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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA) MULTI-ANNUAL INDICATIVE FINANCIAL FRAMEWORK FOR 2008-2010

Introduction

As part of the preparation for the new Financial Framework 2007-2013, a proposal for a new Instrument for Pre-accession Assistance (IPA) was presented by the Commission to the European Parliament and the Council in September 2004. The IPA Council Regulation (EC) No 1085/2006 was adopted on 17 July 2006.

IPA aims to provide targeted assistance to countries which are candidates or potential candidates for membership of the EU. In order to achieve each country's objectives in the most efficient way, IPA consists of five different components: transition assistance and institution building; cross-border cooperation; regional development; human resources development; and rural development. For candidate countries, measures relating to regional, human resources and rural development will be available under the relevant components which are designed to prepare for the implementation of EU cohesion and agricultural policies after accession. This requires that the country has the administrative capacities and structures to take responsibility for the management of assistance. In the case of potential candidate countries, such measures will be implemented through the transition assistance and institution building component.

The Multi-Annual Indicative Financial Framework (MIFF) for the Instrument of Pre-Accession Assistance (IPA) is designed to provide information on the indicative breakdown of the overall IPA envelope proposed by the Commission in accordance with article 5 of the IPA Regulation (EC) 1085/2006. It acts as the link between the political framework within the enlargement package and the budgetary process. The Multi-Annual Indicative Planning Document (MIPD) established for each beneficiary country, through which pre-accession aid for that country is delivered, will take into account the indicative breakdown proposed in the MIFF.

The MIFF is based on a rolling three-year programming cycle. Under normal circumstances, a MIFF for years N, N+1 and N+2 will be presented in the last quarter of year N-2 as part of the enlargement package, representing a proposed financial translation of the political priorities set out within the package itself, taking into consideration the Financial Framework.

Due to delays in the agreement of a new Financial Framework for 2007-2013, as well as those in the adoption of the IPA regulation, it was not possible to present a MIFF for 2007-2009 in this timeframe. This Multi-Annual Indicative Financial Framework which covers 2008-2010 is therefore the first MIFF under IPA and also confirms the 2007 figures which were provided to Council and Parliament in the Commission's Preliminary Draft Budget 2007. It indicates the allocation of the envelope for pre-accession assistance by country and by component, and also gives an indication of the envelope for regional and horizontal programmes and the amounts allocated to support expenditure.

Political and Strategic Framework

The overall political priorities for pre-accession are set out in the European and Accession Partnerships, the annual country reports and the enlargement strategy paper contained in the enlargement package presented to the Council and European Parliament each year.

This MIFF has been constructed on the basis of the 2006 enlargement package. The opening of negotiations with Turkey and Croatia in October 2005 and the decision to grant the former Yugoslav Republic of Macedonia candidate status, as well as a reminder that the rest of the Western Balkans are potential candidate countries to the European Union provide the overall political context.

The Western Balkans is a particular challenge for the EU. Enlargement policy needs to demonstrate its power of transformation in a region where states are weak and societies divided. A convincing political perspective for eventual integration into the EU is crucial to keep their reforms on track. But it is equally clear that these countries can join only once they have met the criteria in full.

There is no further enlargement with a large group of countries at the same time in view. Accession negotiations with Turkey are a long-term process. The Western Balkans contains smaller countries at different stages on their road towards the EU. Future enlargements will go at the pace dictated by each country's performance in meeting the rigorous standards, to ensure the smooth integration of new members. The EU has set political and economic criteria for membership, as well as criteria related to the obligations for membership and the administrative capacity to implement and enforce the EU's laws and policies.

The perspective of moving to the next stage in relations with the Union is a powerful incentive for countries to transform themselves and to adopt EU standards and values. The journey towards membership has a value in itself, even in cases where accession is many years away. This journey is often difficult, so it is essential for the EU to stay engaged throughout the process, and committed to the outcome.

Strategic Financial Programming

1. Allocation of funds between countries

Following the negotiations on the Financial Framework 2007-2013, the Commission undertook to at least ensure that no beneficiary country would receive less in 2007 than it did in 2006. Thus, this was the basis for calculations. Further than this, it was decided that Bosnia and Herzegovina and Albania should receive no less than the annual average of the funding each received between 2004 and 2006. This reflects the fact that the funding in these years was frontloaded in 2004.

As a proxy for needs and impact, per-capita allocations have been quoted in the past. Against this measure, each country of the Western Balkans will reach at least the 2004-2006 per-capita average of 23 €received under CARDS.

For Croatia and the former Yugoslav Republic of Macedonia, as candidate countries, a level of over 30 €per capita (in 2004 prices) by 2008 is envisaged.

