Briefing

How the EU budget is spent
June 2017

Instrument for Pre-accession Assistance (IPA II)

In a nutshell

The Instrument for Pre-accession Assistance (IPA) is a programme of the European Union for enlargement countries that was established for the 2007 to 2013 programming period and that replaced several former pre-accession assistance programmes. Under the current 2014 to 2020 multiannual financial framework, the new phase of the programme is called IPA II. The pre-accession funds help current and potential candidate countries to cope with political and economic reforms and to progressively align to the European Union's rules, standards, policies and practices on their path towards EU membership.

EU's Multiannual Financial Framework (MFF) heading and policy area

Heading 4 (Global Europe)

2014-20 financial envelope (in current prices and as % of total MFF)

Commitments: €11 698.67 million (1.08 %)

2016 budget (in current prices and as % of total EU budget)

Commitments: €1 662.3 million (1.07 %)
Payments: €2 079.2 million (1.45 %)

2017 budget (in current prices and as % of total EU budget)

Commitments: €2 114.7 million (1.36 %)
Payments: €1 716.2 million (1.20 %)

Methods of implementation

Direct management (European Commission), *indirect management* (beneficiary countries) *and shared management* (Member States and beneficiary countries)

In this briefing:

- EU role in the policy area: legal basis
- IPA II objectives
- IPA II financial allocation
- Measures funded
- Assessment of IPA II and its predecessor
- Other EU programmes in the same field

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EU role in the policy area: legal basis

The Treaty on the Functioning of the European Union (TFEU) establishes among the conditions for cooperation with third countries[1] that 'the Union shall carry out economic, financial and technical cooperation measures, including assistance, in particular financial assistance, with third countries other than developing countries' (Article 212 TFEU).

In this framework, Regulation (EU) No 231/2014 (the IPA II Regulation) establishes an instrument for pre-accession assistance (IPA II) to be the successor to the original IPA (Regulation (EC) No 1085/2006), which applied to the 2007-2013 programming period.[2] Regulation (EU) No 236/2014 lays down common rules and procedures for the implementation of the IPA II and five other EU instruments for financing external action. Commission Regulation (EU) No 447/2014 sets out specific rules for implementing IPA II.

IPA II objectives

IPA II helps countries that are candidates or potential candidates for EU membership to adapt their legal systems and economies in order to qualify to join the European Union. To accomplish the integration process, candidate countries must fulfil what are referred to as the Copenhagen criteria.

IPA II funding supports beneficiaries in 'adopting and implementing the political, institutional, legal, administrative, social and economic reforms required ... in order to comply with the Union's values and to progressively align to the Union's rules, standards, policies and practices, with a view to Union membership'.[3]

The IPA II Regulation lists the following specific objectives:

- support for political reforms;
- support for economic, social and territorial development, with a view to smart, sustainable and inclusive growth;
- strengthening of the ability of the beneficiaries to fulfil the obligations stemming from Union membership;
- strengthening regional integration and territorial cooperation.

IPA II addresses the following policy areas:

- reforms in preparation for Union membership and related institution and capacity building;
- socio-economic and regional development;
- employment, social policies, education, promotion of gender equality, and human resources development;
- agriculture and rural development;
- regional and territorial cooperation.

Currently, the beneficiaries of IPA II assistance are the Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo,[4] Montenegro, Serbia, the former Yugoslav Republic of Macedonia) and Turkey (Regulation (EU) No 231/2014, Annex I). While Iceland is also mentioned among the candidate countries in Annex I, the country put accession negotiations on hold in May 2013 and the IPA was subsequently phased out.

