("learning by doing" approach) also bring important results and value added of the instrument.
- (d) Ex-ante evaluation to support the preparation of pre-accession financial instruments post-2013

The evaluation and related consultations revealed that there is strong rationale for continuing financial assistance at EU-level in support for the enlargement process. The need to ensure **continuity** with the current instrument emerged clearly: since it takes years to set up the structures and systems necessary to manage EU assistance, it would be counterproductive to drastically change the system in progress. A smooth transition between the current and future instruments was considered crucial. However, in light of the heterogeneity of beneficiary countries (in socio-economic terms, with regard to the development of their institutions and public administration and their accession perspective) and to address issues such as delays in implementation, high administrative costs, limited beneficiary ownership and ensuring results and impact, the consultation recommended to²⁴:

- **Tailor assistance according to the needs** and characteristics of each country;
- **Strengthen the sector approach**, with a more coherent longer-term planning process resulting in a strategic instrument for donor coordination and for steering private sector investment;
- **Introduce multi-annual planning** covering the duration of the next multi-annual financial framework, with a mid-term review, and do **multi-annual programming** also for Component I; **better beneficiary involvement in programming**, led by stronger NIPACs;
- **Reward good performance** through a reserve to be allocated at mid-term based on absorption and on achieving strategic targets; **use conditionalities in a more strict and systematic way** at country, sector strategy and project level;
- **Allow access to the various types of assistance** irrespective of candidate/potential candidate status, but dependent on readiness to implement, combined with a phased approach to decentralising management of the assistance;
- **Re-examine the current component structure**, including ensure a strengthened coordination between the DGs concerned;
- **Continue cooperation with IFIs and to mobilise IFI and other donor funds**;
- **Adopt a three-tier approach to monitoring and evaluation**, assessing progress relative to i) the path to accession; ii) national strategies and iii) achieving programme, sector and measure level results.

²⁴ For details, cf. Annex 5 to Annex 1, Ex-ante Evaluation

2.3. The underlying drivers of the problem

Four distinct but interrelated issues have been identified that the new pre-accession assistance instrument needs to address in order to better assist enlargement countries in preparing for eventual membership:

2.3.1. *Development gap/challenges in the beneficiary countries and limited capacity to overcome these from own resources*

Most current enlargement countries lag behind the EU average on key aspects of socio-economic development, macro-economic stability as well as democracy and good governance that are instrumental for future accession readiness, i.e. GDP per capita, employment/unemployment levels, social exclusion indicators, external trade and revenues, macro-economic conditions, democracy and good governance²⁵. They lack competitiveness, have poor infrastructure and gaps in basic services and considerable environmental problems. Furthermore, they lack research and innovation capacity to underpin the necessary reforms and are ill-prepared to address complex challenges such as mitigation of and adaptation to climate change, in addition to pursuing low carbon development, or the achievement of digital agenda targets in key action areas such as digital single market or ICT enabled public services. Weak public institutions, the presence of organised crime and corruption and insufficient and uneven respect of the rule of law are major challenges for the development of these societies and economies.

2.3.2. *Weak public institutions and administrative capacity in the beneficiary countries*

Weak public institutions and administrative capacity as well as gaps in the level of human resources development hinder beneficiary countries' ability to develop quality EU-accession related reform policies, strategies and plans, strong pipelines of well prepared projects, to guarantee sound public financial management and to ensure sufficient ownership for the programmes supported by the EU and coherence with national policies and strategies. This creates a situation where the Commission may still be seen as deciding about strategic objectives, sectors for assistance and individual projects and affects generally the possibility for the EU to deliver its financial assistance in a more effective way, with more sustainable results and impact. Under the current IPA, a sector approach to planning and programming furthering the link with the political priorities of the Enlargement strategy is being gradually introduced in the last set of strategic planning documents (MIPDs) and in the transition assistance and institution building actions for 2012 and 2013. However, some beneficiary countries may have problems applying the sector approach as they are not in a position to elaborate underlying comprehensive strategies.

2.3.3. *Heterogeneity of beneficiary countries*

Differences among IPA beneficiary countries in terms of socio-economic development are considerably larger than among the Member States that joined the EU in 2004 at the time of their accession (e.g. Turkey alone accounts for 75% of the population and 79% of total GDP of the nine IPA beneficiary countries but is allocated a comparatively lower 46% of the current IPA resources). The 'distance to travel' in order to meet the obligations of EU membership varies between them. The significance of IPA and other EU sources (average

²⁵ Cf. Annex 1, Ex-ante evaluation, Section 2.3

2007-2009) to the economies of IPA beneficiary countries varies markedly (from 2.9% of GDP for Kosovo* to less than 1% of GDP in Turkey), with resulting implications for the extent to which IPA may lever policy change and directly influence socio-economic development. Also, the varying significance of EU financial support compared with other Overseas Development Aid (particularly in Kosovo, and to a lesser extent in Albania and Bosnia and Herzegovina) has implications for the catalytic and coordination role of the EU. In this context, a one-size-fits-all approach to delivery of the assistance cannot be fully effective, as IPA must accommodate very different beneficiary countries at very different stages of their accession process.

2.3.4. *Aspects of the current IPA set-up affecting its flexibility to respond to needs, absorption of funds and results/impact of the assistance*²⁶

Pre-accession assistance under the IPA instrument is generally acknowledged to have improved considerably from previous pre-accession assistance in its intervention logic and in the way it prepares the beneficiary countries for management of the much more substantial amounts of EU funds that become available after accession. On the other hand, evaluations have identified aspects of the current IPA set-up that, also in light of the environment in which IPA is operating, can be improved in order to make the assistance more responsive to needs, increase absorption by the beneficiary countries and lead to stronger results and impact. More specifically:

(a) *Issues affecting the ability to deliver the assistance more coherently, strategically and in a result-oriented manner*

- Under the current rules, the objectives and target settings under the different components are separate at programming and operational level. The absence of a more integrated framework defining the scope and priorities of pre-accession assistance for each beneficiary country may limit the coherence and the overall impact of the assistance.
- Currently, project selection may respond to pragmatic operational as well as strategic considerations, linked to absorption/administrative capacity, the availability of project proposals, sustainability and support at political and operational levels. Thus, *the link between the selection of projects and a set of well-defined strategic objectives reflecting national priorities linked to the political priorities of the Enlargement strategy may sometimes be weak.* In addition, this may lead to an overemphasis on infrastructure development or other large projects which can ensure prompt absorption of funds, whilst more complex accession-driven projects may not be pursued.
- *Annual programming* of transition and institution building assistance was chosen to allow for a more flexible delivery to respond to needs identified annually in the Enlargement Strategy and to select mature projects. Experience shows that this approach was beneficial in countries with limited administrative capacity and lacking a developed project pipeline, or in countries very close to accession that need to address specific challenges in the negotiation process. However annual programming

* Under UNSCR 1244/99
²⁶ Cf. Annex 1, Ex-ante evaluation, Section 2.5

does not favour a shift of focus from individual projects to policy outcomes and results.

