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**Instrument for Pre-accession
Assistance (IPA III 2021-2027):
Is IPA III a new chance to deepen
the accession reforms?**

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Introduction

In the midst of a global pandemic, it has been a long and complex political, Institutional and administrative exercise to get an agreement, on the contents of the full legislative package for the **Multannual Financial Framework (MFF) for 2021-2027**¹ (comprising the long-term EU budget together with a new European Recovery Instrument: "Next Generation EU"). The MFF sets the main priorities and overall budgetary framework for EU external action programmes under the **heading Neighborhood and the World**. Part of this is the new **Instrument for Pre-Accession Assistance III**² (IPA III³) 2021-2027, covering **six Western Balkan countries-WB6** (North Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo), as well as Island and Turkey.

When the news about the new IPA III were officially announced by the **Commissioner for Neighbourhood and Enlargement, Oliver Varhelyi**⁴ there was no particular excitement. Though he rightly said that *"...we shaped an instrument that has a great potential and sends a strong signal that the European Union is committed to support the enlargement region", the overall gloomy atmosphere – consequence of the impasse of the enlargement process – in the region at the moment hampered the expected glee. Furthermore, the regulation of IPA III had been delayed by over a year, however preparations to implement had begun a while back. Starting from January 1st, 2021 IPA III has held the legal status of retroactive application and hence enabled administrations in the region to get working*

¹ <https://www.consilium.europa.eu/en/press/press-releases/2020/12/17/multiannual-financial-framework-for->

² https://ec.europa.eu/neighbourhood-enlargement/news/enlargement-region-european-commission-welcomes-final-adoption-eus-new-eu14-billion-pre_en

³ First IPA programme was covering the period 2007-2013 and second, IPA II, the period 2014-2020

⁴ https://ec.europa.eu/neighbourhood-enlargement/news/speech-commissioner-varhelyi-instrument-pre-accession-assistance-ipa-iii-2021-2027-debate_en

on IPA III without waiting for its final adoption.

After the adoption of the Regulation, the implementation of the new IPA III will now follow these **further steps**:

- The European Commission will adopt its **delegated act** and will finalize **the IPA III Programming Framework (PF)** (draft has been circulated in November 2020⁵). The PF is the main strategic document for planning the financial assistance, setting the priority areas, expected results and indicative allocations of Union funds for thematic areas covered by the Regulation,
- In parallel, as IPA III beneficiaries, administrations in recipient countries have started programming exercises (**Annex 1**) by proposing specific interventions (**Strategic response, action fishes, action documents etc.**) in line with the Regulation procedure,

- The Commission expects to be in a position to adopt the programming framework and the financial decisions for the annual action plans in December 2021 and before that to sign the **Financial Framework Partnership Agreement⁶ (FFPA)**, in the case of North Macedonia it has to be ratified in the Parliament as well,
- The implementation of actions is therefore expected **to start in early 2022**.

No matter what were the circumstances and difficulties, important is that we have finally arrived to the destination that is actually a starting position for us. Funds are ensured, legal bases is in place, technical details are coming in short time, **now the focus should be on strengthening our ability to absorb the funds available for the region and for North Macedonia.**

⁵ https://kompozit.org.tr/wp-content/uploads/2021/02/Ek-2_-IPA-III-Programlama-Cerceve-Belgesi-Taslak.pdf

⁶ At the moment (September 2021) in pipeline negotiated between the Government and the Commission

Context

By coincidence, the **15th of September 2021** was marked by two major events. First, Ursula von der Leyen presented her **State of the European Union (SOTEU-2021⁷)** address as President of the Commission in the European Parliament. **Secondly**, the text of the **new Regulation** establishing **IPA III (Instrument for Pre-accession Assistance-2021-2027)⁸** was adopted by the European Parliament in an ordinary legislative procedure.

In her **SOTEU address 2021**, von der Leyen spoke about the **“biggest global health crises for a century”, “deepest global economic crises for decades” and “the gravest planetary crises of all time”**, and how important it would be in such times **to stay together**. It’s all about the ability to read the geopolitical signals, about the pandemic, global economic crises and planetary climate changes. Any of these

challenges are way beyond the control of a single country and even beyond the power of the European Union, the third-largest economy in the World. In SOTEU 2021, Von der Leyen pleaded that the EU should stay together with the **Western Balkans** too, thus sending a strong signal of EU’s commitment to the **accession process**, especially because the EU would **“owe it to all those young people** who believe in a European future”. An investment in the future of the Western Balkans, so von der Leyen, would be an investment in the future of the EU⁹.

To stay together is exactly the intention of the biggest ever EU budget adopted at the end of 2020. The MFF amounts to **EUR 1,8 trillion (in 2018 prices)** of available funding¹⁰, consisting of both the **Long-term budget 2021-2027 (EUR 1,074 trillion, or 2,018 trillion in current prices¹¹)** and **NextGenerationEU (EUR 750**

⁷ https://ec.europa.eu/info/sites/default/files/soteu_2021_address_en_0.pdf

⁸ https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/overview-instrument-pre-accession-assistance_en

⁹ Quotes are extracted from 2021 State of the European Union Address by Ursula von der Leyen, https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_4701

¹⁰ https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/documents_en

¹¹ Current prices are calculated by applying annually a fixed deflator of 2% to the amounts in 2018 prices

billion, or 806,9 billion in current prices).

NextGenerationEU is a new innovative and unprecedented instrument (based on a well-balanced combination of grants and loans) with the aim to help EU member states to overcome the consequences of the COVID pandemic. Solidarity and the spirit of **“to stay together at all times”**, has shown in practice how important and beneficial it is to be a member of such a strong European Union. This reminder comes timely at the time of Brexit when the **UK withdrew from the EU¹²(on 31 January 2020)**, the first country (as substantial net contributor to the EU budget) ever to do so. In addition to Brexit, during the last decade, the European Union has been constantly tested and challenged, first with the **economic and financial crises** 2008-2010, than with the migration crisis 2015-2016, and recently with the **COVID crisis** (2020-2021). This has been coupled with constant and worsening climate change consequences and unprecedented natural disasters (floods, wild fires etc.).

However, contrary to predicted dark scenarios, the European Union has shown how strong and innovative it can be when needed, overcoming all the crises and even developing completely **new mechanisms and instruments strengthening its resilience** inside the Union and on a global scene. As an element to adapt to new circumstances, **the Conference for the future of Europe** has been designed to show the way forward during times that will remain challenging. These challenges include the rebuilding of **Euro-Atlantic relations** to make them more predictable, better coordinated and in full partnership. New responses in line with contemporary threats from assertive **Russia** and overambitious **China** need to be defined and conducted, built together among all EU members' states and **NATO allies**. The withdrawal from **Afghanistan** has provoked a new wave of migrants, a further challenge for the Euro-Atlantic partners. In the contemporary **global world** and modern democratic societies, one cannot afford a geopolitical “free

¹² https://ec.europa.eu/info/strategy/reasons-non-eu-countries/reasons-united-kingdom_en

space”, because some global power will always fill that space, quickly. Put differently, the EU does not have the luxury to remain on the fence about today’s global challenges if she intends to remain relevant.

The president of the Commission, **Ursula von der Leyen (SOTEU 2020 and 2021)**, rightly elaborated that geopolitics must shape the policies of the Commission. For the EU perspective on the Western Balkans, she stressed that *“We share the same continent, the same history, the same culture, and the same challenges. We will build the same future together.”* The geopolitical importance and the clear message is in her words that *“The Western Balkans is part of Europe - not just a road station on the Silk Road”*¹³. No doubt, the Western Balkans are an internal yard and integral part of the European area, therefore, the sooner the region will be fully integrated into the Union, the sooner it will become a better place to live and the European Union will become safer.

