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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the Instrument for Pre-accession Assistance (IPA II)**

{SEC(2011) 1462 final}

{SEC(2011) 1463 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

This proposal should be viewed in the context of all proposed financial instruments for the financial perspective 2014-2020 as outlined in the Communication 'A Budget for Europe 2020'<sup>1</sup>. The Communication sets the budgetary framework for EU external action instruments under the Heading 4 (Global Europe), including the Instrument for Pre-accession Assistance (IPA). On this basis, the Commission is presenting a draft regulation laying down the legislative framework for the new IPA, together with an assessment of the impact of alternative scenarios for the instrument.

Article 49 of the Treaty on European Union provides 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.

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<sup>2</sup>, five years after the fifth enlargement of the EU in 2004, concluded that: the latest enlargements had 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 was better prepared to address current and future challenges.

The rationale for continuing with the enlargement of the EU was recalled 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 growth'*. The Council conclusions reiterated 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.

Currently, the EU is dealing with 5 candidate countries<sup>3</sup> and 4 potential candidates<sup>4</sup>. By 2014, only Croatia is foreseen to become a Member State. Socio-economic indicators show that, with the exception of Iceland, enlargement countries are still well below the EU average and even below the level of the weakest Member States. This low level of socio-economic development calls for substantial investments to bring these countries closer to EU standards and allow them to take on board the obligations of membership and to withstand the competitive pressures of the single market. Furthermore, these countries need to be prepared to withstand global challenges such as climate change and to align with the EU's efforts to

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A Budget for Europe 2020*, COM(2011)500 final, 29.6.2011

<sup>2</sup> *"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

<sup>3</sup> Croatia, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Turkey

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

address this complex issue. The EU 2020 Strategy for smart, sustainable, and inclusive growth includes addressing climate change and renewable energy targets among its 5 headline objectives. The EU has confidence in the low-carbon growth model and this must be projected externally, also in the process of enlargement.

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 respect for 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. Most lack the capacity to finance by themselves the institutional reforms and public investments necessary to stabilise their societies and economies and put them onto a sustainable development path.

**Technical and financial assistance to the Enlargement countries is currently provided through the Instrument for Pre-accession Assistance (IPA)<sup>5</sup>. This instrument will expire at the end of 2013. With a view to future accessions, the EU should continue to offer candidate countries and potential candidates technical and financial assistance to overcome their difficult situation and develop sustainably.**

The new pre-accession instrument should continue to *focus on delivering on the Enlargement Policy*, which is one of the core priorities of EU External Action, thus helping to promote stability, security and prosperity in Europe. To that end, the new instrument should continue to pursue the general policy objective of supporting candidate countries and potential candidates in their preparations for EU membership and the progressive alignment of their institutions and economies with the standards and policies of the European Union, according to their specific needs and adapted to their individual enlargement agendas. In doing so, the coherence between the financial assistance and the overall progress made in the implementation of the pre-accession strategy should be strengthened.

In addition, future pre-accession assistance needs to be even more strategic, efficient and better targeted than has been the case so far, aiming for more sustainable results in improving the readiness of these countries for membership. The new instrument needs to operate more flexibly and to leverage more funds from other donors or the private sector by using innovative financing instruments, while pursuing simplification and reduction of the administrative burden linked to managing the financial assistance.

#### Consistency with other policies

The enlargement process extends the internal policies of the EU to the beneficiary countries. It contributes to expansion of the internal market, the European Area of Justice and Freedom, the trans-European energy and transport networks, the enhancement of employment opportunities, skills development, education and social inclusion, poverty reduction, protection of the environment and reduction of trans-boundary air and water pollution, alignment with the Common Agricultural Policy and the Common Fisheries Policy, the efforts to diversify energy sources<sup>6</sup>, achieve resource efficiency, improve disaster resilience and risk

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<sup>5</sup> Council Regulation 1085/2006 of 17 July 2006

<sup>6</sup> On security of energy supply and international co-operation - "The EU Energy Policy: Engaging with Partners beyond our borders".COM(2011) 539 of 7.09.2011

prevention and management, and attain a more integrated and strategic approach to maritime policies, scientific excellence and the digital agenda, among other things. In addition, convergence with the EU's climate policy and legislation will bring significant benefits to the beneficiary countries through low-carbon development and greener jobs in a region highly vulnerable to the impact of climate change.

Through its Stabilisation and Association Agreements and other agreements with candidate countries and potential candidates, the EU actively encourages enlargement countries to establish competition regimes. Future pre-accession assistance will also be devoted to strengthening research and innovation capacity as well as information and communications technologies (ICTs), which in turn will facilitate realisation of the Innovation Union, underpin the other Europe 2020 strategy objectives and support compliance with EU technical requirements and standards in many other policies (e.g. public health, food security, climate action and the environment, including biodiversity and eco-systems).

Making Europe a safer place is high on the EU's agenda as defined in the Stockholm Programme. The improved strategic orientation of financial assistance for pre-accession will help support enlargement countries in preventing and tackling organised crime and corruption and in strengthening their law enforcement, border management and migration control capabilities.

Enlargement gives the EU greater weight and strengthens its voice in international fora. With the entry into force of the Lisbon Treaty, the EU now has the means to pull its weight on the global scene. The EU's role in adopting 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 the weight of both parties 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 divisions developing along ethnic or religious lines, and improve cooperation on maritime issues especially in the Black Sea. Iceland and the EU can together play an important role in addressing energy, environmental, climate change, maritime and security issues in the Arctic.

## **2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS**

### *Stakeholders consultation on future pre-accession assistance*

The proposal for the new Instrument for Pre-accession Assistance is based on extensive consultation with stakeholders which started at the conference on '*IPA: sustainable results and impact*', organised by the Commission in Brussels on 6 and 7 December 2010. This was followed by a series of consultations with stakeholders throughout the first part of 2011, which provided input to an *ex-ante* evaluation in preparation of the future pre-accession assistance instrument. Those consultations included:

- An **online survey**, obtaining 338 responses from: Member State representatives; public administrations and non-public stakeholders of candidate countries and potential candidates benefiting from IPA assistance; 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 and external stakeholders; three special focus groups on IPA assistance for cross-border cooperation, regional development, human resources development and rural development; two meetings with Member State representatives in the technical committee that assists the Commission in implementing pre-accession assistance; and a meeting with authorities of the Western Balkans focussing on options for future cross-border cooperation at borders within the Western Balkans.
- **Consultations** with: individual Commission officials at 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 of the EU in Zagreb on 10-11 May, where the preliminary results of the consultation were presented and discussed with all IPA stakeholders.

Analysis of the positions emerging from the stakeholder consultation showed support for:

- **Continuing with the instrument** with similar levels of resources covering both institutional development and socio-economic development;
- **Tailoring assistance** to the needs and characteristics of each country;
- **Strengthening 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;
- **Introducing multi-annual planning** to cover the duration of the next multi-annual financial framework, with a mid-term review, and developing further **multi-annual programming** also for transition assistance and institution-building actions, together with **better beneficiary involvement in programming**, led by stronger national authorities in charge of IPA coordination;
- **Rewarding good performance** based on absorption and on achieving strategic targets; **using conditionalities in a more strict and systematic way** at country, sector strategy and project level;
- **Making access to the various types of assistance** no longer subject to status as candidate/potential candidate, but dependent on readiness to implement, combined with a phased approach to decentralising the management of assistance;

- **Re-examining the current component structure**, including better coordination between policy areas;
- Continuing cooperation with IFIs and **leveraging** IFI and other donor funds;
- **Adopting a three-tier approach to monitoring and evaluation**, assessing progress relative to i) the path to accession; ii) national strategies and iii) achieving results at the level of programmes, sectors and measures.

#### *Internal consultation on future pre-accession assistance*

Within the Commission, preparations for the new IPA post-2013 involved extensive discussions within and between the four services involved in managing the assistance, i.e. the Directorates-General for: Enlargement; Regional Policy; Employment, Social Affairs and Inclusion; and Agriculture and Rural Development, as well as with the EU Delegations or Liaison Office in Iceland, the Western Balkans and Turkey.

#### *Public consultation on all external action instruments*

The future of pre-accession assistance was also the subject of a broader public consultation on future funding for EU external action held by the Commission 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 the Commission and the EEAS services involved. The 220 contributions received reflect the broad and diverse structures and views of the external action community.

Among the responses more specifically covering development assistance, the following were also relevant for pre-accession assistance:

- A majority of respondents confirmed that EU intervention provides a **substantial added value** in the main policy areas supported through the financial instruments for external action<sup>7</sup>. The EU added value was mentioned 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 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, as a way to increase the impact of EU financial instruments.
- Regarding the 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. **Increasing the geographic flexibility of the EU instruments** was supported by a significant majority of respondents as a way to respond to inter-regional challenges.

#### *Use of expertise*

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<sup>7</sup> 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

Two expert studies were commissioned by DG Enlargement to assess the intervention logic and draw lessons from the current IPA programme (IPA meta-evaluation), as well as to prepare an ex-ante evaluation of future pre-accession assistance post-2013. Both studies are available on the DG Enlargement website at the following address: [http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/evaluation/interim\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/evaluation/interim_en.htm)

### *Impact assessment*

As part of the preparation of the proposal for the new pre-accession instrument, the Commission carried out an impact assessment considering the following options:

**Option 1** - 'No change'.

**Option 2** - 'Amend the existing Regulation', with the following alternatives:

- **Sub-option 2.1 - 'Reduce scope and keep implementation arrangements'**, focusing on the necessary legal and institutional changes needed to comply with the accession criteria, without committing any significant funds for co-financing public investment for socio-economic development.
- **Sub-option 2.2 - 'Keep the component 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.
- **Sub-option 2.3: 'Maintain the scope and adjust implementation arrangements'**, covering both compliance with the accession criteria and support for socio-economic development. In addition, adjust aspects of the current IPA set-up and implementation modalities.

**Option 3: 'Design a new instrument'**. This option was not analysed in detail.

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 positive economic impact of the expansion of the internal market; 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.

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 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 were also considered.

The **environmental impact** of the options was assessed in terms of the likelihood that environmental costs would accrue if enlargement was delayed or put at risk, due to lower environmental standards being used to obtain competitive advantage in the beneficiary

countries and/or due to delays in implementing the expensive investments needed to align with the EU environmental *acquis*.