- IPA is *not sufficiently results oriented*: there is no reward for achieving strategic results which all stakeholders support, achieving good outcomes of funded measures or for greater absorption of funds. This may reduce beneficiary countries' motivation. Similarly, conditionalities for disbursing the assistance (such as requirements to adopt/amend legislative acts/regulations, establish new institutional or staffing arrangements, complete land expropriation or grant permits, etc.) are used - but not always enforced - at project level but not so much at programme level or component level (with the exception of Conferral of Management as a condition for launching operations under decentralised management). The lack of conditionalities and/or fulfilment thereof may hinder implementation or affect the sustainability of funded actions.
- Under IPA, *budget support* is allowed *only as an exception* and was used only once. Budget support brings potential risks as well as benefits. There may be problems of accountability and transparency when funds are put into weak systems. However, budget support can bring benefits in terms of improved management of resources for results; stronger beneficiary ownership over interventions; reduced possibilities of fragmented projects; improved beneficiary public administration capacity and accountability; reduced administrative costs for the beneficiary countries and the EU Delegations.

(b) *Issues affecting the ability to deliver the assistance more flexibly and in a tailor-made manner, according to needs*

- *Access to funding* under components III, IV and V is *determined by the beneficiary countries' obtaining candidate status*, which is based on a political decision of the Council, and not necessarily driven by the actual needs and preparedness of the beneficiary countries to set up the structures required for managing EU funds. This can become counterproductive in so far as a candidate country may receive less financial support than it would do if it were still a potential candidate, simply because the accreditation of its national systems for management of IPA assistance takes time. Lessons learned also show that preparations for management of post-accession funds need to start at a very early stage, with a phasing-in that is not facilitated by the current system.
- The components structure as currently conceived, reflected into *separate budgetary envelopes per component*, makes it difficult to reallocate funds between policy areas based on performance or needs as they evolve. This may lead to the loss of limited funds, when compared to the needs for reforms. Further flexibility should be sought while preserving ownership and accountability by the beneficiary countries for each policy area.
- One of the objectives of pre-accession assistance is that beneficiary countries have set up before accession the administrative structures that will be needed for managing EU funds after accession, and have a well established track-record of sound management of pre-accession funds. This is beneficial also for managing their own national funds. However, the requirement that these administrative structures be *fully* set up and running before pre-accession assistance can even be accessed may be

disproportionate to actual needs, particularly where the accession perspective is not close, and more progressivity may be required.

(c) *Issues related to simplification and to the efficiency and effectiveness of the assistance*

- The current instrument divided in five components managed by four Commission services creates *coordination and communication challenges* as different management and implementation principles, conferral of management procedures or specific rules are applied. This is partially due to the fact that the policies and the related management structures to be set up post-accession bear specificities which have to be taken into account in order to best prepare for accession. However there is room for rationalisation and simplification of some aspects of implementation or conferral of management powers.
- Annual programming of transition and institution building assistance puts a *heavy administrative burden* on the implementing structures, including the Commission and beneficiary public administrations.
- IPA funds for cross-border cooperation are broken down on a country basis. In the context of programmes between candidate countries and potential candidates, this approach has proved a source of inefficiencies, e.g. 2 separate contracting authorities within the same cross-border programme, two financial lead partners per each joint project, etc.
- IPA funds alone are *not sufficient* to meet the substantial investment needs in beneficiary countries to align with the *acquis* (e.g. in energy, transport, environment and climate change) and improve competitiveness, which are very high.
- Many donors and IFIs are currently active in the beneficiary countries. The meta-evaluation of IPA concluded that the programming of interventions took 'adequate and relevant account of relevant assistance provided by key donors'. However, *stakeholders do not perceive the level of coordination to be fully sufficient* yet. Different donors have different views on strategies and policies, different programming cycles, strategic and operational (financial) requirements. There is competition between funding opportunities (and overlaps at times).
- The *long programming and procurement cycles* reduce the benefits and impact that the assistance could have if it were deployed more swiftly. In the case of twinning, which is a favoured tool for transferring Member States expertise to beneficiary public administration, delivering more sustainable results and with more involvement from beneficiary countries than technical assistance (TA), issues of *long procurement cycle and mobilisation of suitable experts* limit the benefits that can be obtained from its use. Therefore TA is more commonly used because beneficiary countries find it a more flexible and controllable instrument.

2.4. Legal base for EU action

The instrument proposed is based on Article 21 of the Treaty on European Union which provides that “the Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it

seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law". The legal base for financial assistance for pre-accession is Art. 212(2) of the Treaty on the Functioning of the European Union.

2.5. EU Added Value

Enlargement policy is part of the external action and contributes to meeting the common objectives in terms of global challenges, global response and global leadership.

The successive enlargement of the EU is by its very nature a **common task** which can be pursued only at EU level. Only the Member States acting together can decide on the accession requests by new candidates. The pre-accession assistance provided through the EU budget is designed to help candidate countries/potential candidates prepare for future membership: IPA is built to give countries a "test run" of obligations of membership before accession (such as put in place institutions for managing post-accession EU funds, and/or adopting the *acquis* and EU standards). No other multilateral or bilateral instrument can provide such a comprehensive toolbox, and in any case only the EU can define what kind of assistance is needed to prepare for taking over the *acquis*.

Pre-accession assistance is an investment in the future of the EU, supporting the stability and prosperity of neighbouring countries and ensuring the effective capacity of candidate countries to implement the *acquis* upon accession. Technical and financial assistance speeds up the process of preparation and creates incentives for the necessary transformation of the society, the legal systems and the economy. Such assistance helps meet the objectives of the internal policies of the EU, creates opportunities for EU businesses and provides tangible return on investment. Without the intensive involvement and closer partnership embodied in pre-accession assistance the EU would certainly have to spend more on combating illegal migration, securing the external borders of the EU, ensuring security of energy supply as well as safe and hygienic food imports for its citizens and combating climate change and pollution.

In recent years EU Member States have been reducing the level of their bilateral assistance to candidate countries and potential candidates, acknowledging that coordinated action at EU level is more effective. About half of the overall financial assistance of the EU to the enlargement countries in 2009 came from the EU budget. Multilateral donor organisations have largely phased out their support and those that remain have now aligned their programmes to the EU priorities. It should be noted that, given its specific development objectives and impact, pre-accession assistance is also accounted as official development aid of the EU (ODA).

3. OBJECTIVES

3.1. Policy framework and objectives

For the policy framework, cf. the introduction and 2.1.

General objective

The new pre-accession instrument should continue to *focus on delivering on the Enlargement Policy* that is one of the core priorities of the EU External Action, thus contributing to

promote stability, security and prosperity in Europe. To that end, given the problems and the underlying drivers identified above, the new instrument should continue to pursue the general policy objective of supporting candidate countries and potential candidates in implementing the appropriate political, institutional, legal, administrative and economic reforms required to bring those countries closer to the EU values and to progressively align to EU rules, standards, policies and practices with a view to EU membership.

