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**COMMISSION STAFF WORKING PAPER**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT**

*Accompanying the document*

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

**establishing and Instrument for Pre-accession Assistance (IPA II)**

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## 1. PROBLEM DEFINITION

Article 49 of the Treaty on European Union stipulates that any European State which respects the EU values referred to in Article 2 of the Treaty and is committed to promoting them may apply to become a member of the Union. The rationale for continuing with the enlargement of the EU was re-affirmed 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”*.

Currently, the EU is negotiating or has association agreements with 5 candidate countries<sup>1</sup> and 4 potential candidates<sup>2</sup>. Before 2014, at least one candidate country should become a Member State, and some potential candidates may become candidate countries. With the exception of Iceland, the level of socio-economic development in enlargement countries is generally well below the EU average. There is a need for substantial investments to align their legislation and institutions to EU standards, to allow them to withstand the competitive pressures of the single market and to take onboard the obligations of membership. In addition, political stability, democracy, the respect of human rights and good governance – all fundamental values of the EU – still need to be strengthened. Weak public institutions and administrative capacity and gaps in the level of human resources development affect negatively the effective and sustainable deployment of EU assistance.

Enlargement countries cannot sustain alone the cost of all the reforms and investments needed for joining the EU. It is equally in the own interest of the EU that these countries benefit from efficient and effective support in preparation for eventual membership. As the needs of each country and their ‘path to accession’ vary markedly, a one-size-fits-all approach to delivery of the assistance as foreseen by the current pre-accession instrument is not the most efficient solution since it does not take into account each country’s own reform priorities. In addition, in order to increase effectiveness, the strategic and result-oriented character EU assistance needs to be further reinforced.

## 2. ANALYSIS OF SUBSIDIARITY

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

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<sup>1</sup> Croatia, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Turkey

<sup>2</sup> Albania, Bosnia and Herzegovina, Serbia as well as Kosovo under UNSCR 1244/99

EU budget is designed to help candidate countries/potential candidates prepare for future membership: the instrument for pre-accession assistance is built to give countries a “test run” of obligations of membership before accession. No other multilateral or bilateral instrument can provide such a comprehensive toolbox, and only the EU can define what kind of assistance is needed to prepare for taking over the *acquis*.

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 recent years 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's priorities.

### 3. OBJECTIVES OF EU INITIATIVE

The new instrument should continue to pursue the general objective of supporting candidate countries and potential candidates in their preparations for EU membership and help 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 should have the following specific *policy* objectives:

- **Support political reforms needed to meet the criteria for accession;**
- **Support economic, social and territorial development and reforms, aiming at a sustainable, smart and inclusive growth;**
- **Increase beneficiary countries' ability to assume the obligations of membership;**
- **Regional integration and territorial cooperation.**

In addition, with regard to how the new instrument should work in order to achieve the specific policy objectives, the following *methodological* (*'Regulation specific'*) objectives should be pursued:

- Strengthen further the link between financial assistance and the Enlargement policy agenda, making the assistance **more strategic**;
- Increase further the efficiency and effectiveness of the assistance and bring **more tangible and sustainable results and impact**;
- Allow for **increased flexibility** in the way the instrument operates and allocates the assistance, whilst preserving ownership and accountability by the beneficiary countries for each policy area;

- Leverage more funds from other donors or the private sector by using **innovative financing instruments**;
- Pursue **simplification** and reduction of the administrative burden linked to managing the financial assistance.

#### 4. POLICY OPTIONS

In light of the problem identified and in order to achieve the specific policy and methodological objectives, the Commission considered the following options for the future instrument for pre-accession assistance:

**Option 1 - “No change”**: keep the current component structure and its focus.

**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.

#### 5. ASSESSMENT OF IMPACTS

The **economic impact** of the various options was assessed in terms of the likelihood that the options would: i) delay or accelerate enlargement and therefore the 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 the rights in the area of justice and the rule of law could be jeopardised in the beneficiary countries as a consequence of delays in and risks to accession taking place were also considered.

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 for generating competitive advantage in the beneficiary countries and/or to delays in implementing the expensive investments needed to align with the EU environmental *acquis*.

Reducing the scope of the instrument and keeping the implementation arrangements (**option 2.1**) was assessed to have more negative impacts than the no change (baseline) scenario with regard to reducing the development gap between the beneficiary countries and the EU, therefore delaying enlargement and the related positive economic benefits. On the other hand this option would be effective in helping achieve political reforms needed for accession. Compared to this option and the 'no change' option, more positive impacts were expected to accrue from the other two options, ie either keeping the component structure and adding more focus on investments (**option 2.2**), or maintaining the scope and adjusting implementation arrangements (**option 2.3**), though with different scores for the individual aspects. The improved modalities for delivering the assistance foreseen under option 2.3, increasing the focus, coherence, efficiency, effectiveness, leverage and impact of the assistance, and the reinforced emphasis on public administration reform supporting more sustainable results, were assessed to bring overall more positive impacts than those resulting from increased investments for socio-economic development under option 2.2.

## 6. COMPARISON OF OPTIONS

The following table provides a comparison of the policy options as to how they would influence the underlying drivers of the problem that they would address:

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

| Effect on the underlying driver of the problem | Option 1<br>(no change) | Option 2.1<br>(reduced scope) | Option 2.2<br>(focus on investments) | Option 2.3<br>(adjust implementation arrangements) |
|--|-------------------------|-------------------------------|--------------------------------------|--|
| Efficiency                                     | -                       | -                             | -                                    | ++   |
| Effectiveness                                  | 0                       | +                             | +                                    | ++   |
| Coherence                                      | -                       | -                             | -                                    | ++   |
| Reduced development gap                        | +                       | -                             | ++                                   | +  |
| Reinforced institutions                        | +                       | ++                            | 0                                    | ++   |
| Addresses heterogeneity                        | 0                       | 0                             | +                                    | ++   |
| Assistance becomes more:                       |                         |                               |                                      |  |
| <i>strategic and result oriented</i>           | 0                       | +                             | +                                    | +  |

|   |   |   |   |   |
|---|---|---|---|---|
| <i>flexible and tailor-made</i>         | 0 | 0 | 0 | + |
| <i>simplified, efficient, effective</i> | 0 | 0 | 0 | + |

In conclusion, maintaining the scope and adjusting implementation arrangements (**option 2.3) is preferred** as it would combine the benefits (and impacts) of the current scope of pre-accession assistance (accession driven with socio economic development impact) while improving the implementation modalities of the instrument to make it more strategic, result-oriented, flexible and tailor-made to needs.

## 7. MONITORING AND EVALUATION

Under the selected option, monitoring and evaluation arrangements will be reinforced in comparison to the current situation. The proposed changes will improve the focus on results and alignment with the Europe 2020 strategy. They will - as called for by the budget review - provide for the definition of specific, measurable, achievable objectives as well as for appropriate indicators. The main macro-indicators would be:

- **Progress toward meeting the accession benchmarks (chapters opened/closed) or implementation of the Association Agreements** as reflected, among others, by positive Progress Reports, survey-based indices compiled by reputable international organisations in 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;
- **Regional cooperation and integration**, as measured by survey-based indices reflecting perceptions on the level (trend) of security and stability; political, economic and cultural interactions, as well as by measures reflecting the integration of Trans European Networks.