**Option 2.1** was assessed to have likely **negative impacts** on all aspects. **Positive impacts** compared to option 1 were expected to accrue from **options 2.2 and 2.3**, with different scores for the individual aspects. The improved modalities for delivering assistance under option **2.3**, by increasing its focus, efficiency, effectiveness, leverage and impact, were assessed as likely to have overall a more positive impacts than the increased investments in socio-economic development under option 2.2.

### 3. LEGAL ELEMENTS OF THE PROPOSAL

Enlargement policy 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 Article 212(2) of the Treaty on the Functioning of the European Union.

The proposal for the new Instrument for Pre-accession Assistance is in line with the principles of subsidiarity and proportionality under Article 5 of the Treaty on European Union.

In terms of subsidiarity, action at EU level brings crucial added value, linked to a number of factors:

- 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 accession requests by new candidates. The pre-accession assistance provided through the EU budget is designed to help candidate countries and potential candidates prepare for future membership: the IPA is designed to give countries a ‘test run’ of the obligations of membership before accession (such as putting 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*.
- With 27 Member States acting within common policies and strategies, the EU alone has the critical weight to respond to global challenges. The action of individual Member States can be limited and fragmented, with projects often too small to make a sustainable difference in the field. Streamlining the work of Member States through the EU enables better coordination and makes EU work more effective.
- 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 with the EU priorities. Working with the



EU is also cheaper. Administrative costs are lower than the average administrative costs of the principal donors of bilateral aid.

- 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, including to manage the structural, cohesion, agricultural and rural development, maritime and fisheries funds and policies of the Union. Technical and financial assistance speeds up the process of preparation and creates incentives for the necessary transformation of society, the legal system 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 the security of energy supplies and safe and hygienic food imports for its citizens, and combating climate change and pollution.

In line with the principle of proportionality, the proposed Regulation does not go beyond what is necessary to achieve its objectives.

#### 4. BUDGETARY IMPLICATION

In its Communication of June 2011 ‘A Budget for Europe 2020’ the European Commission proposed to allocate an amount of EUR 14 110 100 000 (current prices) to the new Instrument for Pre-accession Assistance for the period 2014-2020.

The detailed estimated financial impact of the proposal is presented in the Legislative Financial Statement enclosed with this proposal. The indicative yearly budget commitments\* are given in the table below.

Instrument for Pre-Accession	2014	2015	2016	2017	2018	2019	2020	2014-2020
	1898.0	1935.9	1974.6	2014.1	2054.4	2095.5	2137.4	<b>14110.1</b>

\*Current prices in million €

To ensure its predictability, funding for higher education activities in third countries in the context of "Erasmus for All" programme will be made available, in line with EU external action objectives, through 2 multi annual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative strategy papers of the IPA, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities. The provisions of the "Erasmus for All" Regulation (EU) No [--] of the European Parliament and of the Council establishing "Erasmus for All"<sup>8</sup> will apply to the use of those funds.

<sup>8</sup> OJ L ...

Financial assistance to the Turkish Cypriot community will continue to be provided until the adjustment foreseen in the second paragraph of article 11 of the Council Regulation laying down the multiannual financial framework for the years 2014-2020 has taken place. Such financial assistance shall continue to be governed by the provisions of Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community. Financial needs for the support to the Turkish Cypriot community will be covered from the overall envelope allocated to the Instrument for Pre-accession Assistance.

## 5. OPTIONAL ELEMENTS

### Simplification

A priority for the Commission in this new Regulation, as in other programmes under the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and facilitate Union assistance to beneficiary countries and regions, civil society organisations, SMEs, etc.

This proposal pursues simplification primarily by *streamlining the component structure around principal policy areas*. This translates into simplification of the legislative framework for the instrument and the future implementing rules, with streamlined provisions. Linked to the streamlining of the components structure, *undifferentiated access to assistance* under each policy area means 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 cumbersome procedure to reflect a beneficiary's change of status, thus reducing the gap between the political decisions on financial assistance and implementation on the ground. Similarly, should a new country become a potential candidate for EU accession, the procedural requirements for including that country among the beneficiaries of assistance would be considerably simplified.

Different Commission services will remain responsible for managing and implementing the assistance in the different policy areas. However, coordination, communication and implementation on the ground will be further improved through simplification of a number of aspects, including *closer joint monitoring* of the progress of implementation in the beneficiary countries and *fewer processes for accreditation* and conferral of management powers. Increasing the coherence of action by the Commission should also substantially reduce the cost and burden of coordination incurred by beneficiary countries, on account of the different communication channels and procedures used by the Commission.

The proposal also envisages that strategic decisions on the allocation of assistance are made through comprehensive country and multi-country strategy papers 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 assistance will follow from introducing multi-annual programming for transition and capacity-building assistance as well.

More simplification should also result from introducing, where the relevant conditions are in place, a sector-based approach to the allocation of assistance for those sectors. In addition to

improving the effectiveness and impact of the assistance, this approach could translate into a lower number of projects/contracts, thus reducing the administrative burden related to project/contract management. If conditions allow, the sector approach could also entail the use of budget support, again reducing the administrative burden compared to project support.

Detailed provisions on joint monitoring and the accreditation processes will be set out in separate implementing rules. These rules will pursue further simplification in cross-border cooperation between candidate countries and potential candidates, by further aligning programming and implementation with the Structural Funds approach.

Simplification and flexible procedures in the implementation of the new Regulation, will allow swifter adoption of implementing measures and delivery of EU assistance. Furthermore, the revision of the Financial Regulation, in particular the special provision for external actions, will help facilitate the participation of civil society organisations and small businesses in funding programmes, for example by simplifying rules, reducing the costs of participation and accelerating award procedures. In implementing this Regulation, the Commission will use the simplified procedures provided for in the new Financial Regulation.

#### Detailed explanation of specific provisions of the proposal

Overall, the current proposal and future implementing rules envisage the following revisions to the design of the instrument and its implementation modalities (in addition to the simplification already mentioned above):

1. The delivery of assistance will be made more coherent, strategic and result-oriented, by:
  - Addressing **policy areas** through **comprehensive multi-annual country (and multi-beneficiary) strategy papers** reflecting the political priorities of the Enlargement Strategy and covering, for each policy area, all necessary institution building, *acquis* compliance and investment actions. The scope will be based on a needs assessment and will be adapted to the country context.
  - Reinforcing (co-) **financing of agreed sector strategies** contributing to the policy objectives, as opposed to individual projects, thus moving away from purely grant-financed projects and increasing the share of assistance funded through support at sector level (including sector budget support for selected policy areas based on effectively targeted conditionalities). Nevertheless, support for *acquis* compliance will remain available through project support or other implementation modalities such as dedicated facilities, when not covered by overarching sector strategies.
  - More systematic **multi-annual programming** also for policy objectives pursued by transition and institution-building assistance (e.g. public administration reform; reform of justice systems, etc.), supporting effective implementation of the related sector strategies and ultimately attainment of the related objectives.
  - Making financial assistance more directly **conditional on improved governance and growing ownership** by the beneficiary countries. Elements of flexibility will be introduced to cater for emerging needs and give incentives to improve **performance**.

2. *The delivery of assistance* will be made *more flexible and tailored to address needs*, by:

- Allowing **un-differentiated access to assistance** (irrespective of candidate or potential candidate status), albeit with a different scope or intensity, on the basis of needs and technical and administrative capacity. The needs of the beneficiary countries would be the starting point for determining the sectors/policy areas for assistance.
- Envisaging a **more progressive, phased approach to the management of financial assistance**, whereby management would be by the Commission or by the beneficiary country, with or without *ex-ante* controls by the Commission, depending on accession status/perspective, sector/policy area of assistance, and administrative, technical and management capacity. The creation of management structures and procedures mirroring those that need to be in place post-accession would continue to be the aim in relevant sectors in preparation for accession.
- **Linking progress along different management phases to political priorities**, as reflected in progress reports, the achievement of negotiation benchmarks or the track record in implementing the Association Agreements.
- Increasing flexibility between priorities for a more result-oriented delivery of the assistance, allowing **allocations to be transferred between policy areas**, with the possibility to **carry over funds from one year to another**, where allowed by the new Financial Regulation.

3. *The deployment of assistance* will be made *more efficient and effective* by:

- Pursuing further the identification and use of **innovative financial instruments** that could leverage more private funds and looking into the possibility to exploit synergies with innovative financial instruments developed for internal policies, on the basis of a coordinated approach to and coordinated rules for using the EU budget in such instruments.
- Also as part of the move towards greater sector-level support, **increasing cooperation with other donors and International and other financial institutions at strategic level**, agreeing on policy priorities and on a clearer division of labour;
- Continuing to **support regional programmes/projects** that bring added value by encouraging knowledge and experience sharing, harmonisation of policies, agreement on joint priorities and building of mutual trust. Regional programmes also have the potential to enhance the effectiveness of policies, e.g. in transport, energy, environment, climate change, statistics, the fight against organised crime and migration issues.
- **Streamlining the rules for the procurement of twinning assistance** and introducing mechanisms to ensure the suitability of recruited experts, while also adding a possibility to draw funds from a dedicated facility to respond to needs as they arise.

Delegated acts

Considering that the discretionary policy decisions on the status of applicant countries should be taken at another level, it is proposed that amendments made to the list of beneficiary countries in Annex to the proposed Regulation to reflect such decisions should be adopted by way of a delegated act in accordance with Article 290 of the Treaty on the Functioning of the European Union, since such amendments will not actually affect an essential element of the Regulation.

It is also proposed that the Commission should be conferred delegated powers to adopt detailed rules establishing uniform conditions for implementing the proposed Regulation, in particular as regards management structures and procedures. Such rules are needed to complement the common rules and procedures for the implementation of the Union's instruments for external action established by the Common Implementing Regulation. They should take into account the lessons learnt from the management and implementation of past pre-accession assistance and be adapted to the evolution of the situation in the beneficiary countries.

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the Instrument for Pre-accession Assistance (IPA II)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>1</sup>,

Having regard to the opinion of the Committee of the Regions<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions “A Budget for Europe 2020”<sup>3</sup>, the Commission sets the budgetary framework for the external action instruments of the Union, including the Instrument for Pre-accession Assistance (IPA).
- (2) As Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)<sup>4</sup> expires on 31 December 2013 and in order to make the external action of the Union more effective, a framework for planning and delivering external assistance should be maintained for the period 2014–2020. The enlargement policy of the Union should continue to be supported by a specific financial instrument. The Instrument for Pre-accession Assistance (IPA) should therefore be renewed.