Specific objectives

In terms of *results and impacts to be achieved*, the new instrument should pursue the following specific *policy* objectives according to the specific needs of each beneficiary country and to their individual enlargement agenda:

- ⇒ In order to address the development gap/challenges in the beneficiary countries and limited capacity to overcome these from own resources (**driver 1**), the weak public institutions and/or administrative capacity in the beneficiary countries (**driver 2**) and *beneficiary countries' heterogeneity* (**driver 3**), the instrument should:
- (i) **Support political reforms**, *inter alia*: the strengthening of democratic institutions, as well as of the rule of law, including its enforcement; the promotion and protection of human rights and fundamental freedoms and enhanced respect for minority rights, the promotion of gender equality and non-discrimination, freedom of the press as well as good neighbourly relations; the fight against corruption and organized crime; public administration reform and good governance; the development of civil society and social dialogue; reconciliation, peace-building and confidence-building measures;
 - (ii) **Support economic, social and territorial development and reforms, aiming at a sustainable, smart and inclusive growth**, *inter alia* through: the achievement of EU standards in the economy and economic governance; economic reforms necessary to cope with competitive pressure and market forces within the Union, pursuing economic, social and environmental goals; fostering employment and developing human capital; social and economic inclusion, in particular of minorities and vulnerable groups; the development of physical capital, including regional networks, and the improvement of connections with the EU.
 - (iii) **Increase beneficiary countries' ability to assume the obligations of membership** by supporting progressive alignment with, adoption, implementation and enforcement of the *acquis communautaire*;
 - (iv) **Support regional integration and territorial cooperation** between beneficiary countries and between them and Member States and, where appropriate, countries beneficiaries of the European Neighbourhood Instrument.

Making progress in these specific policy objectives will also contribute to the implementation of broader EU policy frameworks such as the Europe 2020 strategy, the EU Climate and Energy Package and the Innovation Union.

At operational level, progress with meeting the specific policy objectives could be measured in relation to corresponding *operational objectives*, such as²⁷:

- Improved perceptions of democracy and the justice system and with respect to human rights and non-discrimination; reduced outstanding court caseload and the number of infringements of fundamental rights; increased capacities for law enforcement and generally administrative capacity, reduced staff turnover.
- Sound and effective strategies developed, improved legislative framework; regulations aligned with EU standards, institutions created and strengthened; enhanced employment, better social inclusion, reduced poverty rates, improved skills and qualification levels, strengthened labour market services, public investments supported.
- Legislation aligned with the *acquis*, enforcement structures created and strengthened; management structures for EU structural, cohesion and rural development funds available upon accession established, accreditation and conferral of management achieved; (deepened) participation to EU programmes.
- Regional and territorial cooperation deepened.

In practice the operational objectives will **need to be customized** to the situation in each beneficiary country and would be set in the programming documents based on the identified challenges.

In addition, with regard to *how the new instrument should work* in order to achieve the results and impacts set out above, *methodological* ('*Regulation specific*') objectives should be pursued:

- ⇒ In order to address the aspects of the current IPA set-up affecting its flexibility to respond to needs, absorption of funds, coherence and result/impact of the assistance (**driver 4**), and taking into account beneficiary countries' heterogeneity (**driver 3**), the new instrument should:
- (a) Strengthen further the link between financial assistance and the Enlargement policy agenda, making the assistance **more strategic**;
 - (b) Increase further the efficiency and effectiveness of the assistance and bring **more tangible and sustainable results and impact**;
 - (c) Allow for **increased flexibility** in the way the instrument operates and allocates the assistance, whilst preserving ownership and accountability by the beneficiary countries for each policy area, so as to respond to evolving needs, reward progress and/or address concerns related to the efficient use of EU funds;
 - (d) **Leverage more funds** from other donors or the private sector by using innovative financing instruments;

²⁷

Cf: Annex 1, Ex-ante evaluation, section 8, 8.5 for the full list of possible operational objectives

- (e) Pursue **simplification and reduction of the administrative burden** linked to managing the financial assistance.

3.2. Consistency with external action priorities

In a world where emerging powers are playing an increasing role, **Enlargement gives the EU greater weight** and strengthens its voice in international *fora*. With the entry into force of the Lisbon Treaty, the EU has given itself the means to pull its weight further on the global scene. The EU's role in the adoption of the UN General Assembly Resolution on Kosovo is an example of this potential.

The fifth enlargement gave a new impetus to the EU's relations with its eastern and southern neighbours and led it to explore ways of developing initiatives in the Baltic and Black sea regions. The accession process with countries in the Western Balkans and Turkey gives the EU a still greater interest and influence in the Mediterranean and Black Sea regions and in the Danube basin. Provided that Turkey's role in its own region is developed as a complement to its accession process and in coordination with the EU, it can add to both parties' weight in world affairs, not least in the Middle East and the Southern Caucasus. By acting together, the EU and Turkey can strengthen energy security, address regional conflicts, and prevent cleavages developing along ethnic or religious lines. Iceland and the EU can together play an important role in addressing energy, environmental, climate change, maritime and security issues in the Arctic.

The proposal maintains a dedicated and integrated instrument for pre-accession assistance as the financial pillar of the Enlargement Strategy that encompasses all dimensions of internal policies and thematic issues. This is because the Enlargement policy is primarily about helping partners to gradually take over the *acquis* and EU relations with candidate countries and potential candidates cover practically all thematic issues (prosperity, security, trade, human rights, etc.). For the sake of coherence, efficiency, effectiveness and impact, internal policies and thematic issues should therefore be mainstreamed in coherent country strategies and achieved through country, multi-beneficiary or cross-border programmes agreed with the beneficiary countries. In line with the EU Policy Coherence for Development agenda²⁸, the fact that IPA covers all internal policies allows to better take into account the external impacts of internal policies on pre-accession countries, where EU development objectives are concerned. This is important notably in areas such as trade, climate change, migration or energy.

However, where the nature of the action warrants (i.e. technical, global reach, as opposed to primarily accession focus), or where fundamental European values (such as respect of human rights) are not complied with by a beneficiary country, other external action instruments should be able to intervene in the enlargement region (e.g. European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Cooperation, the Instrument for Stability and Macro-financial Assistance).

²⁸ The EU Policy Coherence for Development allows to 'development-proof' non-development policy initiatives and make sure that EU development policy objectives are taken into account in other policy areas. Since 2009, the EU PCD agenda focuses on five main challenges: trade and finance, food security, climate change, security and migration. This horizontal approach that allows to weed out the main incoherencies and maximise synergies, especially in areas like trade, where the Commission can negotiate trade agreements on behalf of the entire EU, puts the EU in a better position than Member States to make the most of the development budget.

3.3. Consistency with other EU policies

The Enlargement process projects the internal policies of the EU in the national order of the beneficiary countries. It contributes to the expansion of the **internal market, energy and transport networks**, the protection of the **environment**, sustainable **fisheries** and efforts to address **climate change**, attain a more strategic approach to **maritime policies, educational attainment, scientific excellence, poverty reduction and the digital agenda**, among others. In line with the objectives of the "Europe 2020" strategy for a smart, sustainable and inclusive growth in the fields of employment, innovation, education, social inclusion and climate/energy, particular attention should be given to aspects such as **resource efficiency** and enhancing **employment opportunities, skills development, education and social inclusion**.