EU integration (ultimately Europe’s unification) is not easy and certainly is not cheap. Nobody should forget that the accession process is a two-way street, and it’s a process of building brick-by-brick a strategic long-lasting partnership, based on trust and solidarity (in good times and in bad times). Therefore, within the overall Long term budget package, under **Heading 6: Neighborhood and the World** there is an allocation for the **Instrument for Pre-accession Assistance (IPA III) of EUR 12,565 billion** (in 2018 prices) or **14,162 billion** (in current prices) for the period 2021-2027. To mark the adoption of IPA III, responsible Commissioner for Neighbourhood and Enlargement Olivér Várhelyi said: *“...IPA III is definitely an investment into the future.”*

¹³ https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_20_1655

Enlargement, the Western Balkans and EU assistance

Enlargement policy was for several decades a poster child of unprecedented success for Europe and its safety, security and economic prosperity. Built upon fundamental democratic values that the whole world should respect, **the European Union became a magnet** for its surrounding. Its expanded structure with a wide diversity of cultures, became a generator for economic prosperity despite its complexity. History has proven that even a single day of war, and destruction, is more expensive than the lasting investment in peace and safety – and consequently prosperity – of its citizens.

Montenegro (2012) and Serbia (2014) are already in accession negotiations process, North Macedonia and Albania are still waiting to be let in to start accession negotiations (North Macedonia for 17 years now), Bosnia and Herzegovina waiting to get candidate status and Kosovo needs wider and clearer EU support to reach the point to step up in the next phase.

The geographic area of South East Europe, also framed as **Western Balkans (WB6)**, has learned its lesson and turned decisively towards its roots, towards the

European Union after experiencing war at the end of the last century. Today, many experts have changed their language from enlargement of the EU towards the **reunification** of Europe by integrating the Western Balkans into the European Union. By now, all WB6 countries, as part of the **Process for Stabilization and Association**¹⁴, have signed Stabilisation and Association Agreements (SAAs) and applied for full EU membership (except Kosovo). Though, the Western Balkans were not always high up on the EU agenda. In fact, after the **Big bang enlargement (2004-2007)** and before 2018, Western Balkans were at the bottom of the agenda of the Union unless the region was producing problems. With the document, *"A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"*¹⁵ (February 2018), the position of the Union changed dramatically by recognizing that the Western Balkans deserve much

closer attention. The **Sofia**¹⁶ and **Zagreb**¹⁷ **Summits** (2019, 2020), the **Berlin process Summit co-chaired between Bulgaria and North Macedonia (2020)**, a **new methodology (March 2020)** *"Enhancing the accession process - A credible EU perspective for the Western Balkans"*¹⁸, the **decision**¹⁹ to open accession negotiations (**March 2020**) with North Macedonia and Albania, the **Economic and investment plan**²⁰ (**October, 2020**), support during the pandemic – all of these are steps in the right direction, with the aim to integrate the Western Balkans as soon as possible fully into the European Union. Unfortunately, one member state (**Bulgaria**), which was long seen as a generator for the enlargement process, has put down the whole expensive Union architecture and its achievements from the last two years with its unreasonable opposition against all other 26 member states. Again, the *credibility of the European Union is at stake*. Citizens in the countries from the

¹⁴ https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/glossary/stabilisation-and-association-process_en

¹⁵ https://eeas.europa.eu/sites/default/files/western_balkans_strategy_en.pdf

¹⁶ https://www.consilium.europa.eu/media/34776/sofia-declaration_en.pdf

¹⁷ <https://www.consilium.europa.eu/en/press/press-releases/2020/05/06/zagreb-declaration-6-may-2020/>

¹⁸ https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-02/enlargement-methodology_fr.pdf

¹⁹ <https://data.consilium.europa.eu/doc/document/ST-7002-2020-INIT/en/pdf>

²⁰ https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

Western Balkans are very **disappointed** by the lack of forcefulness of the EU to move forward and open accession negotiations with the country that even went as far to change its name to show its political will and commitment to the EU. What has blocked North Macedonia can block any other WB6 country too, at any stage of the negotiations. This time clearly is not about bilateral issues, **it's about the Unions respect of its own values.**

It is widely known that any European country which respects the **EU values** referred to in the **Treaty of the European Union (TEU)**²¹ and is committed to promoting them, can apply²² to become a member of the EU. However, sensitive decisions of the EU are still subject to **unanimity**. The admission of new members into the EU and any decision related to EU enlargement is subject to this rule and a potential cause for a veto.

Any of the member states may veto, i.e. practice its right to say “no” when the Council decides whether to open accession negotiations with a candidate country. The same right to block the progress in the accession negotiations can be also raised during the entire process while opening any of the six clusters or closing any of the 35 chapters.²³

In order to preserve its credibility, the EU needs to hold an Intergovernmental conference (IGC)²⁴ with **North Macedonia and Albania** until the end of 2021, during the Slovenian Presidency. This will be a sincere sign that the adoption of the new methodology last year was not used to slow down and postpone the accession dynamics of these two countries (**MKD and AL**), but to place the process on a firm ground and unleash the fundamental transformative power of the accession process. The Union should show all

²¹ https://eur-lex.europa.eu/eli/treaty/teu_2012/art_2/oj

²² Article 49 TEU

²³ The whole body of the EU law, for the purpose of accession negotiations under the new methodology has been divided in 6 clusters and 33 (35) chapters.

²⁴ IGC-Intergovernmental conference is opened when accession negotiations begins and will be closed when they are closed

citizens from the Western Balkans that it is capable to play its role to keep its credibility alive and to deliver when promised something.

The dilemma about how to reform the Union with a constantly expanding number of member states in order to make it (or to keep it) functional and more efficient, while a diversity of interests is growing, is as old as the EU itself. However, the size of the Union (from 15 to 28/27) has stretched to a tipping point and almost doubled the number of members which have made the decision-making process complex and unpredictable. This dilemma, whether to proceed with the enlargement process taking in Western Balkans countries, or rather first to reform the EU making it more efficient and effective, in order to prepare for the new members, was the main reason why **France** and the

President Macron postponed (2018 and 2019) the decision to open accession negotiations with North Macedonia and Albania, despite the fact that all preconditions were fully meet. That was as well the reason why France suggested a new approach in accession negotiations, resulting with the Commission Communication *“Enhancing the accession process - A credible EU perspective for the Western Balkans”*, officially accepted by all 27 MS’s in March 2020. Now, the **challenge is how to move forward** in the times of new economic, technological, demographic and security challenges in a changing geopolitical context and **how to speed up the EU enlargement and the integration of the Western Balkans**, to provide sustainable peace and prosperity in this region through creative mechanisms that keep the credibility of the integration process.

The comprehensive assistance that the EU delivers to the Western Balkans has always been linked to the pace of the development and the sustainability of the reforms in all countries within the Stabilization and Association Process (SAP). The main goal of all the assistance offered to the region through different programs primarily were aimed, first to stabilize the region, and bring it closer to the European Union (association part of the SAP).

*According to data available (2018) in the last Commission report, **North Macedonia has reached the level of 37.7%** (PP-GDP p.c. relative to the EU 27 average), **Montenegro is at 47,7%**, **Serbia at 40,2%**, **Albania at 30,8%**, **Bosnia and Herzegovina at 31,3%** and **Kosovo n/a**. Just looking at this numbers, it is obvious that Western Balkans countries need very substantial financial infusing to be able to accelerate its convergence to the EU standard.*

During the period **1990-2000**, the focus of the EU was on the Enlargement with the Central and Eastern European Countries (CEEC) and internal restructuring (CAP, Single Act and Cohesion Policy) using substantial and generous funds through the first **Medium-term financial perspective Delors I** for the period **1988-1992** (with 12 member states), followed by **Delors II** for the period **1993-1999** (with 15 member states from 1995) when the PHARE programme was introduced together with the Cohesion fund, and the **Agenda 2000** for the period **2000-2006** (growing to 25 members states in 2004).