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<sup>1</sup> OJ C , , p. .

<sup>2</sup> OJ C , , p. .

<sup>3</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A Budget for Europe 2020*, COM(2011)500 final, 29.6.2011.

<sup>4</sup> OJ L 210, 31.7.2006, p. 82.

- (3) Article 49 of the Treaty on European Union provides that any European State which endorses the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights may apply to become a member of the Union.
- (4) A European State which has applied to join the Union can become a member only when it has been confirmed that it meets the membership criteria agreed at the Copenhagen European Council in June 1993 and provided that the accession does not overstretch the capacity of the Union to integrate the new member. These criteria relate to the stability of institutions guaranteeing democracy, the rule of law, respect of human rights and respect for, and protection of, minorities, the development of the economy that must be sufficient to withstand the competitive pressure in the internal market, and the ability to assume not only the rights but also the obligations under the Treaties.
- (5) The accession process is based on objective criteria and the application of the principle of equal treatment of all applicant countries. Progression towards accession depends on the capacity of the applicant country to undertake the necessary reforms to align its political, institutional, legal, administrative and economic systems with the rules, standards, policies and practices in the Union.
- (6) The European Council has granted the status of candidate country to Iceland, Montenegro, the former Yugoslav Republic of Macedonia and Turkey. It has confirmed the European perspective for Albania, Bosnia and Herzegovina, Serbia as well as Kosovo<sup>5</sup>, which are considered potential candidates.
- (7) Financial assistance under this Regulation should be granted to both candidate countries and potential candidates (the ‘beneficiary countries’) listed in the Annex to this Regulation, irrespective of their status.
- (8) Assistance under this Regulation should be provided in accordance with the enlargement policy framework defined by the Union for each beneficiary country reflected in the annual enlargement package of the Commission, which includes the Progress Reports and the Enlargement Strategy, in the Stabilisation and Association agreements and in the European or Accession Partnerships. Assistance should mainly focus on a limited number of policy areas that will help beneficiary countries strengthen democratic institutions and the rule of law, reform the judiciary and public administration, respect fundamental rights and promote gender equality and non-discrimination. It should also enhance their economic and social development, underpinning a smart, sustainable and inclusive growth agenda in line with the Europe 2020 strategy and to align progressively with the Copenhagen criteria. The coherence between the financial assistance and the overall progress made in the implementation of the pre-accession strategy should be strengthened.
- (9) Candidate countries and potential candidates need to be better prepared to withstand global challenges, such as sustainable development and climate change, and align with the Union’s efforts to address these issues. Union assistance under this Regulation should also contribute to the goal of raising the climate-related proportion of the Union budget to at least 20 %.

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<sup>5</sup> Under UNSCR No 1244/1999

- (10) The Commission and the Member States should ensure the compliance, coherence, and complementarity of their assistance, in particular through regular consultations and frequent exchanges of information during the different phases of the assistance cycle.
- (11) In order to ensure coherence between the accession process and the financial and technical assistance provided under this Regulation and achieve the objectives of the accession agenda, a common strategic framework for using the Instrument for Pre-Accession Assistance should be established by the Commission. This framework should define, *inter alia*, the list of key actions which may be supported under this Regulation and the criteria for the allocation of funds. The common strategic framework should constitute the reference framework for the country and multi-country strategy papers.
- (12) The objectives of the assistance should be defined in indicative country and multi-country strategy papers established by the Commission for the duration of the Union's Multi-annual Financial Framework in partnership with the beneficiary countries, based on their specific needs and enlargement agenda. The strategy papers should identify the policy areas for assistance and, without prejudice to the prerogatives of the budgetary authority, lay down the indicative allocations of funds per policy area, broken down per year, including an estimate of climate related expenditure. Sufficient flexibility should be built in to cater for emerging needs and to give incentives to improve performance. The strategy papers should ensure coherence and consistency with the efforts of beneficiary countries as reflected in their national budgets and should take into account the support provided by other donors. In order to take into account internal and external developments, the multiannual indicative strategy papers should be revised as appropriate.
- (13) It is in the Union's interest to assist beneficiary countries in their efforts to reform their systems in order to align them to those of the Union. Since the objective of this Regulation cannot be sufficiently achieved by the Member States and can be better achieved at Union's level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve this objective.
- (14) In order for this Regulation to be able to reflect swiftly the results of political decisions made by the Council, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission for updating the list of beneficiary countries in the Annex to this Regulation.
- (15) While Regulation (EU) No .../...of the European Parliament and of the Council of ...<sup>6</sup> (hereinafter "the Common Implementing Regulation") establishes common rules and procedures for the implementation of the Union's instruments for external action, delegated powers to adopt more detailed rules establishing uniform conditions for implementing this Regulation, in particular as regards management structures and procedures, should also be conferred on the Commission. Such rules should take into

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<sup>6</sup> OJ L .....



account the lessons learnt from the management and implementation of past pre-accession assistance and be adapted to the evolution of the situation in the beneficiary countries.

- (16) With regard to these delegated acts, it is of particular importance that the Commission should carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should further ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.
- (17) Assistance should continue to make use of the structures and instruments that have proved their worth in the pre-accession process. The transition from direct management of pre-accession funds by the Commission to decentralised management delegated to the beneficiary countries should be progressive and in line with each beneficiary country's capacities.
- (18) The implementing powers relating to the IPA common strategic framework and the strategy papers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers<sup>7</sup>. Taking into account the nature of those implementing acts, in particular their policy orientation nature or their financial implications, the examination procedure should in principle be used for their adoption, except for technical implementing measures of a small financial scale.
- (19) The committees established under this Regulation should be also competent for acts relating to the implementation of the previous Instrument for Pre-Accession Assistance, as well as for the implementation of financial assistance to the Turkish Cypriot community.
- (20) Where a beneficiary country violates the principles on which the Union is founded, or fails to respect the commitments contained in the relevant agreements concluded with the Union, or makes insufficient progress with respect to the accession criteria, the Council, on a proposal from the Commission, should be able to take appropriate measures to redress the situation.
- (21) Given the objectives and scope of the assistance provided under this Regulation, the European Economic and Social Committee and the Committee of the Regions should be consulted before its adoption,

HAVE ADOPTED THIS REGULATION:

## **TITLE I**

### **GENERAL PROVISIONS**

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<sup>7</sup> OJ L 55, 28.2.2011, p. 13.

## Article 1

### **General objective**

The Instrument for Pre-accession Assistance ('IPA') aims to support candidate countries and potential candidates ('beneficiary countries') listed in the Annex in implementing the political, institutional, legal, administrative, social and economic reforms required to bring the countries closer to Union values and to progressively align to Union rules, standards, policies and practices with a view to Union membership.

## Article 2

### **Specific objectives**

1. Assistance under this Regulation shall pursue the following specific objectives according to the needs of each beneficiary country and their individual enlargement agenda:
  - (a) Support for political reforms, *inter alia*:
    - (i). strengthening of democratic institutions and the rule of law, including its implementation;
    - (ii). promotion and protection of human rights and fundamental freedoms, enhanced respect for minority rights, promotion of gender equality, non-discrimination and freedom of the press, and promotion of good neighbourly relations;
    - (iii). the fight against corruption and organised crime;
    - (iv). public administration reform and good governance;
    - (v). the development of civil society and social dialogue;
    - (vi). reconciliation, peace building and confidence building measures.
  - (b) Support for economic, social and territorial development, with a view to a smart, sustainable and inclusive growth, *inter alia* through:
    - (i). the achievement of Union standards in the economy and economic governance;
    - (ii) economic reforms necessary to cope with competitive pressure and market forces within the Union, while pursuing economic, social and environmental goals;
    - (iii). fostering employment and developing human capital;
    - (iv). social and economic inclusion, in particular of minorities and vulnerable groups;

- (v). development of physical capital, the improvement of connections with Union and regional networks.
- (c) Strengthening of the ability of beneficiary countries to fulfil the obligations stemming from membership by supporting progressive alignment with and adoption, implementation and enforcement of the *acquis communautaire*, structural, cohesion, agricultural and rural development funds and policies of the Union.
- (d) Regional integration and territorial cooperation involving beneficiary countries, Member States and, where appropriate, third countries within the scope of Regulation (EU) No [...] establishing a European Neighbourhood Instrument<sup>8</sup>.
2. Progress towards achievement of the specific objectives set out in paragraph 1 shall be assessed through indicators that cover *inter alia*:
- Progress in the areas of democracy, the rule of law, the respect of human rights and fundamental freedoms, the justice system and the level of administrative capacity;
  - Progress in economic reforms; the soundness and effectiveness of social and economic development strategies, progress towards smart, sustainable and inclusive growth, including through public investments supported by IPA;
  - The body of legislation aligned with the *acquis*; progress in Union-related institutional reform, including transition to decentralised management of the assistance provided under this Regulation;
  - The relevance of regional and territorial cooperation initiatives and the evolution of trade flows.

The indicators shall be used for monitoring, evaluation and review of performance, as appropriate.

### *Article 3*

#### *Policy areas*

1. Assistance under this Regulation shall mainly address the following policy areas:
- (a) the transition process towards Union membership and capacity building;
  - (b) regional development;
  - (c) employment, social policies and human resources development;
  - (d) agriculture and rural development;
  - (e) regional and territorial cooperation.

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<sup>8</sup> OJ L...

2. Assistance under the policy areas referred to in paragraph 1 shall support the beneficiary countries in attaining the general and specific objectives set out in Articles 1 and 2.
3. Assistance under the policy areas referred to in points (b) to (d) of paragraph 1 may include *inter alia* financing of the type of actions provided for under Regulation (EU) XXXX/201X of the European Parliament and of the Council of MM/DD/YYYY on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal<sup>9</sup>, Regulation (EU) XXXX/201X of the European Parliament and of the Council of DD/MM/YYYY on the Cohesion Fund<sup>10</sup>, Regulation (EU) XXXX/201X of the European Parliament and of the Council of MM/DD/YYYY on the European Social Fund<sup>11</sup>, Regulation (EU) XXXX/201X of the European Parliament and of the Council of DD/MM/YYYY on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal<sup>12</sup> and Regulation (EU) XXXX/201X of the European Parliament and of the Council of DD/MM/YYYY on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)<sup>13</sup>.
4. Assistance under the policy area referred to in point (e) of paragraph 1, may in particular finance multi-country or horizontal actions as well as cross-border, transnational and interregional cooperation actions.