The countries of the Western Balkans are entirely surrounded by Member States. Turkey adjoins the European Union by land and sea. The construction of **trans-European energy and transport corridors**, the diversification of energy sources and promotion of energy efficiency, the mitigation of and adaptation to **climate change** and the reduction of trans-boundary **air and water pollution** are among the EU goals whose achievement would require the full commitment of the enlargement countries. The most recent candidate which has begun accession negotiations, Iceland, is a world leader in various forms of renewable energy and has much to contribute to EU innovation efforts in this and other advanced fields.

Financial and technical assistance to candidate countries and potential candidates triggers and supports comprehensive reform agendas in the enlargement countries with a view to align them with the rules and best practices in the EU, while also contributing to meeting the Millennium Development Goals in the beneficiary countries. New elements regarding the current reform of the **Common Agricultural Policy** of the EU, on innovation, environment, climate change, resource efficiency, better unlocking local potential and food security, as well as the current reform of the **Common Fisheries Policy**, will be integrated into the design of the new instrument, which will assure coherence between the different policy areas, taking into account the enlargement context. The current instrument is already funding *inter alia* activities which foster smart growth through supporting businesses and agriculture to become more competitive and to adapt to climate change; foster sustainable growth by maintaining the food, feed & renewables production base, reducing emissions from agriculture, promoting resource efficiency and environmental protection, increasing competitiveness and supporting the development of the full potential of rural areas; foster inclusive growth by unlocking the local potential, diversifying rural economies and developing local markets as well as supporting farmers' income and opening up alternative opportunities to accompany agricultural restructuring.

Stabilisation and Association Agreements and other agreements with candidate countries and potential candidates include provisions on **competition**. The EU actively encourages enlargement countries to establish competition regimes. Along with other policy objectives such as a well-functioning public administration and an independent judiciary safeguarding the enforceability of contracts, an effective competition policy creates a business environment facilitating economic growth. Competition policy provides a set of transparent rules which firms must abide by when competing with rivals. Moreover, the competition authorities - as well as appeal courts in competition cases - function as arbiters defining and penalising anti-competitive behaviour. An effective competition policy reduces firms' policy risks - the rules of the game are known beforehand - and thereby stimulates foreign direct investment. For

these reasons, competition policy should continue to form an integral part of the Enlargement policy actions and programmes.

In what regards **climate change**, and taking into account Europe 2020 objectives and the need to help other parts of the world to step up their efforts to combat climate change, the Commission has stated in the June 2011 Communication on "A Budget for Europe 2020" that it intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with varying contributions from different policies, subject to impact assessment evidence. For the pre-accession assistance instrument, climate mainstreaming and climate objectives would in particular be relevant in relation to regional and rural development activities that can contribute to mitigate and adapt to climate change, in addition to pursuing low carbon development.

In this same spirit, support should be granted to strengthening the **research and innovation** capacity as well as information and communications technologies (ICTs), which in turn would facilitate not only the realisation of the Innovation Union but also underpin the other Europe 2020 strategy objectives and compliance with EU technical requirements and standards in many other policies (e.g. public health, food security and the environment). The **Digital agenda** for Europe, a prominent flagship initiative of the Europe 2020 Strategy, defines the key enabling role that ICTs will have to play if Europe wants to succeed in its ambitions for 2020. The challenges the Union is facing in this area have a crucial international dimension which EU enlargement countries could be contributing to, enlarging as such the digital single market footprint, spurring innovation, economic growth and job creation, and an improved access to public services.

Making Europe a safer place is high on the EU's agenda as defined in the Stockholm Programme. The enlargement countries are required to take over the *acquis* of the Union and to demonstrate their capacity to implement it fully. For this reason, the Commission has redoubled efforts, including through the improved strategic orientation of its financial assistance for pre-accession, to support enlargement countries to prevent and tackle **organised crime and corruption** and to strengthen their law enforcement capabilities. With financial support from IPA, EU prosecutors, judges and other experts in **law enforcement, border management and migration** now assist counter-parts in the enlargement countries to share their expertise and to check on progress.

3.4. Geographical/thematic coverage

The new instrument for pre-accession assistance post-2013 will continue to cover countries that are official candidates to EU accession as well as potential candidates, as determined by unanimous decisions of the European Council. Currently, Croatia, Turkey, the former Yugoslav Republic of Macedonia, Iceland and Montenegro belong to the former group, while Albania, Bosnia and Herzegovina, Serbia, as well as Kosovo belong to the latter group. By the time the new instrument will come into effect in 2014, Croatia should already be a Member State. As foreseen in the proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020²⁹, *'if new Member States accede to the Union during the period covered by the financial framework, the financial framework shall be adjusted to take account of the expenditure requirements resulting from the outcome of the accession negotiations'*.

²⁹ COM(2011)398 final of 29.6.2011, Art. 11

The thematic coverage of new instrument will correspond to the general and specific objectives i. to v. as set out under paragraph 3.1 above.

4. POLICY OPTIONS

In light of the problems and underlying drivers identified, the Commission considered various options and sub-options for the future instrument for pre-accession assistance³⁰. Option 1 represented the base-line scenario against which other options and related impacts were assessed:

Option 1 - “No change”. Assistance to candidate countries and potential candidates would continue with the same objective and scope of the current pre-accession instrument, i.e. a strong focus on compliance with the political and economic criteria for EU accession, progressive alignment with/adoption of the *acquis communautaire* and preparations for management of Structural, Agriculture and Rural Development funds after accession, but with limited emphasis on achieving tangible sustainable socio-economic impacts. Under this option, the conditions and modalities for access to and delivery (planning, programming, management and implementation) of the assistance would not change from today, remaining structured into five separate 'Components'. While all beneficiary countries would be able to access assistance for compliance with the accession criteria, alignment with/adoption of the *acquis communautaire* and regional and cross-border cooperation (Components I and II), only candidate countries could be supported in their preparations for management of post-accession funds (Components III to V). The allocation of the assistance under all Components would continue to be planned on a three-year basis reviewed annually, and the technical and financial details for operational implementation would be determined in separate programmes per Component, on an annual (Component I) or multi-annual (Components II to V) basis. Operational programmes under Component I would keep foreseeing capacity-building and *acquis*-compliance actions also in the areas of regional development (environment, transport, competitiveness), human-resources development and rural development, and would typically fund individual projects. EU funds could be used to leverage additional funds from International Financial Institutions for financing infrastructure investments in the enlargement region. Actual access to assistance under Components III to V would depend on the preparedness and ensuing accreditation of the national systems for managing the assistance (without *ex-ante* controls by the Commission in the case of Component V). Transferring funds across Components in order to address needs and/or absorption capacity as they evolved would have to follow the related substantial administrative procedures. Monitoring of progress in implementation of the assistance on the ground would be done separately under the different Components. There would be separate accreditation processes for the managing structures and systems when managing assistance under different Components.

This option would target all the policy objectives identified for future pre-accession assistance, though with a limited focus on social and economic impacts, while it would not address the *methodological* objectives set in order to respond more flexibly to needs, increase absorption of funds and secure higher coherence and result/impact of the assistance.