The Western Balkan group of countries, or at that time, all countries from the **Stability Pact** and latter part of the **Stabilization and association process (including Croatia)**, used approximately **EUR 5,5 billion**²⁵ in the period **1990-2000** through **PHARE** (plus **ISPA and SAPARD**) and Obnova programmes, ECHO, Media, Democracy and human rights and balance of payment support. When the Stabilisation and

²⁵ Source: Regional Strategy Paper 2002-2006 (European Commission)

Association Process was launched, it relied on two pillars: the legal framework in the form of the Stabilization and Association Agreements-SAA (new generation of Europe-Association Agreements) and the new instrument to support the SAP process, **CARDS programme (2000-2006) of EUR 4,65 billion**. As a positive signal from the historic **Thessalonica Summit (2003)**, additional **EUR 340 million** were added to CARDS for the SAP countries (2003-2006). On top of that substantial amounts invested in the form of soft loans and assistance leveraged and allocated through the IFI's (**EIB, EBRD, WB, IMF, KfW, CEB etc.**) **need to be considered. These were** and are particularly relevant for large infrastructure projects, for which the fiscal capacity of all Western Balkan countries was and remains very limited.

From **stabilization (1990-2000)** and **development support (2000-2006)**, EU assistance has slightly turned more towards the support of the Western

Balkan countries (and Turkey) as part of economic consolidation and more towards the transformation of societies to comply with the Copenhagen and Madrid criteria for EU membership. TAIEX and Twinning instruments have been used as excellent instruments to transfer acquired knowledge from new member states in CEE to the candidate states (and to the wider neighborhood). **Multi-country programmes, cross border and territorial cooperation programmes** have been another great platform to enhance regional cooperation and to overcome accumulated animosities among Western Balkan countries step by step.

With all that experience gained over the years and with a mindset of advancing integration (during the period when the EU grew to 28 member states), the **Instrument for Pre-accession Assistance-IPA (2007-2013)**, with **EUR 11,5 billion**²⁶ was launched to support accession efforts of the WB6. This instrument has been followed by **IPA II (2014-2020)** with **EUR**

²⁶ https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/overview-instrument-pre-accession-assistance_en

11,7 billion²⁷, and most recently by **IPA III for the period ahead (2021-2027)** with **EUR 12,565 billion** (in 2018 prices) or **14,162 billion** (in current prices).

Although the numbers of allocated assistance for the region appear to be quite substantial, a quick look backward shows that **assistance for the accession process is almost stagnant over the two decades (2007-2027)**. This cannot satisfy growing needs for support in the region particularly considering the financial effort that is the application of sophisticated EU legal and technical standards. The case of **Romania** (which is slightly more populous than all WB6 together) illustrates the financial benefits of being an EU member state as opposed to being “just” a candidate. For the period of 2021-2027, Romania will have access to nearly **EUR 49 billion** while contributing with approximately **EUR 16,9 billion** to the EU, accounting to a potential net benefit of around **EUR 32,1 billion**. IPA III for the Western Balkan and Turkey provides around **12,56 billion** (2018 prices).

On the positive side, the **Economic and Investment Plan (EIP)**, which is attached to the IPA III, was launched in 2020 to leverage International Financial Institutions (IFI's) and Private partnership projects. This can increase the total sum of available funds for the region to up to **EUR 30 billion** for the period 2021-2027 (**EUR 9 billion** as grants plus up to **EUR 20 billion** investments by IFI's and private investors). **Focus of EIP will be on the investments in sustainable transport, clean energy, environment and climate change, ensuring digital future, private sector development and human capital development.**²⁸ The Economic and Investment plan identifies **10 investment flagships** with the aim to accelerate long-term recovery, a green and digital transition and to foster regional cooperation and convergence with the EU. Analyses from the World Bank estimate that the overall GDP in the region (WB) can increase by **6,7%** approximately. If properly and timely used, this can bring real difference and a new chance for accelerated economic development for the Western Balkans.

²⁷ https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/overview-instrument-pre-accession-assistance_en

²⁸ https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

EIP (ten) investment flagships:

1. *Connecting East to West*
2. *Connecting North to South*
3. *Connecting the coastal regions*
4. *Renewable energy*
5. *Transition from coal*
6. *Renovation wave*
7. *Waste and waste management*
8. *Digital infrastructure*
9. *Investing in the competitiveness of the private sector*
10. *Youth guarantee*

Green agenda for the WB6 (5 areas):

1. *Decarbonisation: climate, energy, mobility*
2. *Circular economy*
3. *Depollution: air, water, soil*
4. *Sustainable food systems and rural areas*
5. *Biodiversity: protection and restoration of eco-systems*

Not less important, the EIP and the New MFF potential can be used to make the **Western Balkans more visible on the geopolitical map**. Investing into Western Balkans and developing stronger ties with the European Union international companies' production and **supply chains is a win-win solution for all**.

According to some data analyses , estimated benefits from the Single Market for the member states range at average annual level in 2018 prices, from EUR 208 billion (Germany), EUR 124 billion (France), EUR 84 billion (Nederland), EUR 81 billion (Italy) etc., or in %GNI the positive impact of the single market access is ranging from 15,60% (Luxemburg), 11,50% (Czech Republic), 11,35% (Slovakia), 10,79 (Hungary) etc.

There is a full understanding that the **EU budget is not and has never been only about giving and taking**. It has always been about pooling resources, standing together against common challenges

and creating an EU added value. The narrative about how much each EU country is getting out of the budget versus how much they are contributing needs to take into account Member States' **benefits from the single market**, as well as **from the Western Balkans market**. Neither does it measure the business opportunities created for businesses from across the Union. The EU contributes significantly to the economies of its Member States and this is not always considered correctly in these calculations. *The budget are not only about the money, and cannot always be measured as quantity. There is much more than that.*

Focus on North Macedonia

The strategic goals and political orientation of the Republic of North Macedonia are clear and rock solid. In fact, **there has never been a dilemma about our strategic orientation. A great majority of our citizens** decided on our Euro-Atlantic orientation when we first gained our independence back in 1991, and we have **continuously sustained on that path**, regardless of the challenges and obstacles. Despite all the difficulties and obstructions we have faced since our independence, **we have not changed our Euro-Atlantic orientation**, and it is clear today, more than ever, that this is the only option for us, without any other alternatives whatsoever. North Macedonia was the first country from our region to sign the **SAA back in 2001** (initiated in 2000 in Zagreb), to **apply for membership in 2004**, to become a **candidate**

country in 2005 and to receive the **first recommendation from the Commission** for opening accession negotiations in **2009**. This recommendation was repeated by the Commission and submitted to the Council for a decision **ten (10) times from 2009 to 2019**.

Finally, last year (2020) in March we became the 30th NATO member. **Achieving one of the two strategic goals set** since the country's independence gives us even more stimulus **to accelerate the pace of the reforms** and double our efforts to achieve the remaining goal-**EU accession**. After several **postponements in 2018 and 2019** due to different reasons, the **Decision of the Council of the EU (March, 2020)** was reached to open accession negotiations with **North Macedonia and Albania**. The **Commission received the mandate** to prepare the General EU Position (GEUP), including the Negotiating Framework on the conditions under which the European Union would accept North Macedonia as its member state (the same procedure is underway for Albania,

as well). The European Commission has prepared **draft General EU Position (GEUP) and Negotiation Framework (NF)** and handed them over to the **German Presidency** (followed by **Portugal Presidency**) in **July 2020-June 2021**, with the aim to be adopted by the General Affairs Council (GAC) and confirmed by the European Council by the end of 2020 (until June 2021).