#### *Article 4*

##### ***Compliance, coherence and complementarity***

1. Financial assistance under this Regulation shall be consistent with Union policies. It shall comply with the agreements concluded by the Union with the beneficiary countries and respect commitments under multilateral agreements to which the Union is a party.
2. The Commission, the Member States and the European Investment Bank shall ensure coherence between assistance provided under this Regulation and other assistance provided by the Union, the Member States and the European Investment Bank.
3. The Commission and the Member States shall ensure coordination of their respective assistance programmes to increase effectiveness and efficiency in the delivery of assistance and to prevent double funding in line with the established principles for strengthening operational coordination in the field of external assistance, and for the harmonisation of policies and procedures. Coordination shall involve regular consultations and frequent exchanges of information during the different phases of the assistance cycle, in particular at field level and shall constitute a key step in the programming processes of the Member States and the Union.

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<sup>9</sup> OJL ....  
<sup>10</sup> OJL ....  
<sup>11</sup> OJL ....  
<sup>12</sup> OJL ....  
<sup>13</sup> OJL ....

4. In order to increase effectiveness and efficiency in the delivery of assistance and to prevent double funding, the Commission shall, in liaison with the Member States, take the necessary steps to ensure better coordination and complementarity with multilateral and regional organisations and entities, such as international financial institutions, United Nations agencies, funds and programmes, and non-Union donors.
5. When preparing, implementing and monitoring assistance under this Regulation, the Commission shall in principle act in partnership with the beneficiary countries. The partnership shall involve, as appropriate, competent national, regional and local authorities, economic and social partners, civil society and non-state actors.

## **TITLE II**

### **STRATEGIC PLANNING**

#### *Article 5*

##### ***IPA Common Strategic Framework***

1. The Commission shall establish a Common Strategic Framework for the Instrument for Pre-accession Assistance. The IPA Common Strategic Framework shall translate the political priorities of the enlargement policy into key actions which can receive assistance under this Regulation.
2. The IPA Common Strategic Framework shall *inter alia* include:
  - (a) the criteria to be used for the allocation of funds to beneficiary countries as well as to multi-country and territorial cooperation actions;
  - (b) the types of actions which can be financed by the IPA;
  - (c) the common guidelines for management and implementation of the IPA.
3. The Commission shall approve the IPA Common Strategic Framework and any revision thereof in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation.

#### *Article 6*

##### ***Strategy Papers***

1. Assistance under this Regulation shall be provided on the basis of country or multi-country indicative strategy papers (hereinafter "strategy papers"), established for the duration of the Union's Multi-annual Financial Framework, by the Commission in partnership with the beneficiary country or countries concerned.
2. The strategy papers shall specify the appropriate mix of policy areas as referred to in Article 3 which will receive financial assistance under this Regulation to reflect needs and priorities in accordance with the objectives referred to in Article 2, with

the IPA Common Strategic Framework referred to in Article 5, and with the national strategies, as appropriate.

3. The strategy papers shall include the indicative allocation of Union funds per policy area, as applicable, broken down per year, in line with the criteria set in the IPA Common Strategic Framework referred to in Article 5. The indicative allocation of funds shall duly take account of the needs, absorption capacity and administrative capacity of the beneficiary countries. It shall also allow for addressing emerging needs and include incentives to enhance the performance of the beneficiary countries with regard to the objectives set in the multi-annual indicative strategies.
4. The strategy papers shall be reviewed at mid-term and revised as appropriate. They may be revised at any time at the initiative of the Commission.
5. The Commission shall adopt the strategy papers and any revision thereof in accordance with the examination procedure referred to in Article 15(3) of the Common Implementing Regulation.

### **TITLE III**

#### **IMPLEMENTATION**

##### *Article 7*

##### ***General Framework***

Union assistance under this Regulation shall be implemented through programmes and measures as referred to in Articles 2 and 3 of the Common Implementing Regulation and in accordance with specific rules establishing uniform conditions for implementing the present Regulation, in particular as regards management structures and procedures, which the Commission shall adopt in accordance with Articles 10 and 11 of the present Regulation. Implementation shall, as a rule, take the form of annual or multiannual, country specific or multi-country programmes established in accordance with the strategy papers referred to in Article 6 and drawn up by the beneficiary countries and/or the Commission, as appropriate.

##### *Article 8*

##### ***Framework and subsidiary agreements***

1. The Commission and the beneficiary countries shall conclude framework agreements on the implementation of assistance.
2. Subsidiary agreements concerning the implementation of assistance may be concluded between the Commission and the beneficiary country or its implementing authorities, as required.

## Article 9

### ***Cross-instrument provisions***

1. In duly justified circumstances and in order to ensure the coherence and effectiveness of Union financing or to foster regional cooperation, the Commission may decide to extend the eligibility of programmes and measures referred to in Article 7 to countries, territories and regions which otherwise would not be eligible for financing pursuant to Article 1, where the programme or measure to be implemented is of a global, regional or cross border nature.
2. The European Regional Development Fund shall contribute to programmes or measures established under this regulation for cross-border cooperation between beneficiary countries and Member States. The amount of the contribution from the European Regional Development Fund shall be determined pursuant to Article 4 of Regulation (EU) No ...of the European Parliament and of the Council of ... on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal. The provisions of the present Regulation shall apply to the use of this contribution.
3. Where appropriate, the IPA may contribute to transnational and interregional cooperation programmes or measures that are established and implemented under the provisions of the Regulation (EU) No ... [*on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal*] and in which IPA beneficiary countries participate.
4. Where appropriate, the IPA may contribute to cross-border cooperation programmes or measures that are established and implemented under the Regulation (EU) No ... of the European Parliament and of the Council of ... establishing a European Neighbourhood Instrument and in which IPA beneficiary countries participate.

## TITLE IV

### FINAL PROVISIONS

## Article 10

### ***Delegation of powers to the Commission***

The Commission shall be empowered to adopt delegated acts in accordance with Article 11 to amend the Annex to this Regulation and to complement the Common Implementing Regulation with specific rules establishing uniform conditions for implementing this Regulation.

## Article 11

### ***Exercise of the powers delegated to the Commission***

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The delegation of powers shall be conferred on the Commission for the period of validity of this Regulation.
3. The delegation of powers may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.

## *Article 12*

### *Committee*

1. The Commission shall be assisted by the IPA Committee. This committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. For programmes addressing the policy areas referred to in points (b) and (c) of Article 3 and implemented indirectly by the beneficiary countries, the Commission shall be assisted by the Coordination Committee of the Funds referred to in Article 143 of Regulation (EU) No [...] of the European Parliament and of the Council of ... laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006<sup>14</sup>. For programmes addressing the policy area referred to in point (d) of Article 3 and implemented indirectly by the beneficiary countries, the Commission shall be assisted by the Rural Development Committee referred to in Article 91 of Regulation (EU) No [...] of the European Parliament and of the Council of ... on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)<sup>15</sup>. In such cases, the IPA committee shall be informed without delay of the opinion delivered by the other committee(s).
3. The committees referred to under paragraphs 1 and 2 shall be competent for legal acts and commitments under Regulation (EC) No 1085/2006 of 17 July 2006

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<sup>14</sup> OJL...

<sup>15</sup> OJL...



establishing an Instrument for Pre-Accession Assistance<sup>16</sup>. In addition, the IPA committee shall also be competent for the implementation of Article 3 of Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction<sup>17</sup>.

### *Article 13*

#### ***Suspension of Union support***

Without prejudice to the provisions on suspension of aid in partnership and cooperation agreements with partner countries and regions, where a beneficiary country fails to respect the principles of democracy, the rule of law, human rights, minority rights and fundamental freedoms, or the commitments contained in the relevant agreements concluded with the Union, or where progress towards fulfilment of the accession criteria is insufficient, the Union shall invite the beneficiary country to hold consultations with a view to finding a solution acceptable to both parties, except in cases of special urgency. Where consultations with the beneficiary country do not lead to a solution acceptable to both parties, or if consultations are refused or in cases of special urgency, the Council may take appropriate measures in accordance with Article 215(1) of the Treaty on the Functioning of the European Union, which may include full or partial suspension of Union assistance. The European Parliament shall be fully and immediately informed of any decisions taken in this respect.

### *Article 14*

#### ***Financial reference amount***

1. The financial reference amount for the implementation of this Regulation for the period from 2014 to 2020 shall be EUR 14 110 100 000 (current prices). Up to 3% of the financial reference amount shall be allocated to cross-border cooperation programmes between beneficiary countries and EU Member States.
2. The annual appropriations shall be authorised by the budgetary authority within the limits of the Union Multi-annual Financial Framework.
3. As referred to in Article 13, paragraph 2 of the "Erasmus for All" Regulation, in order to promote the international dimension of higher education, an indicative amount of EUR 1 812 100 000 from the different external instruments (Development Cooperation Instrument, European Neighbourhood Instrument, Instrument for Pre-accession Assistance, Partnership Instrument and the European Development Fund), will be allocated to actions of learning mobility to or from non EU countries and to cooperation and policy dialogue with authorities/institutions/organisations from these countries. The provisions of the "Erasmus for All" Regulation will apply to the use of those funds.

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<sup>16</sup> OJ L 210, 31.7.2006, p. 82-93

<sup>17</sup> OJ L 65, 7.3.2006, p. 5

The funding will be made available through 2 multiannual allocations only covering the first 4 years and the remaining 3 years respectively. This funding will be reflected in the multiannual indicative programming of these instruments, in line with the identified needs and priorities of the countries concerned. The allocations can be revised in case of major unforeseen circumstances or important political changes in line with the EU external priorities.