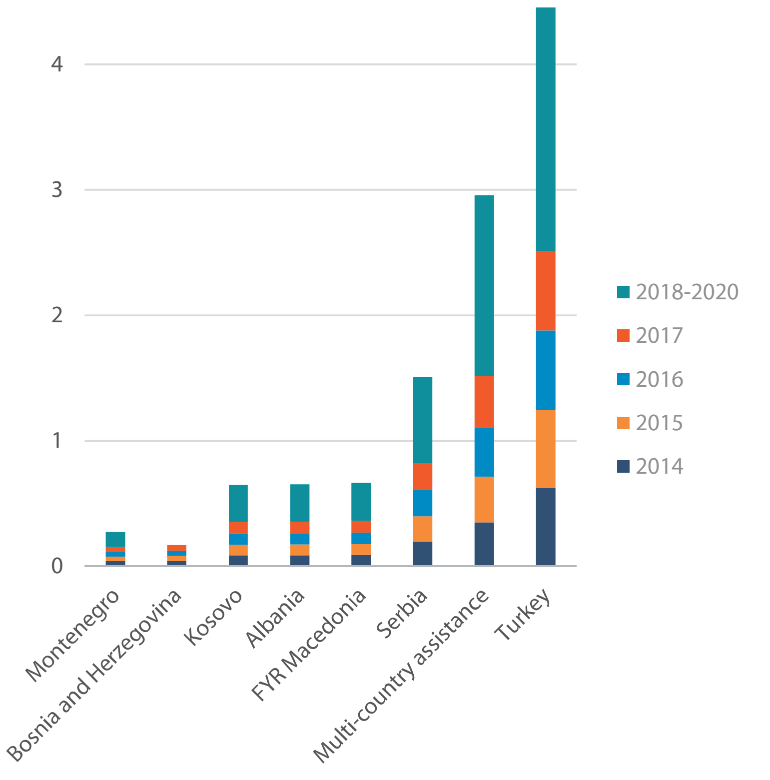
Each of the above-mentioned countries is at a different stage in its relations with the EU and each country's integration process advances at a pace defined by its own priorities.

IPA II financial allocation

Under the current multiannual financial framework (MFF) for the 2014 to 2020 period, the IPA II allocation at current prices is €11 698.67 million, which represents 1.8 % of the total MFF. The sum roughly corresponds to the €11.5 million (at current prices) available under IPA I (2007-2013).

Assistance under the IPA II Regulation (Figure 1) is provided on the basis of country and multi-country indicative strategy papers established for the duration of the current MFF.[5] The strategy papers define the priorities for action in the relevant policy areas. They include the indicative allocation of EU funds per policy area, broken down by year, and indicators for assessing progress on reaching the targets set. These papers are the overarching strategic planning documents from which priorities and objectives of individual programmes derive.

Figure 1 – The IPA II (2014-2020) financial allocation per country (€ billion)*



*Amounts for Bosnia and Herzegovina for the period 2018-2020 had not been decided by the end of 2014.

Source: Indicative country strategy papers (2014-2020), European Commission, 2014.

Turkey is by far the largest beneficiary of the IPA II funds (€4 453.9 million for 2014-2020). Its share is bigger than the sum of allocations for all other individual countries.[6] Similarly to other country strategy papers, the biggest share of the allocation for Turkey was earmarked for 'Reforms in preparation for Union membership' (€1 581.4 million), covering policy sectors 'Democracy and governance' and 'Rule of law and fundamental rights'. It is followed by 'Socio-economic and Regional development' (€1 525.3 million), with policy sectors such as Environment, Transport and Energy, and by 'Agriculture and rural development' (€912.2 million).

In the context of the migration crisis, the Facility for refugees in Turkey (FRT) was set up in 2016 with a budget of €3 billion for 2016-2017 (€1 billion from the EU's general budget and €2 billion from the EU Member States) to coordinate resources from several financing instruments. IPA II is one of them, providing €650 million to be invested in non-humanitarian aid.[7] The EU budget for 2017 reflects it by increasing 'Support for political reforms and related progressive alignment with the Union *acquis*' in Turkey to €751.2 million in 2017, compared with €340.5 million in 2016. At the same time, recent political developments in the country led to a reduction in the IPA II contribution to

'Support for political reforms and related progressive alignment with the Union *acquis*' from €255.3 million in 2016 to €137.2 million in 2017.[8]

IPA II activities are implemented and managed in different ways, in accordance with the financial regulation.[9] Under direct management, the Commission is in charge of implementing the budget. Indirect management means that budget implementation is delegated by the Commission to entrusted entities[10] in the beneficiary countries, but the Commission retains overall final responsibility. Under shared management, which in the case of IPA II is an option only for cross-border cooperation programmes with EU countries, implementation activities are delegated to EU Member States.