Unfortunately, **one MS has exercised its Treaty right and blocked** the adoption of the Negotiation Framework previously agreed by all other 26 MS's. The Negotiation Framework (NF) is a crucial document which sets the terms and conditions under which we could be admitted as a full-fledged member of the European Union. Our first neighbor Bulgaria insisted that the NF contain conditions that are not compatible with the standard accession criteria and include historical issues that tackle our identity roots. We have shown our readiness for compromises, but such issues leave no room for maneuver. This specific case

is not about bilateral agreement and bilateral open issues, but rather it is about how the EU respects its own values and international laws and rules and how the EU ensures that all MS's equally comply with them. In our view, the EU needs to protect the contents of the Negotiation Framework from becoming a point of dispute instead of a point of departure to the final destination.

The only viable option left for us is to **proceed with the dialogue with Bulgaria and the EU institutions and all other MS's**, create new momentum, increase the mutual respect and trust and further the understanding of the differences. At the same time, we need to try to keep a positive attitude towards the EU integration process without the date in order to better prepare our institutions and the entire society (all stakeholders) until we get a date. For us, there is no other choice. Whoever says that we need a plan "B" as an alternative to our strategic goal of becoming a full member of the EU is merely voicing populist messages

to earn some immediate short term political gains, while creating confusion and disrupting the main course. **The only choice** is towards the EU. And if we do need a plan it is certainly not a plan "B" that we need, but a realistic plan to achieve our strategic goal until the goal is worth trying and **until EU wants us to join**.

During the last two and a half decades, several generations of politicians and experts have been working very hard in quite a complex environment to change the society and bring it closer to the democratic standards of the Western world and to meet the **Copenhagen and Madrid criteria** for EU membership. Hundreds of new laws have been adopted or changed, thousands of sub-legislations transposing EU technical standards have been introduced to create new European-like national policies, the education system, governance, economy and industry have been restructured adjusting to the free market economy rules. No stone of our society has been left unturned.

Over 70% of our overall trade volume is with the EU or in numbers, volume of trade in goods with the EU only in 2020 was 8,7 billion (74% in export and 46% in imports), and 2/3 of the FDI are from the EU, 11.600 participants under ERASMUS+ (2014-2020), by far the EU is largest provider of financial assistance (EU programmes, EIB) over EUR 1,25 billion (pre-accession funds, EUR 940 million loans from EIB, grants that leverage investments on over EUR 2.1 billion etc. During all that period (2000-2020), public support for the EU membership of the country was very high, from 93% to slightly over 60%, although it has to be noted that it has been decreasing particularly during the last couple of years of continuous stalemate of our EU integration perspective.

While waiting to start accession negotiations the platform for our partnership with the EU was the Pact of Stability and Stabilization and Association Process-SAP (1999/2000) as well

as the Stabilization and Association Agreement-SAA (in force from 2001 to 2004). Despite all the benefits that these instruments have brought to the country (free trade and support for reforms), they have also caused direct and indirect financial consequences on our national budget and economy, i.e., the economic operators. It is almost impossible to calculate the benefits and costs of the SAA implementation, but it is clear that it was extremely costly. The burden on the national budget in the form of direct costs for reforms implementation, the definition of new sectoral policies, the translation of the European law, the drafting of new regulations, the preparation of existing and the establishment of new institutions, the opening of new jobs and the connection with the European infrastructure network required high State investments. We need to add the cost of investment of the economic operators as indirect costs to the overall economy, which has consistently and vigorously invested in meeting high safety and product quality standards, introducing

modern technologies and improving the competitiveness of their products on the domestic, regional, and European markets.

Most of these costs are covered by the national budget and by the economic operators, while a part of them is **compensated through EU funds** that support the integration process. The SAA implementation within the SAP was initially supported through the **PHARE** programme (1991-1999) with about **EUR 25-20 million per year**, and then through the CARDS program (2000-2006) with about EUR 40-45 million per year, through the **IPA** (2007-2013) with about **EUR 80-85 million per year** and finally through the IPA II (2014-2020) with approximately **EUR 90-100 million per year**. Just in the last two MFF (2007-2013 and 2014-2020), the allocation for North Macedonia amounted to over **EUR 1,25 billion** (**EUR 615 million** for 2007-2013 and **EUR 664 million** for 2014-2020), including important COVID extraordinary assistance. On top of the national

allocation for the same periods, the country had access to **substantial multi-country IPA allocations** that are difficult to calculate precisely per country. As for the new IP III allocations, it should be explained that one of the main novelties is that there are no pre-defined country allocations, but only allocations **per five main thematic priorities** per year (it will be elaborated further down in this document), respecting the **“fear share”** principle to avoid major discrepancies in allocations among the Western Balkans countries.

*It is interesting to compare the data of the countries similar by size and number of population with that of North Macedonia, as for **Slovenia (gross amount of EUR 7,27 billion)** for the period 2021-2027 (all EU funds) and **Estonia (gross amount of EUR 6,84 billion)**, or net benefit for the entire period for **Slovenia** approximately in the range of **EUR 3,63 billion** and for **Estonia EUR 4,60 billion**.*

As a reference point of departure

regarding our economy, we need to look at the last **2021 Economic reform programmes**²⁹ assessment by the Commission, which conclude that the accelerated economic growth of North Macedonia and the positive outlook were brought to an abrupt halt by the COVID-19 pandemic, resulting in a drop of the real GDP by 4,5% (y-o-y in 2020).

The Economic reform programme (ERP 2021-2023) of North Macedonia optimistically projects the **growth to return and accelerate from 4,1% to 5,2% over 2021-2023**. On its way to recovery, our administration and economy will be facing such challenges as the need for a transparent and targeted fiscal policy support, significant improvements in the management of public investments, transparent allocation of state support, increased level of productivity, downsizing of the informal sector and better equipped education sector.

The assistance through EU funds

is targeted at preferentially-focused technical assistance and investment in order to meet the increased costs of reforms implementation and fulfill the political and economic criteria. Instruments like **TAIEX, Twinning** arrangements and participation in **Union programmes and Union agencies** are also used to harmonize the legislation and prepare the administration for future membership in the EU, as well as to improve the required infrastructure. Substantial additional investments in the form of **soft loans and assistance** have been allocated through the IFI's (**EIB, EBRD, WB, IMF, KfW, CEB etc.**). Considering the limited economic potential of North Macedonia and the narrow fiscal space for large infrastructure investments, the possibility to accelerate our development will be substantially diminished without any additional assistance through the EU funds and IFI's.

²⁹ https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en

*During the previous financial perspectives IPA beneficiaries have had access to participate in the following **Union programmes**:*

1. *Erasmus+,*
2. *Horizon 2020,*
3. *COSME,*
4. *Creative Europe programme,*
 - a. *Culture sub-programme and*
 - b. *MEDIA sub-programme,*
5. *Customs 2020,*
6. *Fiscalis 2020,*
7. *Europe for Citizens,*
8. *EU Programme for Employment and Social Innovation (EaSI),*
9. *Health for growth 2014-2020,*
10. *Civil Protection Mechanism programme and Rights,*
11. *Equality and Citizenship programme (REC)*

Utilizing the EU funds and all the other different types of assistance from various resources, the country has been building its legal framework in line with EU requirements and standards, as well as its capacities for planning, programming, project preparation, implementation, monitoring and evaluation. Since 1996, the Deputy Prime Minister for EU affairs (until 2005 for EU integration) has traditionally played a double role both as the National Aid coordinator (NAC) and as the NIPAC (National IPA coordinator). The Secretariat for European Affairs assists him/her as chairperson of the National Investment Committee-NIC setting order of the priorities while preparing Single project Pipeline (SPP) and Sector Single Project Pipeline (SSPP). Final decisions are always in the hands of the Government. This system is very important particularly in terms of large infrastructure projects, when strict rules need to be followed in line with WBIF (Western Balkan Investment Platform). WBIF will be also behind the implementation of the Economic and Investment Plan.