*Article 15*

***Entry into force***

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## ANNEX

- Albania
- Bosnia and Herzegovina
- Iceland
- Kosovo\*
- Montenegro
- Serbia
- Turkey
- The former Yugoslav Republic of Macedonia

\*Under UNSCR 1244/1999

## **LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. *Summary of estimated impact on expenditure*
  - 3.2.2. *Estimated impact on operational appropriations*
  - 3.2.3. *Estimated impact on appropriations of an administrative nature*
  - 3.2.4. *Compatibility with the current multiannual financial framework*
  - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

## LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Instrument for Pre-accession Assistance (IPA)

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>26</sup>

Enlargement

#### 1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**<sup>27</sup>
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objectives

##### 1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The general objective of the enlargement policy is to implement Article 49 of the Treaty on the European Union, which offers a European perspective to all European countries that respect the fundamental values of the EU and are committed to promoting them.

The enlargement policy promotes stability, security and prosperity in Europe and increases the weight of the EU on the international scene.

The enlargement policy helps to consolidate democracy and the rule of law in Europe. It enhances economic opportunities and increases the weight of the EU in tackling global challenges such as climate change, competitiveness and the regulation and supervision of financial markets, and helps to mobilise for the common effort to address the goals of Europe 2020. The accession process provides strong encouragement for political and economic reform.

Closer integration through the enlargement process also helps the EU to achieve its objectives in a number of areas which are key to social and economic reform for smart, sustainable and inclusive growth, including energy, transport, the protection of the environment, disaster resilience and efforts to address climate change. New applications for membership demonstrate the EU's power of attraction and its role in promoting stability, security and prosperity.

<sup>26</sup> ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

<sup>27</sup> As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

The EU's enlargement policy allows for a carefully managed process where candidates and potential candidates approach the EU in line with the pace of their political and economic reforms as well as their capacity to assume the obligations of membership in accordance with the Copenhagen criteria. In the Western Balkans, regional cooperation remains key and constitutes a central element of the Stabilisation and Association Process.

Once the Council has decided to open accession negotiations with an applicant country, the progress of the applicant country towards meeting European standards is reflected in the chapters of the *acquis* opened and closed.

Over the last five years, the enlarged EU has demonstrated its capacity to work together to address the important challenges it faces. Over this period, progress with reforms in the enlargement countries has allowed them to move through successive stages in the accession process.

The EU's enlargement process is moving forward at a pace which is largely determined by the capacity of the aspirant countries to take on the obligations of membership. This requires durable reforms as well as legislative and institutional adaptations which are credible and convincing. As the countries concerned meet the standards which have been set, including notably those linked to democracy, the rule of law and fundamental rights and freedoms, the EU is committed to working with them to advance to the next steps in the process.

A single integrated pre-accession instrument is proposed as the financial pillar of the Enlargement Strategy, encompassing all dimensions of internal policies and thematic issues.

The aim will be to ensure that candidate countries and potential candidates are fully prepared for eventual accession. Emphasis will be put on good governance, administrative capacity, socio-economic development, regional cooperation, adopting and implementing the *acquis*, and preparing for managing internal policies upon accession. It will be implemented through national/multi-beneficiary programmes agreed with the beneficiaries and will also mirror the Structural Funds, the Cohesion Fund and the European Agricultural Fund for Rural Development (EAFRD), including their refocusing on delivering public goods.

In addition, political and financial crisis-related instruments (Macro Financial Assistance, Instrument for Stability) will continue to be available for use in enlargement countries, when needed.

#### 1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned initiative*

##### Specific objective No.

- (a) Support to political reforms
- (b) Support to economic, social and territorial development and reforms, aiming at a sustainable, smart and inclusive growth
- (c) Increase beneficiary countries' ability to assume the obligation of membership by supporting progressive alignment with, adoption, implementation and enforcement of the *acquis communautaire* including preparation for the implementation and management of EU structural, cohesion, agricultural and rural development funds.
- (d) Regional integration and territorial cooperation

ABM/ABB activity(ies) concerned

04.06 Instrument for Pre-Accession Assistance (IPA) — Human resources development

05.05 Pre-accession measures in the field of agriculture and rural development

13.05 Pre-accession operations related to the structural policies

22.02 Enlargement process and strategy

22.04.02 Information and communication programmes for non-member countries

*1.4.3. Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

The new pre-accession instrument will 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, the new instrument will pursue the general policy objective of supporting candidate countries and potential candidates in their preparations for EU membership and the progressive alignment of their national systems/economies with the standards and policies of the European Union, according to their specific needs and adapted to their individual enlargement agenda.

In terms of *results and impacts to be achieved*, the new instrument will address i) the development gap/challenges in the beneficiary countries, ii) the limited capacity to overcome these from own resources and the weak public institutions and/or administrative capacity in the beneficiary countries, and iii) reduce disparities among beneficiary countries, through achieving:

(i) better functioning democratic institutions, in particular for ensuring the respect of the rule of law, and human rights, and the inclusion of minorities; reduction of corruption and organized crime; reformed and modernised the public administration ;

(ii) EU standards in the economy and economic governance; improved capacity to compete within the market forces in the Union; improved employment rates, increasingly skilled human resources and reduced social disparities; increased research and innovation capacity

(iii) laws progressively aligned with the EU *acquis*, adopted and enforced; improved capacity to implement and manage EU structural, agricultural and rural development funds; increased participation in selected EU programmes and agencies.

(iv) increased economic integration in the region, including through cross-border energy and transport infrastructure, closer and reinforced neighbourly relations among the beneficiary countries and with the EU.

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.

*1.4.4. Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

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.

Relevant targets and milestones related to these macro-indicators may include, inter alia, the following: receipt of the application for EU membership, adoption by the Commission of a positive opinion on the application or recommendation to grant candidate country status, recommendations to open accession negotiations, opening or provisional closure of negotiation chapters, overall closure of accession negotiations, degree of compliance with the Copenhagen criteria, entry into force of visa liberalisation and readmission agreement, conferral of management powers of the IPA assistance, waiver of ex-ante controls on management of IPA assistance, entry into force of customs/trade agreement and removal of obstacles/technical barriers to trade, participation in regional initiatives, resolution of bilateral issues, progress in the integration of Trans European Networks.

At operational level, progress could be measured in relation to *operational objectives* corresponding to the specific objectives i. to iv. identified for the future pre-accession instrument. Operational objectives include:

- (a) to improve perceptions of democracy and the justice system and with respect to human rights and non-discrimination; reduce outstanding court caseload and the number of infringements of fundamental rights; increase capacities for law enforcement and generally administrative capacity, reduce staff turnover.
- (b) to develop sound and effective social and economic development strategies; to improve skills and qualification levels and strengthen labour market services; to support public investment; establish management structures for EU structural, cohesion and rural development funds upon accession, achieving accreditation and conferral of management;
- (c) to improve the legislative framework; align legislation with the *acquis*, create and strengthen institutions and enforcement structures; join and deepen participation to EU programmes.
- (d) to encourage deeper cooperation.

Operational objectives will need to be customized to the situation in each beneficiary and would be set in the programming documents based on the identified challenges.

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.

With relation to climate mainstreaming, a tracking system will be put in place to identify where programmes promote climate action or energy efficiency so that the EU would be able to set out clearly how much of its spending relates to such issues. Clear benchmarks, monitoring and reporting rules will be established. Tracking of climate-related expenditure will be performed based on the established OECD methodology (‘Rio markers’). In line with the Commission's broader commitment to mainstreaming, the OECD DAC marker will also be applied for tracking progress on biodiversity and desertification mainstreaming".

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. As the 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.

## **1.5. Grounds for the proposal/initiative**

### *1.5.1. Requirement(s) to be met in the short or long term*

Beneficiaries of the assistance are candidate countries and potential candidates for EU membership in the Western Balkans, Iceland and Turkey.

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

The Feira European Council in June 2000 acknowledged that Western Balkan countries participating in the SAP were ‘potential candidates’ for EU membership. The European perspective of these countries was further confirmed by the Thessaloniki European Council in June 2003 which endorsed the “Thessaloniki Agenda for the Western Balkans”. This agenda remains the cornerstone of the EU policy towards the region. At the Sarajevo EU-Western Balkans ministerial meeting on 2 June 2010, the EU reiterated its commitment to the European perspective of the Western Balkans and stressed that the future of these countries lies in the EU.

Of those countries that initially came under the SAP, Croatia, the former Yugoslav Republic of Macedonia and recently Montenegro gained candidate status, while Albania, Bosnia and Herzegovina, Kosovo<sup>28</sup> and Serbia are potential candidates. Other countries that were given an EU accession perspective include Turkey, which applied already in 1987 and which was granted applicant status in 1999; and Iceland, which applied in 2009 and was granted candidate status in 2010.

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<sup>28</sup> Under UNSCR 1244/1999

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

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

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 the Copenhagen criteria before membership negotiations can begin. The alignment of beneficiaries with accession criteria requires considerable efforts in terms of public investment and access to in-depth knowledge and expertise. The EU support is designed to assist candidates in order to help them meet these criteria.

#### 1.5.2. *Added value of EU involvement*

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, combating climate change and pollution, addressing cross-border effects of disasters and providing EU solidarity to countries with low level disaster resilience.

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).

### 1.5.3. Lessons learned from similar experiences in the past

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.

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 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. 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 and that a determining factor in terms of achieving impact and sustainability was 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)<sup>29</sup> for planning and programming should facilitate prioritisation and sequencing of assistance, donor coordination and enhance beneficiary countries' ownership.

A two-phase *interim evaluation of the first eight IPA Cross Border Cooperation programmes* at intra-Western Balkans borders was completed in May 2011. The evaluation concluded that stakeholders perceive improved neighbourly relations as a consequence of the programme and view it as fundamental for future cooperation, and that conditions were mature for increased cooperation. The evaluation recommended that the socio-economic analysis should be strengthened with a more updated statistical basis, a better explanation of criteria used as well as better alignment with statistical areas. It also recommended that the application package and the evaluation procedure should be streamlined and simplified.

*Ex-ante evaluations of operational programmes for regional, human resources and rural development* were conducted 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. Interim evaluations are ongoing.

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<sup>29</sup> 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

An *ex-ante evaluation of the pre-accession financial instruments post-2013* concluded 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 structures and systems necessary to manage EU assistance are already being set up. However, in light of the differences amongst beneficiary countries (in socio-economic terms, with regard to the development of their institutions and public administration and their accession perspective), the consultation recommended a **more tailor-made approach, simplified implementing rules, more flexibility and enhanced strategic orientation** in the allocation of assistance, and a more systematic use of **multiannual programming**.