Option 2 - “Amend the existing Regulation” with regard to scope, Components structure and implementation arrangements. **Three sub-options** were considered:

³⁰ Cf. Annex 1, Ex-ante Evaluation, Section 5

- **Sub-option 2.1 - "Reduce scope and keep implementation arrangements"**. Compared with option 1, this option would focus on 'policy activity' where the instrument is perceived to deliver the highest EU added value, i.e. support for the necessary legal and institutional changes needed to comply with the Copenhagen criteria, adoption and implementation of the *acquis* and (where accession is foreseeable) the management of EU Structural and Rural Development Funds. The policy intervention would also give emphasis to interventions that influence attitudes towards the reforms required for EU membership. On the other hand it would not commit any significant funds for co-financing public investments for socio-economic development. The latter would be covered by the beneficiary countries in conjunction with IFIs. More specifically, this policy option would involve a reduction in resources available for social and economic development and cohesion under Components I, III, IV and V compared with the option 1. The conditions and modalities for access to and delivery of the assistance would remain similar to those foreseen under option 1.

This option would target only partially to the policy objective aimed at supporting economic and social development and reforms, and as option 1 it would not address any of the *methodological* objectives.

- **Sub-option 2.2: "Keep the Components structure and add more focus on investments"**, in order to increase the socio-economic impact in the beneficiary countries and to speed up their preparation for managing structural, cohesion and rural development funds. The EU would assume a catalytic and leadership role amongst donors. This option would include a stronger emphasis on regional needs than the option 1 does and would involve refining and extending the Western Balkans Investment Framework. The conditions and modalities for access to and delivery of the assistance would remain similar to those foreseen under option 1.

This option would particularly aim at attaining economic and social development and reforms as well as regional and territorial cooperation, while not targeting the other policy objectives related to political reforms and increased beneficiary countries' ability to assume the obligations of membership. *Methodological* objectives would not be addressed.

- **Sub-option 2.3: "Maintain the scope and adjust implementation arrangements"**. Under this option assistance would continue to target both compliance with the accession criteria, with reinforced emphasis on public administration reform and other horizontal reform requirements of the public sector, and support for socio-economic development. In addition, it would focus on adjusting aspects of the current IPA set-up and implementation modalities so as to i) improve the strategic orientation and results/impact of the assistance, ii) address the need for flexibility resulting from the heterogeneity of beneficiary countries, iii) enhance absorption of funds and increase further the efficiency and effectiveness of the assistance, while simplifying its operation and reducing the administrative burden. In particular, adjustments would include:

- **Un-differentiated access to assistance** irrespective of candidate or potential candidate status, albeit with different scope or intensities, on the basis of actual needs as well as technical and administrative capacity. This would also help increase preparedness for absorbing funds after accession.

- **Streamlining the component structure around principal policy areas**, including transition process and capacity building, regional development, employment, social inclusion and human resources development; agriculture and rural development; regional and territorial cooperation. Assistance under the policy areas will support beneficiary countries in the attainment of the general and specific policy objectives. It may support, inter alia, the type of actions provided for under the EU structural, cohesion, agricultural and rural development funds as well as policy development and preparation for the implementation and management of those funds.
- **Country and multi-country strategies** spanning the period 2014-2020 and addressing selectively the policy areas, covering for each selected area all necessary institution building, *acquis* compliance and investment actions.
- More systematic **multi-annual programming** also for transition and capacity building assistance, supporting the effective implementation of the related strategies;
- Reinforced (co-) **financing of agreed sector strategies** (including through **sector budget support** based on effectively targeted conditionalities) as opposed to individual projects. Project support or other implementation modalities (such as dedicated facilities) would remain available for *acquis* compliance, when not covered by overarching sector strategies.
- A **more progressive, phased approach to management of financial assistance** (from management by the Commission to management by the beneficiary country, with or without *ex-ante* controls by the Commission), depending on status/perspective for accession, sector/policy area of assistance, administrative, technical and management capacity. However, the creation of management structures and procedures mirroring those needed post-accession would continue to be the aim in relevant policy areas.
- **Better linking the management of assistance to policy priorities** as reflected in Progress Reports, the achievement of negotiation benchmarks or the track record in implementing the Association Agreements (e.g. opening or closing benchmarks for negotiating chapters could be linked to the progress in implementing decentralised management under the corresponding policy area).
- Financial assistance more directly **conditional on improved governance and ownership** by the beneficiary countries, and with elements of flexibility to cater for emerging needs and give incentives to improve **performance**.
- Possibility to **shift allocations between policy areas in a given country** if, compared to conditions and indicators set in the country strategy, absorption of assistance is lower than planned; Possibility to **carry over funds from one year to another**, if foreseen by the new Financial Regulation.
- CBC at borders between beneficiary countries simplified by **further aligning programming and implementation with the Structural Funds approach**, mainly by allocating EU funds per programme, without breakdown per

participating country, and by designating a single contracting authority per programme responsible for contracting and payments.

- More use of **innovative financial instruments** that could leverage more private funds; exploiting synergies with innovative financial instruments developed for the internal policies, on the basis of a coordinated approach to and coordinated rules for engaging EU budget in such instruments. An increased leveraging of private and other funds would also help **reduce the gap between the levels of pre- and post-accession funds**.
- Also as part of the reinforced direction towards sector-level support, **increased cooperation with other donors and international and other financial institutions at strategic level**, if appropriate agreeing on policy priorities and on a clearer division of labour;
- Continued **support to regional programs/projects/bodies** (e.g. the Secretariat to the Energy Community) that encourage knowledge and experience sharing, harmonisation of policies, agreement on joint priorities, building of mutual trust and enhance the effectiveness of policies e.g. in transport, energy, environment, climate change, statistics, fight against organised crime and migration issues.

In addition to addressing all *policy* objectives as option 1, with a particular accent on public administration reform, good governance and investments for social and economic development, this option would also address the *methodological* objectives identified as a result of lessons learned from implementation of past pre-accession and transition assistance.

Option 3: "Design a new instrument". This option was not analysed in detail. Pre-accession assistance underwent a major rationalization in 2006, when the existing financial instruments for pre-accession were merged into IPA. IPA beneficiary countries will have invested considerable financial and human resources by 2013 to set up the structures and systems for implementation of financial assistance under the rules and procedures of the current IPA instrument. The post-2013 instrument should take account of this in order to ensure a seamless move to the new period without jeopardizing efforts already made. Therefore, all stakeholders agreed that there is no need for fundamental changes this time and continuity should be sought. This option has therefore been excluded from the analysis of impacts.

5. ANALYSIS OF IMPACTS³¹

Irrespective of the option selected, the likely economic, social and environmental impacts of the future pre-accession assistance cannot be quantified at this stage, as they depend on the strategic and detailed operational choices for the interventions in each beneficiary country that are determined only at the time when operational implementation programmes are determined, largely based on input from those countries. Therefore the analysis below reflects assumptions made on the likely impacts of the different options. However, those assumptions can be considered reasonable in the light of the very nature of pre-accession assistance and the experience of past assistance in preparation for the 5th enlargement. As accession criteria are

³¹ Cf. Annex 1, Ex-ante Evaluation, Section 6

related *i.a.* to the attainment of levels of economic, social and environmental development and standards corresponding to those prevailing in the EU, and as pre-accession assistance is primarily aimed at supporting applicant countries in their efforts to comply with those criteria, it is reasonable to expect that any of the options envisaged would have positive impacts. How positive may however vary depending on the focus/scope of the assistance and the modalities for its delivery.