Financial flows between the Western Balkans and the EU budget in the pre-and post-accession period”, Dr. Mojmir Mrak and Dr. Vasja Rant 2018 (GIZ)

(North Macedonia, simulation if EU member)

- *Total commitment appropriations will increase from an average annual level of around EUR 100 million in last pre-accession years to close to EUR 400 million in the first and to **almost EUR 600 million** in the third year of the membership.*
- *Contributions to the EU budget will amount to an annual level **between EUR 140 and EUR 150 million** in the first years of the EU membership.*
- ***Positive net budget** position will remain in the first year of the EU membership at more or less the same annual level as in the last pre-accession year (around EUR 90 million) before **it will increase to over EUR 280 million in the third year of the membership.***

Immanent to the Cohesion policy and capacity to implement cohesion instruments, the country needs to have strong capacity for **indirect management** of the projects. Over 60% of the EU assistance is currently under indirect management, meaning that our institutions (Ministry of Finance, Ministry of Agriculture and Forestry and other relevant ministries as direct implementers) are responsible for the entire cycles of the financial management. This exercise is very demanding and carries some risk of losing funds if the system is not working with full efficiency. Roughly **between 10-20% of the allocated funds for 2007-2020 have been partially lost** or they are at risk of being lost. Although a **lot has been done** in the recent period to build a very complex and expensive national system for the implementation of EU funds (including indirect management), numerous **weaknesses** have still been noted: high level of fluctuation of experienced staff as a result of insufficient staff at key managerial positions within the indirect management system, poor

project preparation and substantial delays in the implementation phase, especially when large infrastructure projects are in question etc. **Only resolute and timely decisions prepared by competent and professional experts** can prevent further erosion of the funds used.

The Absorption capacity concept

and its complex substance have been well explained in several papers³⁰, referring to three main determinants: (1) the macroeconomic situation, (2) the co-financing situation and (3) the administrative capacity. The first two elements are important at all times as a key precondition for absorption of any funds coming from outside (not our own revenues), but at this stage our focus should be on the administrative/institutional capacity **on the demand side** (to generate projects) and **on the supply side** (to manage the implementation of the projects and use available funds). Therefore, considering

one of the European Commission ERP assessment recommendations, significant improvements in the management of public investments should be made and stable institutions that are able to absorb IPA funds at the moment and use much higher Cohesion funds in the future (as member state) should be developed.

The first precondition to raise the level of absorption and to maintain reasonable level of institutional capacity (particularly under the indirect management system) is to ensure room for professional and competent administration at all levels. For several years now, the IPA implementation system, which took over a decade and a half to build, has been eroding with professionals constantly leaving either in the private sector or abroad.

A Comprehensive and sustainable Retention policy is obligatory and urgently needed and it should not be linked only with the level of salaries, but rather with creating favorable working conditions, promotions, professional respect and

³⁰ "EU development funds and Republic of Macedonia" (2005, Mojmir Mrak and Vanco Uzunov), and "Absorption for EU pre-accession funds: concept and implications for Kosovo" (2008, Mojmir Mrak and Dragan Tilev)

protection from political interference, including a system that will prevent political appointments in the IPA system etc.

The second precondition is to **advance the development of the inclusive Sector approach**, particularly when planning and programming IPA funds. The sector working groups should be strengthened and their work streamlined under the auspices of the NIPAC.

The third precondition for better implementation of the EU and all other available funds is **to increase transparency** of the entire utilization process. We need transparent programming inclusive process, tendering procedures and traceable implementation of the projects monitored against clear and pre-defined measurable indicators.

The Performance Assessment

Framework-PAF is the step in the right direction and deserves further support.

Lastly, **the fourth** precondition may be a **strict accountability** when establishing regular reporting mechanism into the Parliament (either special Committee or this task to be attached to the National Council for EU integration and/or European Affairs Committee). **EU member states may be also attached to the Joint monitoring committees** overseeing the implementation of the IPA programmes in North Macedonia in order to increase our confidence with evidence-based arguments about our progress in the EU reforms and solid institutional capacity.

IPA III (2021-2027), Regulation and (Draft) Programming Framework: key elements

In line with the strategic document “Enhancing the accession process – A credible EU perspective for the Western Balkans”³¹, the core objective of the European Union’s engagement with the Western Balkans is to prepare the countries from this region to meet all the membership requirements. This includes support for **fundamental democratic, rule of law and economic reforms and alignment with core European values**. The **revised enlargement methodology endorsed by the Council in March 2020** builds on the four key principles of making the enlargement process **more credible, subject to stronger political steering and more dynamic**

and predictable. Throughout the next Multi-Annual Financial Framework, the COVID-19 pandemic is expected to have an **important disruptive effect on the economies** of the Western Balkans, which were already **lagging behind in terms of economic convergence** with the EU.

Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession assistance (IPA III for the period 2021-2027), key elements:

- *The objective of this instrument is to prepare the beneficiaries for future membership of the European Union,*
- *The enlargement policy of the Union is a strategic investment in peace, security, stability and prosperity in Europe,*
- *The enlargement process is built on established criteria and fair and rigorous conditionality (“fundamentals first” principle),*

³¹ https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-02/enlargement-methodology_fr.pdf

- *Good neighborly relations and regional cooperation are essential elements of the enlargement process, which will be assisted through the macro-regional and cross-border cooperation (up to 3% of the total envelope) and territorial development,*
- *IPA III are expected to contribute 18% of the overall envelope to climate objectives (20% by 2027),*
- *The Commission will establish IPA III programming Framework (2021-2027), taking into consideration the general and specific objectives, the thematic priorities and the measurable and verifiable indicators, as well as the horizontal and cross-cutting priorities,*
- *Indicative allocation will be set for each year 2021-2027 (Annex 2), per thematic areas only (not per country?), applying "fair share" principle to avoid a disproportionately low levels of assistance among beneficiaries,*
- *The Commission each year will make a performance-based assessment against predefined indicators. In the case of no performance, it can slow down, downsize or even suspend the assistance,*
- *The implementation of the assistance will be carried out in direct or indirect management mode (or shared management) with the Commission holding a power to set the dynamics of transition from direct to indirect management based on the performance of the countries' implementation system,*
- *The IPA III instrument must be in synergy with all the other programmes such as Horizon Europe, Erasmus+, Creative Europe programme, European Green Deal, Just Transition Fund and Connecting Europe Facility,*
- *The governance of the NEW European Fund for Sustainable*

Development Plus (EFSD+) covering the Western Balkans should be ensured by the Western Balkans Investment Framework (WBIF), via a Steering committee (including representatives from the beneficiaries, all contributors to the European western Balkans Joint Fund and IFI's),

- *The Specific Strategic Board (!) supported by the Commission consisting of representatives of the MS's and the EIB, for the EFSD+ operations covering the Western Balkans will set the overall investment goals and the use of EAG to support EFSD+ operations. The Strategic board will also set rules of procedures for the WBIF,*
- *The External Actions Guarantee supports EFSD+ operations and IPA III,*
- *The European Anti-Fraud Office (OLAF) has the power to carry out administrative investigations, and the European Public Prosecutors Office (EPPO) is empowered to investigate and prosecute criminal offences,*

- *The financial envelope for IPA III for seven years (2021-2027) is EUR 14,162 billion (in current prices)*
- *The type of actions supported under IPA III should be like the actions supported under the European Regional Development Fund and the Cohesion Fund, European Social Fund Plus, and Common Agricultural policy (CAP Strategic Plans) financed by the European Agriculture Guarantee Fund (EAGF) and the European Agriculture Fund for Rural Development (EAFRD),*
- *IPA III funds, as before, are open for all economic operators from the EU MS's, the beneficiaries, the countries that are part of the EEA and other countries based on reciprocity,*
- *Special IPA III Committee will be established (all MS's representatives and EIB as observer) to assist the Commission in its role to implement this Regulation,*
- *IPA III Regulation will be applied retroactively, from 01 January 2021.*

The IPA III Programming Framework represents the overarching European Commission's strategic document for the use of EU funds designed to also support the implementation of the Economic and Investment Plan for the Western Balkans³². The Economic and Investment Plan aims *"to unleash the untapped economic potential of the region, the significant scope for increased intra-regional economic cooperation and trade and to allow for a sustainable transition towards modern, resource-efficient and competitive economies"*. IPA III with its **policy-driven approach**, with **strategic deployment of assistance** is putting the **fundamental requirements for membership at the core** of the instrument, having in mind that the **"fundamentals first" principle** is at the heart of this process.