#### 1.5.4. Coherence and possible synergy with other relevant instruments

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 agenda, 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), where fundamental European values (such as respect of human rights) are not complied with by a beneficiary country, or where an internal policy instrument has a particularly important external dimension, other instruments could 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, Connecting Europe Facility, ...).

#### 1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
- Proposal/initiative in effect from 01/01/2014
- Financial impact from 01/01/2014 to 31/12/2020
- Proposal/initiative of **unlimited duration**
  - Implementation with a start-up period from YYYY to YYYY,
  - followed by full-scale operation.

## 1.7. Management mode(s) envisaged<sup>30</sup>

**Centralised direct management** by the Commission

**Centralised indirect management** with the delegation of implementation tasks to:

- executive agencies
- bodies set up by the Communities<sup>31</sup>
- national public-sector bodies/bodies with public-service mission
- persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

**Shared management** with the Member States: cross border cooperation programmes between EU Member States and IPA beneficiary countries will be implemented by managing authorities from EU Member States under shared management.

**Decentralised management** with third countries

**Joint management** with international organisations: joint management will essentially involve international financial institutions (such as EIB, EBRD, World Bank, CoEDB) as well as specialised UN agencies as the case may be.

*If more than one management mode is indicated, please provide details in the "Comments" section.*

### Comments

The ultimate aim of the regulation is that assistance is managed under the full responsibility of beneficiary countries, under decentralised management. However, this objective will be implemented progressively, as the administrative capacity of the beneficiary countries evolves, and the conditions for conferring management powers are met. During the initial phases, the Commission will retain management control, and/or entrust implementation to specialised bodies under indirect or joint management as the case may be. Centralised management will also be the primary method for multi-country programmes.

Joint management will also be used for actions with international and European financial institutions, with a view to leverage additional funding, essentially for investment in the necessary social or economic infrastructure.

Finally, shared management will continue to be used for territorial cooperation objectives involving EU member states.

<sup>30</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag\\_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)

<sup>31</sup> As referred to in Article 185 of the Financial Regulation.

## 2. MANAGEMENT MEASURES

### 2.1. Monitoring and evaluation arrangements

*Specify frequency and conditions.*

Monitoring and evaluation arrangements will be reinforced in comparison to the current situation, with an improved focus on results. They will 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.

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.

## **2.2. Management and control system**

### *2.2.1. Risk(s) identified*

The operational environment of IPA is characterised by the following risks to achieving the instrument's objectives:

- IPA is primarily designed to run under a decentralised management mode, as an integral part of preparations for EU membership. This implies a higher inherent risk, as the ultimate manager (the Commission) has no direct authority over the decentralised manager's implementation structure;
- regular changes to the implementation environment which are inherent in accession processes, e.g. from centralised management to decentralised, then waiver of ex ante controls, put unusually high demands on organisational coordination, as well as on staff adaptability, training, and judgment, as they in turn require regular changes to the internal control and organisational setup on the Commission side;
- diversity of potential beneficiaries with their diverse internal control structures and capacities can fragment and therefore reduce the Commission's available resources to support and monitor implementation;
- deficiencies of the institutional and administrative capacity in beneficiary countries may lead to long drawn out decentralisation processes compromising the timely use of committed funds and / or to difficulties and delays in the design and implementation of individual interventions;
- poor quality and quantity of available data on the outcomes and impact of pre-accession aid in beneficiary countries may hamper the Commission's ability to report on and be accountable for results;
- economic/political difficulties may lead to difficulties and delays in the design and implementation of interventions, particularly in beneficiary countries where institutions are still young and fragile;
- unresolved constitutional, institutional, and border issues within and between beneficiary countries can block the implementation of key assistance projects and lead to the loss of significant funds;
- a lack of administrative credits may lead to insufficient resources to properly manage the instrument.

### 2.2.2. Control method(s) envisaged

The internal control / management process of the DG's involved in IPA are designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness, efficiency and economy of its operations, the reliability of its financial reporting and compliance with the relevant legislative and procedural framework.

To ensure the effectiveness, efficiency, and economy of its operations (and to mitigate the high level of risk in its pre-accession environment), in addition to all the elements of the Commission wide Strategic Policy and Planning process, internal audit environment and other requirements of the Commission's Internal Control Standards, DG ELARG (other IPA DGs use similar or slightly modified control arrangements optimised for the transition to the control framework for EU structural and agricultural funds) will continue to have a tailored financial assistance management framework in operation under all its instruments, which is enshrined in a regularly updated Internal Control Strategy document. This will include:

- Decentralised management by national implementing agencies upon which management powers are conferred by the Commission after a careful process of setting strict management standards and assessing them through i.a. comprehensive systems audits.
- Ex ante controls by EU delegations in the field on all assistance files approved by the national implementing systems until these systems are assessed ready and mature for such ex ante controls to be waived safely. This assessment of the national systems' track record involves i.a. the file rejection rate trends.
- Clear lines of financial and results accountability from national implementing systems to the Commission Authorising Officer (Director) sub-delegated by the AOD, including irregularity reporting, an annual statement of assurance by national authorising officers and audit opinions by the national audit authorities;
- A programme of sub-systems audits carried out by Commission auditors to check continued compliance with management standards following conferral of management;
- Defined clearance of accounts procedures including additional verifications and a structured policy for financial correction of transaction and systemic errors detected by national and Commission auditors;
- Devolved management of the bulk of pre-accession aid by EU delegations in the field until management powers can be conferred upon national implementing agencies.
- Clear lines of financial accountability for management devolved to EU delegations via sub-delegation from the Sub-delegated Authorising Officer (Director) at HQ to the Head of Delegation;
- Establishment and annual update of assurance strategies by EU Delegations to their sub-delegating officers (Directors) including detailed, risk assessed control and audit plans;
- Regular reporting from EU Delegations to HQ (AOSD / Management Reports) on the implementation of the assistance and the assurance strategies, including an annual Statement of Assurance by the sub-delegated AOSDs / Heads of Delegation;



- Regular internal audits of delegations, both delegations supervising decentralised implementation and devolved delegations;
- Ex post controls of finalised programmes to ascertain that all levels of the management and control systems meet the standards required;
- Provision of a substantial programme of training for staff both at HQ and in delegations,
- Significant HQ/Delegation support and guidance (including via internet);
- A project and programme cycle management methodology including:
- Quality support tools for the design of the intervention, its delivery method, financing mechanism, management system, assessment and selection of any implementing partners etc.
- Programme and project management, monitoring and reporting tools for effective implementation including regular external on-the-spot monitoring of projects.
- Significant evaluation and audit components.

DG ELARG will continue to pursue the highest standards of accounting and financial reporting to ensure a continued unqualified opinion from its external auditors (the European Court of Auditors) using the Commission's accruals based accounting system (ABAC) as well as external aid specific tools such as the Common Relex Information System (CRIS).

In relation to compliance with the relevant legislative and procedural framework, control methods are set out in section 1.3 (measures to prevent fraud and irregularities)

### 2.2.3. *Costs and Benefits of Envisaged Controls*

#### 2.2.3.1. Costs of Control

The control setup proposed for the new IPA instrument does not differ significantly from the one applying under the current instrument. Its cost structure will therefore be similar. Nevertheless, the redesign of the instrument is expected to reduce to some appreciable extent the likelihood of compliance errors. Aspects such as more flexible programming allowing for optimised project selection and the broader use of innovative financing instruments (e.g. leveraging IFIs and other donors) should contribute to this.

Expected costs of controls presented below are current price-based and based on following assumptions:

- Current staffing levels in the IPA DGs stable over the period
- Average cost of civil servant = €127,000 (doubled for EU Delegation postings)
- Average cost of contract agent = €64,000

Costs incurred by national systems in countries implementing IPA under decentralised management are not included. It should be noted that a significant share of the investment and training costs incurred to set up such systems is financed by IPA operational expenditure.

Overall IPA management and control costs per year (Staff: allocated to Programme or Budgetary management and anti-fraud)	M€
Fixed costs (at current and planned levels of operational expenditure)	
Officials in DG ELARG HQ	11.2
Contract agents in DG ELARG HQ	7.3
Officials in EU Delegations	9.4
Contract Agents in EU Delegations	6.5
Costs of Local Agents, local costs for Contract Agents, and other costs of running Delegations	28.5
Officials and Contract Agents in other IPA DGs	2.0
External staff from other IPA DGs in EU Delegations	6.0
Variable costs (estimate of current overall annual cost)	
Contracted audit and ex post control costs	1.0
Contracted evaluation costs	3.0
Contracted monitoring costs (ROM)	2.0
Audit certificates (contracted by beneficiaries)	2.0
On-the-spot controls and other contracted additional controls part of financial circuit checks	0.8
<b>Total control costs (IPA) per annum</b>	<b>79.7</b>

The costs presented in the table are management and control costs, and amount to approx. €80 million, or approx. 4% of annual expenditure planned for 2014-2020. They include the whole management structure for the instrument, from planning to programming to implementation. By a narrower definition of control including only the cost of checks directly impacting on the regularity of transactions, total costs would be reduced by ca. €30 million, i.e., would amount to approximately €50 million (approx. 2.5% of annual expenditure planned for 2014-2020).

The final five rows are variable costs. Their annual value will depend on the intensity of controls decided by AOSDs in their assurance strategies. That intensity is based on a thorough risk assessment of all outstanding contracts, taking into account available budgetary resources. The annual values indicated in the table are based on current practice.

For variable costs, the following approximate average unitary costs of individual contracted control actions apply:

Audit certificates:

Approximate average cost of audit per grant: 0.2% of contract value

Approximate average cost of audit per service contract: 0.1% of contract value

Ex Post Controls:

Average cost of ex post control covering on average €2 million of underlying transactions (€17 million EU financed): €50,000 (= €2,300 / €3,000 per audited million)

On the Spot Controls:

Average contract cost for a coverage of €175 million worth of underlying transactions: €75,000 (€430 per checked million).

#### 2.2.3.2. Benefits of Control

The control setup used for pre-IPA and IPA programmes has consistently yielded error rates below 2% of expenditure. By end 2010, accumulated recoveries from finalised programmes under decentralised management added up to €9 million out a total audited amount of €3,500 million (0.82%).

One possible method to estimate the benefit of the control setup in place in the case of decentralised management is to use the values and trends of the rejection rate indicator. As national systems mature and can be considered for a waiver of ex ante controls on procurement files, the rate of files rejected by the EU Delegation in such ex ante controls should decrease to a very low level.