5.1. Likely economic, social and environmental impacts of each of the options

5.1.1. Economic impacts

The economic impact of the various options was assessed in terms of the likelihood that the options would: i) delay or accelerate enlargement and therefore the achievement of the positive economic impact expected to arise from the expansion of the internal market³²; ii) maintain or reduce costs to the EU and Member States in terms of security measures and risks, border controls and irregular migration; iii) constrain or improve the possibilities for better economic integration, e.g. through improved integration with the Trans-European Networks; iv) affect positively or negatively the confidence of donors and investors in the beneficiary countries.

Option 1 'No change' – Compared to an hypothetical situation where no assistance would be in place, continuing with a financial instrument that is primarily aimed at assisting beneficiary countries to comply with the political and economic criteria for EU accession, align progressively with and adopt the *acquis*, have structures and systems in place for managing EU funds post-accession and, to a more limited extent, reduce the gap with the social and economic conditions in the EU would contribute to anticipating enlargement, therefore anticipating also the potential economic impact of an expanded internal market. This option would also likely reduce the costs to the EU and Member States in terms of security measures and risks, border controls and irregular migration as a result of technical assistance for capacity building, legislative and regulatory approximation in areas related to the security, border controls and migration *acquis*, and thanks to the execution of the relevant works and the provision of the necessary equipment. Improvements in Trans-European Networks (TENs) resulting from transport infrastructure investments co-funded by pre-accession assistance would improve the possibilities for better economic integration. Continued substantial EU financial assistance would favourably affect donors and investors confidence in the beneficiary countries, favouring foreign investments in those countries.

Sub-option 2.1 'Reduce scope and keep implementation arrangements' – As financial assistance would in this case not be available for co-financing public investments in socio-economic development, compared to option 1 the large gap between the socio economic conditions in the beneficiary countries and those in the EU would be likely to continue under this sub-option. As a result, enlargement would likely be delayed for some of the beneficiary countries, as they might be motivated to maintain their competitiveness through e.g. lower environmental and labour market standards, thus failing to meet important *acquis*-related pre-conditions for accession. This would, in turn, delay the main economic impacts expected to arise from the expansion of the internal market. Continued weaknesses in the TENs would

³²

In case of enlargement to all the current IPA beneficiary countries, the economic impact is estimated to be in the order of magnitude of EUR 5 billion per year (assuming a similar impact as observed following the fifth enlargement of 2004/2007)

constrain the possibilities for better economic integration. On the other hand, similarly as it would likely be the case under option 1, continued EU financial assistance supporting preparations for EU accession would favourably affect donors and investors confidence in the beneficiary countries, therefore favouring their investments in those countries.

Sub-option 2.2 'Keep the component structure and put focus on investments' – Given the reinforced emphasis on investments for socio-economic development, this sub-option would help reducing the large gap between the socio economic conditions in the enlargement countries and those in the EU, therefore anticipating further the potential economic impact of an expanded internal market compared to option 1. This sub-option would also likely reduce further the costs to the EU and Member States in terms of security measures and risks, border controls and irregular migration, while improving even further than under option 1 the possibilities for better economic integration following greater improvements in Trans-European Networks as can be expected from more assistance being available for infrastructure investments. However, keeping the current components structure would not allow allocating EU funds flexibly to the sectors where investments are most needed or where the quality of projects preparation is the highest. There would be no additional incentives to increase administrative and technical capacity to speed up implementation.

Sub-option 2.3 'Maintain scope and change implementation arrangements' – Under this option, the positive economic impact resulting from maintaining investments for socio-economic development would be compounded by the improved strategic and results/impact orientation of the assistance, its increased flexibility and the other improvements in the delivery mechanisms and implementation arrangements aimed at increasing the efficiency and effectiveness of the assistance while simplifying its operation. In addition, the reinforced emphasis on public administration reform and other horizontal reform requirements of the public sector should reinforce the sustainability of results.

5.1.2. Social impacts, including impacts on human rights

The social impact of the various options was assessed in terms of the likely effect on poverty and exclusion in the enlargement countries linked to progress towards accession and the creation of conditions for improved economic performance and policy measures that could address these issues. Likely effects in terms of risks that the rights in the area of justice and the rule of law could be jeopardised in the beneficiary countries as a consequence of delays in and risks to accession taking place were also considered.

Option 1 – This option was seen as leading to a limited reduction of problems of poverty and exclusion in the beneficiary countries compared with current conditions. Regular progress towards accession would help create the conditions for improved economic performance and policy measures that could further address these issues. Risks that the rights in the area of justice and the rule of law would be jeopardised in the beneficiary countries as a consequence of delays in and risks to accession taking place would likely be less, compared to a hypothetical situation where no assistance would be in place.

Sub-option 2.1 - This sub-option would not address the continuing problems of poverty and exclusion in the beneficiary countries other than through the indirect effect of continuing and regular progress towards accession for creating the conditions for improved economic performance and policy measures that could address these issues. As a consequence of delays in and risks to accession taking place, this sub-option was seen as bearing risks that the rights in the area of justice and the rule of law would be jeopardised in the beneficiary countries.

Sub-option 2.2 - The increased focus on socio-economic development should help tackle poverty and exclusion issues. Continuing, regular and potentially accelerated progress towards accession should help create the conditions for improved economic performance and policy measures that could further address these issues. This option was assessed similarly to option 1 in terms of impacts on human rights.

Sub-option 2.3 – The envisaged revisions to the implementation modalities of the assistance would allow for speedier and more efficient implementation, by way of more targeted and more ambitious sector strategies, including active labour market and social inclusion policies. The reinforced emphasis on public administration reform and other horizontal reform requirements of the public sector should reinforce the sustainability of results.

5.1.3. *Environmental impacts*

If enlargement was delayed or put at risk, it is assumed that environmental costs would likely accrue, as lower environmental standards may be used as a mechanism for generating competitive advantages in the beneficiary countries, or in any case implementation of the expensive investments needed to align with the EU environmental *acquis* (regarding e.g. air quality, water quality and distribution, wastewater and waste collection and treatment etc.) would likely be delayed in the absence of co-funding from EU assistance and of the leverage effect that EU funds could bring on other donors and private sector funds.

Option 1 –As this option entails a continuation of EU assistance addressing all the relevant *policy* objectives, it is expected to contribute to a speedier enlargement, therefore having also a positive environmental impact. This positive impact would be compounded by the fact that, as it is already the case under the current IPA instrument, part of the assistance would continue to be used for capacity building, legal approximation and investments in the infrastructure needed for compliance with the environmental *acquis*, where the latter is one major chapter of accession negotiations and the environment sector is one of the three main sectors of assistance in the regional development area (Component III).