Planning and streaming the EU assistance starts through the **specific instruments of the enlargement process**, as:

- the **negotiating frameworks**,
- the **recommendations of the Enlargement Package**,
- the **Economic Reform Programmes**

- (ERPs) and the policy guidance agreed annually in the **joint conclusions**,
- the **conclusions of the meetings organised in the context of the Stabilisation and Association Agreements**,
- the **EU-Western Balkans Strategy**³³ (6 February 2018),
- the **national plan for the adoption of the acquis (NPAA)**, and not less important,
- the IPA III beneficiaries must also commit to good neighborly relations (**overcoming the legacy of the past**).

The overall objective of the EU's assistance to candidate countries and potential candidates in order to support the IPA III beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required from those beneficiaries to comply with Union values and to progressively align with the Union rules, standards, policies and practices with a view to Union membership. The ultimate indicator of the state of preparedness is the progress in the integration measured in the Commission's annual Enlargement Package.

³² https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

³³ https://ec.europa.eu/info/sites/default/files/communication-credible-enlargement-perspective-western-balkans_en.pdf

List of Key performance indicators (IPA III):

- 1. Composite indicator on political criteria*
- 2. Attitude towards the EU: Percentage of population with a positive general attitude towards the EU*
- 3. Composite indicator on Union acquis alignment*
- 4. Composite indicator on economic criteria*
- 5. Expenditure on social protection as % of GDP and Employment Rate of persons aged 20 to 64 and changes in the Gini coefficient of a beneficiary over time*
- 6. Digital skills*
- 7. 'Ease of doing business'*
- 8. Energy intensity measured in terms of primary energy and GDP. Share of renewable energy in gross final energy consumption %*
- 9. Greenhouse Gas (GHG) emissions avoided (tonnes CO₂-eq) with IPA III support. PM 10 concentrations compared to the EU daily limit value (50 µg/m³);*
- 10. Areas of marine, terrestrial and freshwater ecosystems under a) protection, b) sustainable management with IPA III support.*
- 11. Good neighbourly relations, such as number of cross-border partnerships established, percentage of intra-regional trade to GDP, number of persons crossing the border/day, and number of goods transporting vehicles crossing the border every day.*

The External Action Guarantee (EAG), created under the **Neighbourhood, Development and International Cooperation Instrument (NDICI)** and financed by NDICI and IPA III funds, will support the **Economic and Investment Plan for the Western Balkans and the “Western Balkans Guarantee Facility”**.

The Economic and Investment Plan

accompanied with the **Guidelines for the Implementation of the Green Agenda for the Western Balkans**³⁴ will support the alignment of the Western Balkans with the goals of the European Green Deal.

It goes without saying that boosting investment and sustainable economic growth will only be possible if the IPA

³⁴ https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/green_agenda_for_the_western_balkans_en.pdf

III beneficiaries **strongly and honestly commit to and implement fundamental reforms based on the EU values** (strengthening the **rule of law**, improving **public administration, digitalization**, and structural **economic reforms**). Citizens have a key interest in a functioning system, legal certainty, absence of corruption and efficiently functioning administrations.

The regulation sets out that actions funded through IPA III are expected to contribute to the Union's efforts to **mainstream climate actions with 18%, with the objective of reaching 20% by 2027 of the overall financial envelope**. This is **consistent with Paris Agreement objectives. The European Green Deal**³⁵ is expected to be the strategic reference for the **Green Agenda**, in order to support **the just transition in IPA beneficiaries** towards a **circular, climate resilient and low carbon economy**. In the **Western Balkans**, the **Guidelines for the implementation of the five pillars of the Green Agenda** will serve as guiding reference for the deployment of IPA III support.

In the same way, the IPA III beneficiaries could be using the **EU's digital strategy**³⁶ as the guiding principle for a digital transformation of their economies and societies. This will make them better positioned to integrate into the EU's higher added-value supply chains and, in the future, join a rapidly evolving EU digital single market. In line with the approach outlined in the **EU Gender Action Plan, (GAP III) 2021-2025**, IPA III will also **mainstream gender equality. At the global level, the 2030 Agenda for Sustainable Development** will be fully taken into consideration including the **Sustainable Development Goals (SDGs)**.

³⁵ COM/2019/640 final

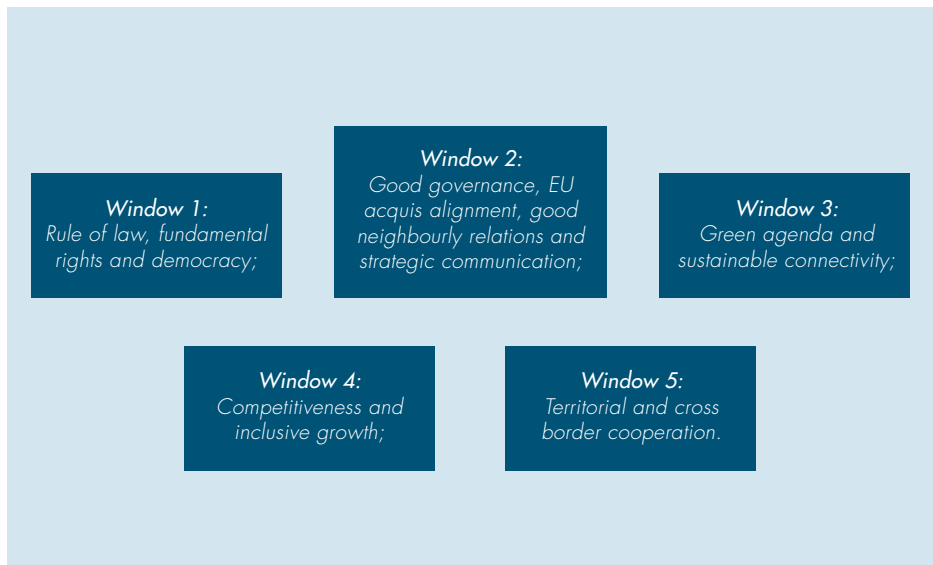
³⁶ COMMUNICATION on Shaping Europe's digital future COM/2020/67 final

IPA III objectives and thematic windows

The IPA III regulation outlines the **general and specific objectives** of the instrument. Annex II of the IPA III regulation identifies the **key thematic priorities** for assistance. These will be reflected in the **IPA III Programming Framework**, which represents the **overarching European Commission's strategic document** for the use of EU funds assisting **IPA beneficiaries**. This document identifies

five thematic windows and provides an indicative allocation per area of support.

These five windows, which broadly **correspond to the specific objectives** of the Regulation, are driven by the EU policy for enlargement and they are **complementary with one another**. In addition, a **number of cross-cutting themes**, such as **climate change, environmental protection, civil society, gender equality and rights-based approach** will be reflected too. Likewise, **certain policies and actions, such as the public administration reform and fight against corruption**, are closely interlinked and therefore **relevant for more than one window**.