IPA II encourages the beneficiary countries to take primary ownership and responsibility for implementation. The Commission therefore applies the indirect management method, with the help of special 'national IPA coordinators' as its counterpart in the countries to support the overall process of strategic planning, coordination of programming, monitoring of implementation, evaluation, and reporting on IPA II assistance.[11]

Measures funded

The European Union provides assistance for projects that are agreed on the basis of annual or multiannual action programmes for each participating country. Where there is a clear need for regional cooperation or horizontal action (e.g. tackling cross-border problems, reaching efficiency by establishing harmonised approaches or facilitating networks of experts), areas of assistance are addressed through the multi-country action programmes.

IPA II also supports cross-border cooperation as a form of territorial cooperation with the aim of promoting good neighbourly relations, fostering EU integration and promoting socio-economic development in border areas between countries by means of joint local and regional initiatives.[12]

Box 1 – The nine sectors defined for strategy papers

1. Democracy and governance
2. Rule of law and fundamental rights
3. Environment
4. Transport
5. Energy
6. Competitiveness and innovation
7. Education, employment and social policies
8. Agriculture and rural development
9. Cross-border cooperation (CBC) and regional cooperation

Source: Quick guide to IPA II programming, 2014.

Three types of cross-border cooperation are possible:

- between one or more Member States and one or more IPA II beneficiaries;
- between two or more IPA II beneficiaries;
- between an IPA II beneficiary and countries under the European Neighbourhood Instrument.[13]

IPA II focuses more on the sectoral approach than its predecessor for 2007 to 2013, which supported more stand-alone measures. In the programming phase, it presupposes an agreement on the policy sectors that have priority. This agreement of both sides (the EU and the country receiving the assistance) is incorporated into the strategy papers and implemented via projects that make up action programmes. Nine sectors are defined for strategy papers (Box 1).

On two occasions in the recent past, pre-accession funds have been used in exceptional circumstances. In the summer of 2014, after unprecedented floods in Bosnia and Herzegovina and Serbia, the Commission provided €42 million for Bosnia and

Herzegovina and €30 million for Serbia from IPA resources to help both countries to recover.[14] At the end of the year a special measure on flood recovery and flood risk management was adopted by the Commission to continue with help using the IPA.

Similarly, between 2015 and 2016, when the migration crisis moved to the top on the political agenda and the migration flow was affecting Turkey, but also Serbia and the former Yugoslav Republic of Macedonia, the IPA has supported many migration-related activities in Turkey and Western Balkans. In Serbia, for instance, a total of €24.5 million of EU pre-accession funds have been allocated for effective management of the migration flow. The funds are being used for better border management, swifter transportation of people to asylum centres and improved reception conditions. In these cases, the EU also intervened with targeted financial instruments.[15]

Box 2 – Examples of IPA I support

Investments in **rule-of-law**-related projects have helped countries to establish robust and professional law enforcement and judicial bodies, independent and free from external influence. The project 'Strengthening the Prosecutors' Network', for instance, helps increase cooperation among prosecutors in the Western Balkans and supports joint investigations in international crime cases.

Under the heading of **sustainable economy**, the IPA has supported , for example, a Serbian start-up company from Belgrade that has developed the transportable mini solar charger 'Strawberry Tree Mini' which can be used for charging small portable devices such as smart phones, cameras, and mp3 players.

In Montenegro, in the framework of **investment in people**, the Gender Equality Programme has contributed to the political empowerment of women. In Turkey, a project aiming at increasing enrolment rates in particular for girls has led to young women attending secondary and vocational schools, while also providing specific training to improve women's working skills.

In the area of **agriculture and rural development,** the EU has funded a comprehensive project in Bosnia and Herzegovina. The project has created a network of collectors, breeders, processors and purchasers of medicinal and aromatic plants, named the Machinery Ring, and provided the network with machines for harvest, distillation, storage, product processing and packaging.

Source: European Commission, 2015.