Sub-option 2.1 – By no longer envisaging investments for socio-economic development, including in the environment sector, the positive environmental impacts of this option are expected to be less than they could otherwise be. However positive impacts would nevertheless result from the fact that technical assistance and capacity building actions supporting approximation to and adoption of the environmental *acquis* would continue. *Acquis implementation* would most likely be affected, as it implies substantial works to upgrade the environmental infrastructure.

Sub-option 2.2 – This option has the potential to incur high positive environmental impacts, if some of the additional resources made available to investments would be earmarked for environmental goods and services with a view to achieving some EU standards prior to accession. Achieving a number of these is indeed likely to incur high public sector investment costs.

Sub-option 2.3 – Because of the improved focus, efficiency, effectiveness and impact of the assistance, including the use of more innovative financial instruments to leverage additional funds for infrastructure investments from other donors and the private sector, combined with continuing investments in the environmental sector among other priority sectors, this option could bring about very positive environmental impacts. Again, the reinforced emphasis on

public administration reform and other horizontal reform requirements of the public sector should reinforce the sustainability of results.

5.2. Likely impact of the options in terms of simplification and reduction of the administrative burden

Simplification and reduction of the administrative burden are linked to implementation arrangements. They are therefore expected to accrue more prominently in relation to **option 2.3**. This option pursues simplification primarily by *streamlining the component structure around principal policy areas*. This translates into considerable simplification already at the level of the legislative framework of the instrument and the future implementing rules with a streamlining of provisions as to the scope, conditions for access to and implementation of the assistance. Linked to the streamlining of the components structure, *undifferentiated access to assistance* under each policy area will imply that beneficiary countries will no longer need to be identified separately in the legal basis of the instrument. As a result, it will no longer be necessary to go through a heavy procedure in order to reflect a beneficiary's change of status, reducing the gap between political decisions related to financial assistance and implementation on the ground. Similarly, in case a new country should become a potential candidate for EU accession, the procedural requirements for including that country among the beneficiaries of the assistance would be considerably simplified.

Different Commission services will remain responsible for managing the assistance aimed at the different policy areas. However, coordination, communication and implementation on the ground will be improved through simplification on a number of aspects, including *closer joint monitoring* of the progress of implementation in the beneficiary countries and a *reduced number of accreditation processes* for conferring management powers to horizontal management structures in the beneficiary countries (i.e. Operating Structures, the National Fund, the Audit Authority). Increased coherence of the action of the Commission under option 2.3 should also substantially reduce the cost and burden of coordination incurred by beneficiary countries, related the different communication channels and procedures used by the Commission.

Option 2.3 envisages also that strategic decisions on the allocation of the assistance are made through comprehensive country and multi-country multi-annual strategies covering the full period of the new financial framework (2014-2020) and reviewed once at mid-term, replacing the current system of three-year rolling indicative planning documents revised each year. This will reduce for all stakeholders involved the administrative burden related to the yearly review of each document and possible ensuing revisions. Similarly, less administration for all and quicker delivery of the assistance will follow from introducing multi-annual programming also for transition and capacity-building assistance.

More simplification under option 2.3 should result also from introducing, for those sectors where the conditions for it will be in place, a sector-based approach to the allocation of the assistance. In addition to favouring improved effectiveness and impact of the assistance, this approach could translate into a lower number of bigger projects/contracts being funded, therefore a reduced administrative burden related to project/contract management. If conditions allow, the sector approach could also entail the use of budget support, again reducing the related administrative burden compared to project support.

Detailed provisions on joint monitoring and the accreditation processes will be provided in separate implementing rules. Those rules will pursue also further simplification in relation to

cross-border cooperation between candidate countries and potential candidates, by further aligning programming and implementation with the Structural Funds approach.

Additionally, simplification of the management and implementation of the assistance will follow from aligning with the relevant provisions of the new Financial Regulation.

6. COMPARING THE OPTIONS

6.1. Weighing of positive and negative impacts per option

Option 1 would maintain EU financial commitment to the enlargement process. Continuing with a strong focus on accession criteria would be to build on IPA's greatest strength. Adding some support to public investment would help accession countries to meet some especially urgent needs and would raise the profile of the assistance. In addition, it would allow the EU to further support innovative financing arrangements already set up with the International Financial Institutions, where IPA funds act as a catalyst for greater investment, leveraging loans from IFIs for investment in infrastructure in the region. All this would generate a positive signal to beneficiary countries and reinforce the EU commitment to enlargement. This should be reflected in the beneficiary countries' commitment to undertake the necessary reforms. The realisation of the anticipated benefits of enlargement should take place within a reasonable timeframe. However, because of unchanged implementation arrangements, this option could be associated with circumstances where resources are not used optimally because beneficiary countries would be required to create systems mirroring those in the EU for the implementation of post-accession EU funds even where those systems will not be required in the foreseeable future. Part of the resources would also not be available to some of the beneficiaries although the needs might be there for using them. The coherence³³ of the assistance may also be affected by keeping the assistance separated into five different Components. 'Continuation' in scope and implementation modalities might also send the message that the new instrument has not taken on board the lessons learned from its predecessor.

Sub-option 2.1 would limit the scope of the EU financial commitment to the enlargement process *stricto sensu* with the likely consequence of delays to enlargement and to the realisation of its anticipated benefits. However, this sub-option would focus resources on where the EU is perceived to add most value and be most effective³⁴. The meta evaluation of the existing instrument judged that the effectiveness of the current instrument was strongest in *acquis* related areas, and it found that IPA projects were generally well targeted on accession requirements. However, focusing only on legal and institutional changes would deprive beneficiary countries of direct support for their socio-economic development, which is also a pre-requisite for helping the beneficiary countries meet the economic criteria and generate the

³³ *Coherence* means possibilities to create synergies in terms of programming and delivery towards achieving the agreed objectives and to avoid negative consequences and overlaps which would adversely affect the implementation of the policies.

³⁴ *Effectiveness* means doing the right things, that is setting the right goals and objectives and making sure they are accomplished.

income necessary to cover the cost of the preparations for membership. In particular, there would be no further EU contributions leveraging capital inflows from IFIs and other donors, thus limiting the efficiency³⁵ of the assistance. The price to be paid for a reduced scope of financial assistance would be a prolongation of the period of preparation for membership. This could mean that no savings are made if the amounts allocated over the full period until the completion of the accession negotiations are cumulated. Furthermore, financial assistance provided to applicant countries produces advantages for the EU and creates opportunities for the businesses in the current Member States. These opportunities would be reduced under this sub-option.

The meta evaluation of IPA showed that beneficiary countries financial needs, particularly for infrastructure, clearly exceed available IPA (and other donors') funding. **Sub-option 2.2** would increase EU financial commitment to socio-economic development. This would help accession countries especially in working towards the Copenhagen *economic* criteria which require candidates to have the ability to cope with the pressure of competition and the market forces at work inside the Union. It would send to beneficiary countries a positive signal of a reinforced EU commitment to Enlargement, which in turn should be reflected in the beneficiary countries' commitment to undertake the necessary reforms. The realisation of the anticipated benefits of enlargement might take place more quickly as compared with option 1. Some of the expenditure would be on infrastructure that would also assist economic integration in the region. However, by keeping the current components structure, a flexible and efficient allocation of EU funds to the sectors where investments are most needed or where the quality of projects preparation is highest would be difficult to achieve.