In a country now coming close to accession (Croatia), rejection rates have in 2010 decreased to levels between 14% and 20% (depending on type of file). In a country still with some way to go before waiver of ex ante controls can be considered (Turkey), rates vary between 19% and over 60%.

Files can be rejected on a number of grounds, frequently, but not always, on legality and regularity issues. Assuming half the rejections are regularity-based, it can reasonably be inferred from experience that the ex ante control on procurement-based setup allows reducing the level of error from between 10% to 30% to below 2%. This does not take into account differences which might arise if file values rather than file numbers were used in the analysis. Nevertheless, it is safe to assume that the current control setup in decentralised management is approximately correctly balanced to keep errors within the Commission's internal control objective of no more than 2% error.

Even though IPA is designed to evolve to decentralised management as soon as possible, centralised management may represent a significant share of total IPA expenditure if conferral of management is simultaneously delayed in a number of countries. This was the case in 2010/11, and is likely to remain so until 2013.

In 2010, 350 corrections (deductions or recoveries) were made to payments in centralised and joint management in DG ELARG, for a value of approx. € million. This is approx. 1% of total centralised payments in 2010, and may be used as a rough indicator of the benefit accrued from additional checks within and on top of the basic financial circuit checks.

Similarly to decentralised management, this is consistent with the notion that the control setup currently used for IPA is approximately balanced for the set internal control objective.

#### 2.2.3.3. Expected level of Non Compliance with Applicable Rules

Until 2006, pre-accession transactions were consistently rated by the Court of Auditors as unaffected by material error (below 2% of error), bearing out management's views of the effectiveness of the control setup used.

From 2007, pre-accession transactions ceased to be audited by the Court to a separate, fully representative sample. The Court's assessment has since merged the pre-accession population with that of all other external aid instruments. No statistical extrapolation has therefore been possible specifically for the pre-accession policy area and control setup since.

Overall the Court has found overall errors in the range of 2 to 5% for the external aid instruments in the years since.

Taking into account the elements reported in 2.2.3.2 above, it is therefore reasonable to expect that the control setup used for the pre-accession instrument strikes a correct balance between costs and benefits of controls and should ensure that the internal control objective of less than 2% errors on overall expenditure can be consistently met in the future.

Furthermore, the elements of simplification and added flexibility proposed for the new instrument should strengthen this assumption, as they reduce the likelihood of compliance errors.

Conversely, new risks will arise as countries with relatively weak administrative capacity come in line for conferral of management in the next years.

Even if it is difficult to quantify the combined impact of both the enhancements to the instrument's design and the added risks, it is plausible to assume a target range for the overall internal control objective similar to current results.

In conclusion, the control setup seems finely balanced. Through finely tuned control plans expressed in managers' risk-based annual assurance strategies, it allows for increases or decreases in variable costs as required by the evolving risk landscape, ensuring a steady cost-benefit balance.

But the overall control setup is likely to be very sensitive to negative variations in the fixed control costs, especially as these are not proposed to increase in line with overall expenditure.

### 2.3. Measures to prevent fraud and irregularities

*Specify existing or envisaged prevention and protection measures.*

Given the risk environment in which DG ELARG operates, its systems need to anticipate the occurrence of potential compliance error in transactions and build in prevention, detection and correction controls as early as possible in the procurement and payment process. This means in practice that DG ELARG's compliance controls will place most reliance on significant ex-ante checks by Commission staff on procurement transactions, as well as on systematic systems audits of decentralised payment systems (while still executing some ex-post audits and checks), going well beyond the financial safeguards required by the Financial Regulation. DG ELARG compliance framework is made up of the following significant components:

- Preventive measures

- Compulsory core training covering fraud issues for aid management staff;

- Provision of guidance (including via internet) including the Practical Guide to Contracts, and the management instructions provided under the Control Strategy framework of DG ELARG;

- Ex-ante audit of national implementing authorities prior to conferral of management, including an assessment to ensure that appropriate anti-fraud measures to prevent and detect fraud in the management of EU funds are in place in the authorities managing the relevant funds,

- Ex-ante screening of the anti-fraud mechanisms available in the beneficiary country as part of the assessment of the eligibility criterion of public finance management for receiving budget support (i.e. active commitment to fight fraud and corruption, adequate inspection authorities, sufficient judicial capacity and efficient response and sanction mechanisms),

- Ex-ante controls of all nationally procured contracts; waived after national systems meet stringent management and control benchmarks;

- Detective and corrective measures

- Ex-ante transaction checks performed by Commission staff;

- Internal and external audits and verifications, including by the European Court of Auditors;

- Retrospective checks and recoveries.

In addition where irregularity is suspected to be intentional (fraud) DG ELARG has other measures as its disposal including:

- Suspension of time-limit for payments and notification to the entity;

- Specific audits (ad hoc/forensic audit);

- Early Warning System & reinforced monitoring of contracts;

- Suspension/termination of contract;

- Exclusion procedure.

- Suspension of servicing requests for funds by national funds;

- Suspension or removal of conferral of management

DG ELARG will further devise its anti-fraud strategy in line with the Commission's new anti-fraud strategy (CAFS) adopted on 24 June 2011.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description]	DA/NDA <sup>(32)</sup>	from EFTA <sup>33</sup> countries	from candidate countries <sup>34</sup>	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
Heading 4	04 01 04 13 Instrument for Pre-Accession Assistance (IPA) - Human resources component - Expenditure on administrative management	NDA	NO	NO	NO	NO
Heading 4	<b>04 06 01</b> <b>Instrument for Pre-Accession Assistance (IPA) - Human resources development</b>	DA	NO	NO	NO	NO
Heading 4	05 01 04 03 Pre-accession assistance in the field of Agriculture and Rural Development (IPARD) — Expenditure on administrative management	NDA	NO	NO	NO	NO
Heading 4	<b>05 05 02</b> <b>Instrument for Pre-accession Assistance for Rural Development (IPARD)</b>	DA	NO	NO	NO	NO
Heading 4	13 01 04 02 Instrument for Pre-Accession Assistance (IPA) - Regional development component – Expenditure on administrative management	NDA	NO	NO	NO	NO
Heading 4	<b>13 05 02</b> <b>Instrument for Pre-Accession Assistance (IPA) - Regional development component</b>	DA	NO	NO	NO	NO
Heading	13 05 03 01 Cross-border cooperation (CBC) -	DA	NO	NO	NO	NO

<sup>32</sup> DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

<sup>33</sup> EFTA: European Free Trade Association.

<sup>34</sup> Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

4	Contribution from Subheading 1-b					
Heading 4	13 05 03 02 Cross-border cooperation (CBC) and participation of candidate and potential candidate countries in Structural Funds' transnational and interregional cooperation programmes — Contribution from Heading 4	DA	NO	NO	NO	NO
Heading 4	22 01 04 01 Pre-accession assistance — Expenditure on administrative management	NDA	NO	NO	NO	NO
Heading 4	22 01 04 04 Technical Assistance and Information Exchange (TAIEX) facility for pre-accession — Expenditure on administrative management	NDA	NO	NO	NO	NO
Heading 4	22 01 04 30 Education, Audiovisual and Culture Executive Agency — Contribution from programmes under heading 4 in the Enlargement' policy area	NDA	NO	NO	NO	NO
Heading 4	<b>22 02 01</b> <i>Transition and institution building assistance to candidate countries</i>	NDA	NO	NO	NO	YES
Heading 4	<b>22 02 02</b> <i>Transition and institution building assistance to potential candidate countries</i>	NDA	NO	NO	NO	YES
Heading 4	<b>22 02 03</b> <i>Interim civilian administrations in the western Balkans</i>	NDA	NO	NO	NO	NO
Heading 4	22 02 04 01 Cross-border cooperation (CBC) between IPA countries and participation in ERDF transnational/ interregional programmes and ENPI sea basins programmes	NDA	NO	NO	NO	NO
Heading 4	22 02 04 02 Cross-border cooperation (CBC) with Member States	NDA	NO	NO	NO	NO
Heading 4	<b>22 02 06</b> <i>Technical Assistance and Information Exchange (TAIEX) facility for pre-accession</i>	NDA	NO	NO	NO	NO
Heading 4	22 02 07 01 Regional and horizontal programmes	NDA	NO	NO	NO	NO
Heading 4	22 02 07 02 Evaluation of results of Union aid, follow-up and audit measures	NDA	NO	NO	NO	NO
Heading	22 02 10 02 Information and communication for third countries	NDA	NO	NO	NO	NO

4						
Heading 4	22 02 07 03 Financial support for encouraging the economic development of the Turkish Cypriot community	NDA	NO	NO	NO	NO
Heading 4	<b>32 04 11</b> <i>Energy Community</i>	NDA	NO	NO	NO	NO

– New budget lines requested

In order of multiannual financial framework headings and budget lines.

The budget for IPA II will be organised according to article 41 of the Financial Regulation. While the total allocation for this legal instrument serves the enlargement policy, the management of the relevant activities is shared between DG ELARG, DG REGIO, DG EMPL and DG AGRI. Each of these services is to assume responsibility for their respective policy area(s), without prejudice to the overall coordination role of DG ELARG.

To that purpose, the total IPA II allocations will be shared out between the policy areas, ensuring an appropriate policy mix, in line with the needs of the beneficiary countries and in common agreement between the four DG's. Where necessary for ensuring efficient implementation of the strategic documents and of the budget, transfers between policy areas will be possible, in agreement with the service(s) responsible for the policy area(s) concerned.

A seamless transition from IPA to IPA II for an effective and efficient completion of assistance under IPA will be ensured.

Details on the budget structure to ensure consistency with the activity-based budgeting and management principles will be proposed in the draft budget 2014.



### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

<b>Heading of multiannual financial framework:</b>	4	Global Europe
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DG: AGRI/ELARG/EMPL/REGIO			2014	2015	2016	2017	2018	2019	2020	TOTAL
• Operational appropriations										
<i>22 02 Financial assistance to candidate countries/potential candidates</i> <i>04 06 01 Human resources</i> <i>05 05 02 Rural development</i> <i>13 05 02 Regional development</i> <i>13 05 03 CBC</i> <i>32 04 11 Energy community</i>	Commitments	(1)	1842,5	1879,4	1917,0	1955,3	1994,4	2034,3	2075,6	<b>13698,6</b>
	Payments <sup>35</sup>	(2)	368,5	1112,9	1872,2	1909,6	1947,8	1986,8	2026,6	<b>11224,4</b>
22 02 07 03 Financial support for encouraging the economic development of the Turkish Cypriot community <sup>36</sup>	Commitments	(1a)	pm	pm	pm	pm	pm	pm	pm	
	Payments	(2a)	pm	pm	pm	pm	pm	pm	pm	
Appropriations of an administrative nature financed from the envelope of specific programs <sup>37</sup>										

<sup>35</sup> Payments related to the new IPA instrument only

<sup>36</sup> Until the adjustment foreseen in the second paragraph of article 11 of the Council Regulation laying down the multiannual financial framework for the years 2014-2020 has taken place, financial needs for the support to the Turkish Cypriot community will be covered from the overall envelope allocated to the Instrument for Pre-accession Assistance.

<i>22 01 04 01/04/30</i> <i>04 01 04 13</i> <i>05 01 04 03</i> <i>13 01 04 02</i>		(3)	55,4	56,5	57,7	58,8	60,0	61,2	61,8	<b>411,4</b>
<b>TOTAL appropriations for DG ELARG/AGRI/EMPL/REGIO</b>	Commitments	=1+1 a +3	1898,0	1935,9	1974,6	2014,1	2054,4	2095,5	2137,4	<b>14110,1</b>
	Payments	=2+2 a +3	423,9	1169,4	1929,8	1968,4	2007,8	2048,0	2088,5	<b>11635,8</b>

• TOTAL operational appropriations	Commitments	(4)	1842,5	1879,4	1917,0	1955,3	1994,4	2034,3	2075,6	<b>13698,6</b>
	Payments	(5)	368,5	1112,9	1872,2	1909,6	1947,8	1986,8	2026,6	<b>11224,4</b>
• TOTAL appropriations of an administrative nature financed from the envelop of specific programs		(6)	55,4	56,5	57,7	58,8	60,0	61,2	61,8	<b>411,4</b>
<b>TOTAL appropriations under HEADING 4 of the multiannual financial framework</b>	<b>Commitments</b>	<b>=4+ 6</b>	<b>1898,0</b>	<b>1935,9</b>	<b>1974,6</b>	<b>2014,1</b>	<b>2054,4</b>	<b>2095,5</b>	<b>2137,4</b>	<b>14110,1</b>
	<b>Payments</b>	<b>=5+ 6</b>	<b>423,9</b>	<b>1169,4</b>	<b>1929,8</b>	<b>1968,4</b>	<b>2007,8</b>	<b>2048,0</b>	<b>2088,5</b>	<b>11635,8</b>

<sup>37</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

<b>Heading of multiannual financial framework:</b>	<b>5</b>	<b>ADMINISTRATIVE EXPENDITURE</b>
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EUR million (to 3 decimal places)

	2014	2015	2016	2017	2018	2019	2020	TOTAL
DG: ELARG/AGRI/REGIO/EMPL								
• Human resources	27,0	26,1	25,7	25,7	25,7	25,7	25,7	181,5
• Other administrative expenditure	0,8	0,8	0,8	0,8	0,8	0,8	0,8	5,3
<b>TOTAL DG ELARG/ AGRI/REGIO/EMPL</b>	<b>27,7</b>	<b>26,8</b>	<b>26,5</b>	<b>26,4</b>	<b>26,4</b>	<b>26,4</b>	<b>26,4</b>	<b>186,8</b>

<b>TOTAL appropriations under HEADING 5 of the multiannual financial framework</b>	(Total commitments = Total payments)	<b>27,7</b>	<b>26,8</b>	<b>26,5</b>	<b>26,4</b>	<b>26,4</b>	<b>26,4</b>	<b>26,4</b>	<b>186,8</b>
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EUR million (to 3 decimal places)

		2014	2015	2016	2017	2018	2019	2020	TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	<b>Commitments</b>	<b>1925,7</b>	<b>1962,7</b>	<b>2001,1</b>	<b>2040,6</b>	<b>2080,9</b>	<b>2122,0</b>	<b>2163,9</b>	<b>14296,8</b>
	<b>Payments</b>	<b>451,7</b>	<b>1196,2</b>	<b>1956,3</b>	<b>1994,9</b>	<b>2034,2</b>	<b>2074,4</b>	<b>2114,9</b>	<b>11822,6</b>

### 3.2.2. Estimated impact on operational appropriations

Costs are at this stage uncertain or variable, due to the upcoming stage of programming, of which we can not prejudge the results. Therefore, estimation of unit costs cannot be provided at this stage. Outputs cannot be quantified in purely numeric terms, as progress is measured related to the progress of the countries in their path for EU accession. Estimates of costs and unit costs will be provided based on a needs assessment once country and multi-country strategy documents are prepared and approved.

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

To be noted: Figures for Heading 5 include data regarding DG ELARG and EU Delegations and DG AGRI/REGIO/EMPL. Figures for Heading 4 include data regarding DG ELARG/EMPL/AGRI/REGIO.

EUR million (to 3 decimal places)

	2014	2015	2016	2017	2018	2019	2020	TOTAL
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HEADING 5 of the multiannual financial framework								
Human resources	27,0	26,1	25,7	25,7	25,7	25,7	25,7	181,5
Other administrative expenditure	0,8	0,8	0,8	0,8	0,8	0,8	0,8	5,3
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	27,7	26,8	26,5	26,4	26,4	26,4	26,4	186,8

<b>Outside HEADING 5<sup>38</sup> of the multiannual</b>								
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<sup>38</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

<b>financial framework</b>								
Human resources	49,9	50,9	52,0	53,0	54,1	55,1	55,7	370,6
Other expenditure of an administrative nature	5,5	5,6	5,7	5,8	5,9	6,1	6,2	40,8
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>	55,4	56,5	57,7	58,8	60,0	61,2	61,8	411,4

<b>TOTAL</b>	<b>83,2</b>	<b>83,3</b>	<b>84,1</b>	<b>85,3</b>	<b>86,4</b>	<b>87,6</b>	<b>88,3</b>	<b>598,2</b>
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### 3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

To be noted: Numbers of Heading 5 staff include data regarding DG ELARG and EU Delegations, DG AGRI/EMPL/REGIO headquarters and also include the reduction of posts related to the Phasing out of the Croatia delegations. ].

Numbers of Heading 4 staff include data regarding DG ELARG/EMPL/AGRI/REGIO

*Estimate to be expressed in full amounts (or at most to one decimal place)*

	2014	2015	2016	2017	2018	2019	2020
	<b>• Establishment plan posts (officials and temporary agents)</b>						
22 01 01 01 (Headquarters and Commission's Representation Offices)	108,0	107,0	105,0	105,0	105,0	105,0	105,0
04 01 01 01 (Headquarters and Commission's Representation Offices)	10,9	10,9	10,5	10,5	10,5	10,5	10,5
05 01 01 01 (Headquarters and Commission's Representation Offices)	9	9	9	9	9	9	9
13 01 01 01 (Headquarters and Commission's Representation Offices)	13	13	13	13	13	13	13

22 01 01 02 (Delegations) <sup>39</sup>	46,0	40,0	40,0	40,0	40,0	40,0	40,0
22 01 05 01 (Indirect research)	na	na	na	na	na	na	na
10 01 05 01 (Direct research)	na	na	na	na	na	na	na
<b>• External personnel (in Full Time Equivalent unit: FTE)<sup>40</sup></b>							
22 01 02 01 (CA, INT, SNE from the "global envelope")	18,6	18,5	18,3	18,1	18,1	18,1	18,1
04 01 02 01 (CA, INT, SNE from the "global envelope")	-	-	-	-	-	-	-
05 01 02 01 (CA, INT, SNE from the "global envelope")	2,9	2,9	2,9	2,9	2,9	2,9	2,9
13 01 02 01 (CA, INT, SNE from the "global envelope")	3.5	3.5	3.5	3.5	3.5	3.5	3.5
22 01 02 02 (CA, INT, JED, LA and SNE in the delegations)	17,7	17,5	17,3	17,2	17,2	17,2	17,2
22 01 04 - at Headquarters <sup>42</sup>	102,3	100,1	98	96	93,9	91,9	90

<sup>39</sup> Including 5 FTE for the completion and monitoring of IPA assistance in Croatia in 2014.

<sup>40</sup> CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

01/04 <sup>41</sup>	- in delegations	399,5	400,6	401,7	402,8	403,9	404,9	405,9
04 01 04 13	in delegations	13,2	13,3	13,3	13,3	13,4	13,4	13,4
05 01 04 03	in delegations	5	5	5	5	5	5	5
13 01 04 02	in delegations	39,7	39,8	39,9	40,0	40,1	40,2	40,3
22 01 05 02 (CA, INT, SNE - Indirect research)		na	na	na	na	na	na	na
10 01 05 02 (CA, INT, SNE - Direct research)		na	na	na	na	na	na	na
Other budget lines (specify)		na	na	na	na	na	na	na
<b>TOTAL</b>		<b>789,3</b>	<b>781</b>	<b>777,3</b>	<b>776,2</b>	<b>775,3</b>	<b>774,5</b>	<b>773,7</b>

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	Planning, programming, management and monitoring of financial
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<sup>41</sup> Under the ceiling for external personnel from operational appropriations (former "BA" lines).

This budget line also includes a provision of 22 FTE for the implementation, monitoring and phasing out of assistance to the Turkish Cypriot community. This provision will be discontinued and transferred to the relevant title of the budget once the adjustment foreseen in the second paragraph of article 11 of the Council Regulation laying down the multiannual financial framework for the years 2014-2020 has taken place.

<sup>42</sup> Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).



	assistance
External personnel	Planning, programming, management and monitoring of financial assistance

3.2.4. *Compatibility with the multiannual financial framework 2014-2020*

- Proposal/initiative is compatible the multiannual financial framework 2014-2020.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>43</sup>.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
<i>Specify the co-financing body</i>								
<b>TOTAL appropriations cofinanced</b>								

<sup>43</sup> See points 19 and 24 of the Interinstitutional Agreement.

**3.3. Estimated impact on revenue**

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget exercise	Impact of the proposal/initiative <sup>44</sup>						
		Year N	Year N+1	Year N+2	Year N+3	... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
Article .....								

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

<sup>44</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.