Assessment of IPA II and its predecessor

The IPA II Regulation provides for the European Commission to assess progress on implementing the strategy papers (established in partnership with beneficiary countries) against the indicators set, on an annual basis. The strategy papers should be also reviewed at mid-term and revised as appropriate (Article 6). This mid-term exercise is currently taking place and the results are expected this year. The mid-term review report will cover the period from 1 January 2014 to 30 June 2017 and will focus on the achievement of the objectives of IPA II and the efficiency of the programme.[16]

Western Balkans

The European Court of Auditors (ECA) issued a meta-audit focused on the use of the IPA in the Western Balkans. Exploring the data from previous ECA special reports and Commission evaluations, it was seeking replies to two questions: whether the European Commission had managed the IPA in the Western Balkans well and whether the IPA had strengthened administrative capacity in the region.

The ECA special report (Box 3) analysed a sample composed of the rule of law and public administration reform projects and regional programmes, corresponding to the contracting amount of €439 million. The sample covered 21 % of total investments in these thematic areas during the 2007-2013 period (IPA I) but it also included the first stages of the 2014-2020 period (IPA II).

Five recommendations close the ECA report, stressing the need for well-defined specific objectives and measurable targets, a more selective approach to the indirect management of the IPA, systematic monitoring of programmes against predefined conditions, and a net reduction in future IPA allocations or suspension of payments, where appropriate. The ECA would also like to see a track record of effective investigation, prosecution and final convictions in cases of high-level corruption and organised crime in the countries that are IPA beneficiaries. Finally, ECA calls for regional cooperation and political dialogue to support the delivery of results.

In its 2015 detailed thematic evaluation on IPA support for the fight against corruption, the European Commission finds that, overall, IPA support for anti-corruption measures is perceived as positive, and that the EU accession process has been the major driver of anti-corruption efforts in EU enlargement countries. Nevertheless, it also draws attention to the fact that the impact produced has not been sufficient and a lot remains to be done.[17]

Box 3 – ECA meta-audit on use of the IPA in the Western Balkans

The report is critical of the fact that the IPA I objectives were not always specific and measurable through specific targets. The projects examined by the ECA did not consider the countries' actual political will for reform. The situation is different under IPA II because the indicative strategy papers have paid more attention to beneficiaries' capacity to commit to sector reform at political level and manage IPA funding.

The ECA observed a relatively low level of absorption caused mainly by the weak administrative capacity of Western Balkan countries. The decentralisation of significant parts of IPA management required a learning period and a more demanding management structure. As a result, between 20 % (Serbia) and 30 % (FYR Macedonia) of IPA I allocations were still to be contracted at the end of 2015. At the same time, between less than 20 % (Kosovo) and more than 40 % (FYR Macedonia) of allocations had been contracted and had still to be paid.

The Commission did not systematically apply strict conditions prior to contracting or payment, whether at political, programme or project level. The report highlights the exceptional case of Bosnia and Herzegovina and its lack of political will to enforce a European Court of Human Rights judgment in 2013. The Commission then applied conditionality by reducing the 2013 IPA I allocation by €45 million and imposing further reductions of allocations. Under IPA II, from 2014 until 2017, €165 million were allocated to that country, as compared with €331 million from 2007 to 2010.

As regards the strengthening of the administrative capacity in the Western Balkans, the Commission effectively delivered the intended outputs, according to the ECA. The IPA for the rule of law and public administration reform was partly sustainable, while the impact of IPA I on the fight against corruption and organised crime was limited.

Source: Special report No 21/2016, European Court of Auditors, 2016.

Turkey

In 2009, the ECA published a special report dedicated to pre-accession funding in Turkey and the European Commission's management of it. Last year, the European Parliament commissioned an external study, which presents a follow-up to ECA's special report and provides answers to the questions asked in the title of the publication: 'Turkey: How the pre-accession funds have been spent, managed, controlled and the monitoring system?'. The publication concentrates on three study areas: pre-accession funding, European Investment Bank loans to Turkey and EU funding for Syrian and Iraqi refugees located in Turkey.

The study criticises the IPA II's sectoral approach as being the 'repackaging of previous approaches, but with less transparency'. It also points out that there has been a limited amount of publicly available monitoring information since the ECA issued its special report. It questions the volume of pre-accession funding (as the effectiveness of previous assistance is 'largely unknown') and notes that historically, utilisation rates in Turkey have been lower than in other candidate countries. The study also found it difficult to assess whether Turkey was moving towards EU standards (and EU membership) or was rather moving in the opposite direction.