Sub-option 2.3 would be comparable to option 1 in terms of the benefits of continuing with the current scope of pre-accession assistance. In addition, by reinforcing the emphasis on public administration reform and other horizontal reform requirements of the public sector and by simplifying further the structure of the instrument and adjusting its implementation modalities to make it more strategic, result-oriented, flexible and tailor-made to needs, this option would allow for a more coherent, efficient, effective and sustainable use of EU resources compared to the other options.

The following table provides a comparison of the options described above with regard to efficiency, effectiveness, coherence and how they would influence the underlying drivers of the problem that they would address:

Negative or very negative impact:	- or --
Neutral impact:	0
Positive or very positive impact:	+ or ++

Effect on the underlying driver of the problem	Option 1 (no change)	Option 2.1 (reduced scope)	Option 2.2 (focus on investments)	Option 2.3 (adjust implementation arrangements)
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³⁵ *Efficiency* means doing things right, in other words it is getting the most from EU resources. This encompasses organisational aspects and the gains from the simplification of the instruments.

Efficiency	-	-	-	++
Effectiveness	0	+	+	++
Coherence	-	-	-	++
i. Reduced development gap	+	-	++	+
ii. Reinforced institutions	+	++	0	++
iii. Addresses heterogeneity	0	0	+	++
iv. Assistance becomes more:				
<i>strategic and result oriented</i>	0	+	+	+
<i>flexible and tailor-made</i>	0	0	0	+
<i>simplified, efficient, effective</i>	0	0	0	+

6.2. Preferred option

On balance, sub-option 2.3 “Maintain scope and change implementation arrangements” emerged clearly as the preferred option.

7. MONITORING AND EVALUATION

7.1. Core indicators of progress towards objectives

Progress towards the specific objectives of the new instrument can be assessed through three main macro-indicators:

- **Progress toward meeting the accession benchmarks (chapters opened/closed) or positive track record in implementing the Association Agreements** as reflected i.a. by positive Progress Reports, survey-based indices compiled by reputable international organisations for areas such as government effectiveness; political stability and absence of violence; the rule of law;
- **Socio-economic evolution**, as measured by impact indicators such as the UNDP's human development index as a general measure of prosperity; unemployment rates; foreign direct investment inflows; trade balances
- **Regional cooperation and integration**, as measured by survey-based indices reflecting perceptions on the level (trend) of security and stability; political, economic and cultural interactions, as well as by measures reflecting the integration of Trans European Networks.

The ex-ante evaluation has also highlighted the need to provide detailed guidance and to build capacities in the beneficiary countries 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 Member States. 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.

The EU has committed itself to mainstreaming action on climate and biodiversity and for this to be meaningful it needs to be accompanied by an obligation to identify relevant programmes so that the EU is able to set out clearly how much of its spending relates to these global

challenges. Clear benchmarks, monitoring and reporting rules need to be established. Expenditure that promotes climate action³⁶ or energy efficiency as well as the protection and sustainable management of biodiversity and ecosystems, will be tracked using a system that reflects the established Organisation for Economic Cooperation and Development (OECD) methodology ("Rio markers").

Future monitoring and evaluations will have to take into account that:

- Results and impacts will vary across beneficiary countries, given their differences and the varying needs and positions on the ‘path to accession’;
- Because the new instrument will continue to *operate alongside the political negotiation process* and other interventions with a bearing on accession, it will be difficult to identify progress resulting exclusively from the instrument, except at the level of specific activities;
- 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*;
- 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;
- Given the difficult context for evaluation, the *relative weight of absorption* as a measure for assessing progress should not be overestimated.

7.2. Outline for monitoring and evaluation arrangements

Under the selected option, monitoring and evaluation arrangements will be reinforced in comparison to the current situation. The proposed changes will improve the focus on results. They will - as called for by the budget review - provide for the definition of specific, measurable, achievable objectives as well as for appropriate indicators.

The European Commission's Monitoring and Evaluation systems are already increasingly focussed on results. They involve internal staff as well as external expertise. Task managers in EU Delegations and at Headquarters continuously monitor the implementation of projects and programmes in various ways, including wherever possible through field visits. Monitoring provides valuable information on progress, it helps managers to identify actual and potential bottlenecks and to take timely corrective action where appropriate.

In addition, external, independent experts are contracted to assess the performance of EU external actions through various complementary systems. These assessments contribute to accountability and to the improvement of ongoing interventions; they also draw lessons from past experience to inform future policies and actions. The tools used are in line with internationally-recognised OECD-DAC evaluation criteria including (potential) impact.

³⁶ Regarding instruments under the EU budget, in order to reach the Europe 2020 objectives and to help other parts of the world to step up their efforts to combat climate change, the Commission has stated in the June 2011 Communication on “A Budget for Europe 2020” that it intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with contribution from different policies, subject to impact assessment evidence.

The Commission also supports beneficiary countries to build their own capacity to monitor and evaluate spending. Under the new instrument, responsibility on monitoring and evaluation will be further delegated to beneficiary countries. In particular, where the Commission manages the assistance on behalf of the beneficiary, the Commission will retain primary responsibility for monitoring and evaluation. On the other hand, where beneficiary countries manage the assistance under their own responsibility (decentralised management) the Commission will have a mainly supervisory role (apart from ex-ante and ex-post evaluations), and primary responsibility will rest with the beneficiary.

Project level monitoring reports on the progress against plans, particularly concerning: (i) contracting/grant awards and (ii) delivery of outputs. Task managers are also supported by the Results Oriented Monitoring (ROM) system which provides a focused snapshot of the quality of a sample of interventions. Using a highly structured, standardised methodology, independent ROM experts attribute grades which highlight the strengths and weaknesses of the project and give recommendations on how to improve effectiveness.

In addition to monitoring, *project-level evaluations* may also be undertaken under the management of EU Delegation or the operational services in charge of the project. Project level evaluations are intended to complement existing monitoring systems and should provide a more detailed in depth analysis. They should also help project managers to improve ongoing interventions or to confirm their results and sustainability.

At sector and programme level, monitoring committees co-chaired by beneficiary countries and the Commission provide the structure to assess progress against plans. These committees are supported by the findings of both monitoring reports and evaluations. Under the new instrument, the role of monitoring committees will be strengthened for both candidate countries and potential candidates, to ensure that the implementation of the financial assistance properly feeds into the policy dialogue and that committees' conclusions and recommendations are more systematically complied with and followed up.

Evaluations at a level higher than project (sector, programme, strategic, thematic, etc) are mostly managed by the Commission services. Some evaluations, in particular interim evaluations intended to support the decision making process, are progressively delegated to beneficiary countries for ownership and capacity building purposes.

The results of evaluations or summary findings are regularly communicated to the IPA Committee, to the Council and the European Parliament as part of the IPA Annual Report, and are published on the Commission's website.