<p><i>Window 1: Rule of law, Fundamental rights and Democracy</i></p>	<p><i>Thematic Priority 1: Judiciary</i> <i>Thematic Priority 2: Fight against corruption</i> <i>Thematic Priority 3: Fight against organized crime / security</i> <i>Thematic Priority 4: Migration and border management</i> <i>Thematic Priority 5: Fundamental rights</i> <i>Thematic Priority 6: Democracy</i> <i>Thematic Priority 7: Civil Society</i></p>
<p><i>Window 2: Good governance, EU Acquis alignment, good neighborly relations and Strategic communications</i></p>	<p><i>Thematic Priority 1: Good governance (including Economic governance)</i> <i>Thematic Priority 2: Administrative capacity and EU acquis alignment</i> <i>Thematic Priority 3: Good neighborly relations and reconciliation</i> <i>Thematic Priority 4: Strategic communication, monitoring, evaluation and communication activities</i></p>
<p><i>Window 3: Green agenda and Sustainable connectivity</i></p>	<p><i>Thematic Priority 1: Environment and climate change</i> <i>Thematic Priority 2: Transport, digital economy and society, and energy</i></p>
<p><i>Window 4: Competitiveness and inclusive growth</i></p>	<p><i>Thematic Priority 1: Education, employment, social protection and inclusion policies, and health</i> <i>Thematic Priority 2: Private sector development, trade, research and innovation</i> <i>Thematic Priority 3: Agriculture and rural development</i> <i>Thematic Priority 4: Fisheries</i></p>
<p><i>Window 5: Territorial and Cross border cooperation</i></p>	<p><i>1: Cross-Border Cooperation (CBC) between IPA beneficiaries (IPA-IPA CBC).</i> <i>2: Cross-Border Cooperation between IPA III beneficiaries and Member States (Interreg-IPA CBC).</i> <i>3: European Regional Development Fund (ERDF) transnational and interregional cooperation programmes</i></p>

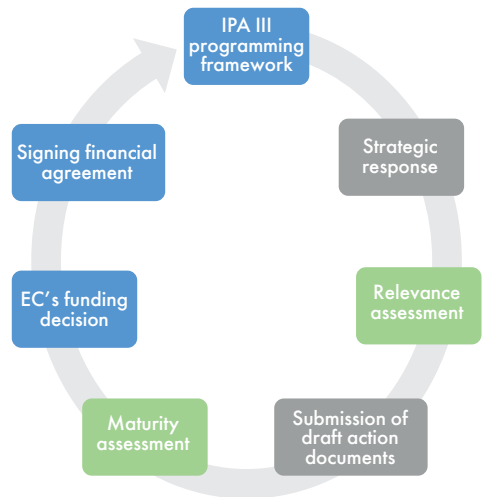
IPA III Programming process

The IPA III Regulation specifies that the IPA III programming framework shall take relevant national strategies and sector policies into due account and the assistance will be targeted and adjusted to the specific situation and needs of the beneficiaries. With a view to strengthening the policy-driven approach and efficiency of the EU support, **relevance** of requested IPA interventions, **maturity** of the proposals as well as **progress of the beneficiaries on their enlargement agenda** will be **the three key criteria** for IPA III programming.

IPA III Beneficiaries are expected to prepare **Strategic Responses** outlining how their overall policies and sectoral strategies are in line with the recommendations and requirements of the specific policy instruments of the enlargement process and how they will contribute to the objectives of the

IPA III Programming Framework. These documents will also include **a first list of draft projects** concretely presenting how IPA funding opportunities are planned to be used and **how the thematic priorities** will be addressed.

Chart 1. IPA III programming cycle



The European Commission, following a **consultation** with the relevant services, will then make a **first selection of actions** on the basis of their **policy relevance**. Only those envisaged **actions that receive approval at this stage will be developed further and transformed in fully-fledged action documents**.

In line with the policy-first approach, actions will be deemed as relevant when they contribute to achieving the objectives identified in the IPA III Programming Framework and are in line with the recommendations derived from the specific instruments of the enlargement process and in particular the **European Commission's Reports**, prepared within the framework of the annual Enlargement Package, that provide a detailed assessment of both the level of preparedness and the degree of progress achieved over the preceding reporting period.

The IPA III support will be granted in full complementarity with the previous financial assistance under IPA and IPA II as well as with the EU policies in the respective sectors. In particular, IPA III ensures **continuity with the Sector Approach** introduced under the previous instrument to help the beneficiaries with the **design and implementation of sector reforms** and to increase coherence between national strategies, sector policies, resource allocation and spending practices. **Each beneficiary will have to demonstrate that the proposed actions**

have been widely **consulted** at different levels **with sector working groups, stakeholders and other donors** in order **to ensure broad societal ownership and added-value.**

Sector Working Group (SWG's) in North Macedonia:

1. *SWG on PAR*
2. *SWG on PFM*
3. *SWG on Justice*
4. *SWG on Home Affairs*
5. *SWG on Competitiveness and Innovation*
6. *SWG on Agriculture and Rural Development*
7. *SWG on Transport*
8. *SWH on Environment and Climate Action*
9. *SWG on Education, Employment and Social Policy*
10. *SWG on Regional and Local Development*
11. *SWG on Roma Integration*
12. *SWG on Health*

The second selection will then focus on **technical maturity**. Only actions that have **sufficient technical maturity will be considered ready for adoption**. An action will be considered as sufficiently technically mature, when most preparatory activities **(e.g. environmental impact assessment, social impact assessment, climate proofing, identification and approval of site location, cost-benefit analysis, drafting of tender specifications / Terms of Reference etc.)** have been **finalised**. Where applicable, technical maturity will also be assessed in the broader sense of ensuring that the proposed action provides the **appropriate mix of investments, reforms, including EU *acquis* alignment, and assistance to build-up administrative capacities**, where needed. Actions that are **not sufficiently mature enough but have policy relevance shall remain in the pipeline for adoption at a later stage**.

In line with the commitment to a **merit-based enlargement process**, the overall

assessment exercise of the strategic response will take into account the **progress of each beneficiary on the enlargement agenda**. The **assistance will be targeted and adjusted to the specific situation of the beneficiaries**, ensuring an appropriate level of support to all of them (**principle of "fair share"**). This **performance-based and reform-oriented approach** means that if candidate countries and potential candidates move on reform priorities agreed in the negotiations, they will also have **access to increased funding investments**.

The IPA III programming process aims at **ensuring an on-going pipeline of mature actions that reflect priorities identified in the specific instruments of the enlargement process as in the national strategic documents and relevant action plans and contributes to accelerating their implementation by reducing the time gap between their selection and effective contracting**.

Preferred methods of budget implementation and types of financing

IPA III will rely on a variety of partners (*such as central and local authorities, Member States' agencies and organisations, international and regional organisations, civil society organisations, and international and development financial institutions*) in situations where they have a clear added value, building on the experience achieved and the **lessons learned** from the implementation of IPA and IPA II. The **assistance under IPA III** will continue to be implemented using the **full range of management modes in accordance with the Financial Regulation and with the State aid principles and regulations.**

In terms of **instruments and delivery modes**, all types of financing foreseen in the Regulation are possible: **from grants, procurement, budget support, contributions to EU Trust funds if relevant, to financial instruments and budgetary guarantees.**

The **Western Balkans Guarantee Facility - the Western Balkans arm of the External Action Guarantee – and the External Action Guarantee in Turkey** will be used in particular to **support the socio-economic recovery of the enlargement region, leveraging funds from the private and public sector** and promote investment also in the enlargement region and thus **multiplying the effect of the EU assistance.**

Support to institution building may be provided through the **two dedicated Institution Building Instruments: TAIEIX and Twinning.** Widely used so far and already proven as great accelerators for institution building. IPA III will also

promote, when relevant, beneficiaries' participation in the areas of relevance in appropriate **Agencies, Facilities and Union Programmes**, such as, but **not limited to, Erasmus+, Horizon Europe, InvestEU Fund, Creative Europe**. The **thematic support** provided under the **Neighbourhood, Development and International Cooperation Instrument (NDICI) might be used** as appropriate.