There are some similarities between the recommendations in the study about Turkey and those included in the ECA special report on the Western Balkan countries, namely concerning the evaluation criteria. The authors of the study commissioned by the European Parliament call for clear intervention objectives and indicators for pre-accession and for the completion of the sector monitoring framework by the Commission. They would like to find information about pre-accession assistance more easily on the Commission's website. They also encourage the Commission to develop more coherent evaluation guidelines.

Other EU programmes in the same field

The IPA unified many of the instruments for pre-accession assistance that applied in previous enlargement rounds (Phare, SAPARD, ISPA, CARDS). When it comes to the other EU foreign policy instruments indicated below, candidate countries may benefit only from the European Instrument for Democracy and Human Rights.

The Development Cooperation Instrument (DCI) has the primary objective of eradicating poverty. It applies to all developing countries, except those eligible for pre-accession assistance.

The European Neighbourhood Instrument (ENI) funds EU efforts to cooperate with and promote development in 16 countries and territories on its eastern and southern frontiers, as part of the European neighbourhood policy. It works as a substitute for pre-accession investment in countries with little or no prospect of accession.

The Instrument contributing to Stability and Peace (IcSP) supports security initiatives and peace-building activities in partner countries all over the world.

The European Instrument for Democracy and Human Rights (EIDHR) supports projects in the area of human rights and fundamental freedoms and strengthens the rule of law and democratic reform in countries outside the EU, including enlargement countries.

The Partnership Instrument's (PI) overall objective is to advance and promote EU interest by supporting the external dimension of EU internal policies and by addressing major global challenges, such as energy security, climate change and the environment.

Macro-financial assistance (MFA) is an instrument designed to help EU candidate, potential candidate and neighbourhood countries in an acute balance-of-payments crisis by means of a loan or a grant from the EU. A MFA operation is exceptional and temporary, is based on economic and political conditions and is linked to an International Monetary Fund adjustment programme.

Endnotes

[1] Title III on cooperation with third countries and humanitarian aid.

[2] In 2017, implementation of IPA (2007-2013) is still underway.

[3] Regulation (EU) No 231/2014, Article 2.

[4] It is stated in the text of Regulation 231/2014 that 'This designation [Kosovo] is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence'.

[5] See the dedicated website of DG NEAR.

[6] Cross-country cooperation and multi-country assistance are not included.

[7] Communication from the Commission to the European Parliament and the Council – First Annual Report on the Facility for Refugees in Turkey, COM/2017/0130 final of 2 March 2017.

[8] See the 2017 EU general budget article 22 02 03 Support to Turkey.

[9] See Regulation (EU, EURATOM) No 966/2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002.

[10] They can be the IPA II beneficiary country or an entity designated by it, an agency of a Member State, an international organisation, or an EU specialised (but not executive) agency.

[11] See Regulation (EU) No 447/2014, Article 4.

[12] For details, see Title VI of the Commission Implementing Regulation (EU) No 447/2014.

[13] M. Parry, European Neighbourhood Instrument, EPRS, European Parliament, October 2016.

[14] Commission implementing decision adopting a special measure on flood recovery and flood risk management in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, the Republic of Serbia and Turkey, C(2014) 9797 final of 17 December 2014. NB: Footnote 4 addresses the name of Kosovo.

[15] EU Floods Recovery Programme for Bosnia and Herzegovina. The EU Regional Trust Fund, known as the Madad Fund, is pooling resources including from the IPA allocation to Turkey. For more details about EU trust funds, see A. D'Alfonso, B. Immenkamp, EU Trust Funds for external action. First uses of a new tool, EPRS, European Parliament, November 2015; for details about the migration crisis in the Western Balkans, see V. Lilyanova, The Western Balkans: Frontline of the migrant crisis, EPRS, European Parliament, January 2016.

[16] Regulation (EU) No 236/2014, Article 17.

[17] Thematic evaluation on IPA support to the fight against corruption. Final report, European Union, 2016, p. 9.

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