For Turkey, taking into account the size and absorption capacity of the country, there is a gradual increase in assistance over the period 2007-2013.

The needs and absorption capacities of each individual country have been considered in the allocation process.

2. Allocations between components

The starting point for the calculation of allocations between components for candidate countries was an examination of the split between similar activities under Phare, ISPA and SAPARD in the past. From this basis, due account has been taken of the readiness of the management systems in the current candidate countries and the need for component II funding as it relates to cross-border cooperation with Member States to match that of the equivalent European Regional Development Fund (ERDF) funding from heading 1b.

Presentation of the figures

The following table provides the above figures in *current prices* and in *million euros*. It shows the allocations by country and by component, as well as for the regional and multi-country programmes and support expenditure. In line with current practice, funding for Kosovo¹ is displayed separately and will be the focus of a separate MIPD.

(a) Support expenditure

As well as the support necessary for the implementation of IPA funds, the support expenditure also needs to cover the phasing out of previous pre-accession funding, including for Bulgaria and Romania.

(b) Envelope for regional and horizontal programmes

The regional and multi-country programme will include actions similar to the regional programme under CARDS and the multi-country envelope under the Phare and Turkey pre-accession instruments. The level of funding is such that both types of action are possible. Since 2006, there has been an increased involvement of International Financing Institutions in pre-accession, including a new instrument for energy efficiency. Figures reflect the increased need for such programmes. The phasing out of interim civilian administrations will also be funded from this envelope. Programmes funded under this envelope will be complementary to national programmes and will only be eligible if they provide an added value to the pre-accession process.

¹ as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 and repealing Decision 2004/520/EC (2006/56/EC)

**Multi-Annual Indicative Financial Framework:
Breakdown of the Instrument for Pre-Accession Assistance Envelope
For 2008-2010 into allocations by country and component**

<i>Country</i>	<i>Component</i>	2007	2008	2009	2010
TURKEY	Transition Assistance and Institution Building	252.2	250.2	233.2	211.3
	Cross-border Co-operation	6.6	8.8	9.4	9.6
	Regional Development	167.5	173.8	182.7	238.1
	Human Resources Development	50.2	52.9	55.6	63.4
	Rural Development	20.7	53.0	85.5	131.3
	Total	497.2	538.7	566.4	653.7
CROATIA	Transition Assistance and Institution Building	47.6	45.4	45.6	39.5
	Cross-border Co-operation	9.7	14.7	15.9	16.2
	Regional Development	44.6	47.6	49.7	56.8
	Human Resources Development	11.1	12.7	14.2	15.7
	Rural Development	25.5	25.6	25.8	26.0
	Total	138.5	146.0	151.2	154.2
Former Yugoslav Republic of Macedonia	Transition Assistance and Institution Building	41.6	39.9	38.1	36.3
	Cross-border Co-operation	4.2	5.3	5.6	5.7
	Regional Development	7.4	12.3	20.8	29.4
	Human Resources Development	3.2	6.0	7.1	8.4
	Rural Development	2.1	6.7	10.2	12.5
	Total	58.5	70.2	81.8	92.3

SERBIA	Transition Assistance and Building Institution	178.5	179.4	182.6	186.2
	Cross-border Co-operation	8.2	11.5	12.2	12.5
	Total	186.7	190.9	194.8	198.7
MONTENEGRO	Transition Assistance and Building Institution	27.5	28.1	28.6	29.2
	Cross-border Co-operation	3.9	4.5	4.7	4.8
	Total	31.4	32.6	33.3	34.0
KOSOVO	Transition Assistance and Building Institution	60.7	62.0	63.3	64.5
	Cross-border Co-operation	2.6	2.7	2.8	2.8
	Total	63.3	64.7	66.1	67.3
BOSNIA & HERZEGOVINA	Transition Assistance and Building Institution	58.1	69.9	83.9	100.7
	Cross-border Co-operation	4.0	4.9	5.2	5.3
	Total	62.1	74.8	89.1	106.0
ALBANIA	Transition Assistance and Building Institution	54.3	61.1	70.9	82.7
	Cross-border Co-operation	6.7	9.6	10.3	10.5
	Total	61.0	70.7	81.2	93.2
Total Country Programmes		1098.7	1188.6	1263.9	1399.4
Regional and Horizontal Programmes		100.7	140.7	160.0	157.7
ADMINISTRATIVE COSTS		55.8	54.0	56.5	64.6
GRAND TOTAL		1255.2	1383.3	1480.4	1621.7

Figures are in million euros, current prices