As in the previous pre-accession instruments, **assistance will be deployed**, to the benefit of the IPA III beneficiaries, through **annual or multi-annual action plans** at the **national or regional level or through horizontal initiatives** targeting specific types of partners (e.g. civil society) or cross-cutting issues (e.g. EU integration facility). **Bilateral and multi-country/regional programmes** complement each other to meet the IPA III regulation objectives. Therefore, IPA III is expected to ensure synergy and **complementarity between bilateral and multi-country/regional programmes**.

Instead of a conclusion

A **number of findings, observations and some recommendations** have been mentioned throughout the paper, a selection of which is listed as follows:

- The **IPA III is undoubtedly a new chance** for the enlargement process to further advance in achieving its key policy goals,
- Understanding the **lines linking the accession negotiation process (New Methodology) and the IPA III (New logic with no country allocations)** at the political and administrative level is **essential** in order for the country to be able to set strategic goals in good order and to invest its own budget funds for the most important priorities (co- financing, national and local level investments etc.),

- **Funds are substantial**, but not as expected and needed, considering the development gap between the Western Balkan countries and the EU average economic indicators, as well as the great hunger for large infrastructure projects investments,
- However, we have to have full understanding of the **external and internal environment** and the circumstances in which the negotiations for the entire Financial package were completed,
- Now that we have the Regulation and the allocated funds, it is up to us to make the most of them: **firstly**, by accelerating our **accession-driven** reform process and **secondly**, by maximizing the use of the **Economic and Investment Plan in order** to improve critical and crucial infrastructure and implement our **Western Balkans Green agenda**,
- **Improving the absorption capacity** is the key element in increasing the use of funds and advancing efficiency and effectiveness of our national systems. Without this, it is impossible to expect that the projects will be implemented on time,
- **Depolitisation and professionalization**, coupled with the **Retention policy** instrumentarium, are key preconditions for our success and absorption of IPA funds,
- **Improved donor coordination** (at NAC and NIPAC) will ensure fully functional **Sector approach** (with all sector WG's), **National Investment committee-NIC** and ability to prepare and consensually agree on a **Single Project Pipeline-SPP** (including Sector Single project Pipelines-SSPP's),
- Investment in the **Indirect management system** (our institutional control over the IPA funds) is a step closer to the ability and capacity to run Cohesion instruments (which would be

four to five times bigger compared to the IPA allocations),

their own right using instruments that are on their disposal,

- **Building firewalls against the grab of organized crime and corruption** in using IPA funds (and not only EU funds) is a matter of credibility of the country and integrity of all key players. The programming and implementation of IPA funds must be free from political interference,
- **Strengthened, public and transparent Performance Assessment Framework (PAF)** with measurable and verifiable indicators is a chance to bring back the confidence of the citizens in the institutions and the intentions of the European Union in the country,
- **Parliamentary oversight** of the use of IPA funds and other donor assistance is practically nonexistent and needs to be introduced on a regular basis as a matter of urgency. CSO should be part of that oversight mechanism, but they can also monitor the implementation in
- In order to bring closer all benefits and potential of IPA III and the way it is used, we need **comprehensive and consistent communication strategy**, diverse approach and focus on young people who will not only be mere beneficiaries of the instrument, but will also be attracted to get involved in the system and take active role in it.
- **IPA III is definitely an investment in the future** of the Western Balkans.

Annex 1: DRAFT Programming for IPA III 2021-2022, initiated in parallel with the adoption of the Regulation (not to waste time)

In the pipeline: in coordination with the Secretariat for European Affairs, the sector working groups developed and presented the European Commission with 22 action fiches, 10 of which were

for the year 2021 and 12 for the year 2022. The amounts are indicative and there is no guarantee that they will be accepted as proposed (changed in the meantime).

Table. 2021 and 2022 DRAFT indicative action fiches for IPA III³⁷

2021 Indicative title of the Action Fiches	Indicative budget In million EUR	2022 Indicative title of the Action Fiches	Indicative budget In million EUR
1. EU for Efficient Judiciary and Enhanced Prevention of Corruption	10,0	1. Private Sector Development	9,2
2. Civil Society Facility	3,0	2. EU in Support of the Fight against Organized Crime	5,2
3. EU for Modern Administration	10,0	3. EU for Improved Border Management, Migration and Asylum Policy	7,8
4. EU for Good Governance	9,0	4. Civil Society Facility	3,0
5. EU Integration Facility	5,0	5. EU Integration Facility	10,0
6. EU for Environmental Standards	12,0	6. Union Programmes	15,4
7. EU for Clean Air	14,0	7. EU for Modern Waste Water Systems	53,0
8. EU for Prespa	23,7	8. EU for Safe Roads	20,0
9. Preparation of European Transport Corridors Projects	9,5	9. EU for Quality Employment and Equal Opportunities	6,6
10. EU for Green Growth	27,5	10. EU for Health	5,9
/	/	11. EU for Trade Facilitation	8,1
/	/	12. EU for Development of Agriculture	6,0
Total	123,7		150,2

³⁷ <https://djalogkoneu.mk/en/instrument-for-pre-accession-assistance-ipa-iii-2021-2027>

Annex 2: IPA indicative allocations

The table below shows the indicative allocation for the period 2021-2027 to support the thematic priorities of the IPA III programming framework. Prices are expressed in millions of euros.

IPA III Windows	%	2021	2022	2023	2024	2025	2026	2027	Total
Window 1: Rule of law, fundamental rights and democracy	15,13%	281	287	293	299	304	311	317	2.091
Window 2: Good governance, EU acquis alignment, good neighborly relations and strategic communication	16,59%	308	315	321	327	334	341	348	2.293
Window 3: Green agenda and sustainable connectivity	42,45%	789	805	821	837	854	871	889	5.867
Window 4: Competitiveness and inclusive growth	22,31%	415	423	432	440	449	458	467	3.083
Window 5: Territorial and cross-border cooperation*	3,51%	65	67	68	69	71	72	74	485
Total Operational Budget	100,0%	1.858	1.896	1.934	1.973	2.012	2.053	2.095	13.820
Administrative Appropriations	n/a	46	47	48	49	50	51	52	342
Total	100,00%	1.904	1.943	1.982	2.022	2.062	2.104	2.147	14.162

Current prices are calculated by annually applying a fixed deflator of 2% to the amounts of the 2018 prices. Totals do not tally due to rounding. This table will be resubmitted for consultation and updated with the final indicative figures after agreement on the MFF and the IPA III legal base

* Up to 3% of the IPA III financial envelope for Window 5 shall be indicatively allocated to cross-border cooperation programmes between the IPA III beneficiaries and the Member States. In addition, the allocation under Window 5 will also cover support to the other types of territorial cooperation as well as the participation of IPA III beneficiaries to Macro-Regional Strategies.

Information about KAS

Freedom, justice, and solidarity are the basic principles underlying the work of the Konrad Adenauer Foundation (KAS). The KAS is a political foundation, closely associated with the Christian Democratic Union (CDU) of Germany. We conduct education programs for the society and cooperate with governmental institutions, political parties, civil society organizations and handpicked elites, building strong partnerships along the way. Together with our partners, we make a contribution to the creation of an international order that enables every country to develop in freedom and under its own responsibility.

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Information about IDSCS

IDSCS is a civil think-tank organisation researching the development of good governance, rule of law and North Macedonia's European integration. IDSCS has the mission to support citizens' involvement in the decision-making process and strengthen the participatory political culture. By strengthening liberal values, IDSCS contributes towards coexistence of diversities.

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Link

This report is available electronically on:

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