

Basic information	
2004/0222(CNS) CNS - Consultation procedure Regulation	Procedure completed
Instrument for Pre-Accession Assistance (IPA) 2007-2013 Amended by 2009/0163(COD) Amended by 2011/0193(COD) Subject 8.20.04 Pre-accession and partnership	

Key players			
European Parliament	Committee responsible		Rapporteur
	AFET Foreign Affairs		SZENT-IVÁNYI István (ALDE)
	Committee for opinion		Appointed
	INTA International Trade (Associated committee)		ZALESKI Zbigniew (PPE-DE)
	BUDG Budgets		ITÄLÄ Ville (PPE-DE)
	EMPL Employment and Social Affairs		The committee decided not to give an opinion.
	REGI Regional Development		HARANGOZÓ Gábor (PSE)
	AGRI Agriculture and Rural Development		HORÁČEK Milan (Verts/ALE)
Council of the European Union	Council configuration	Meetings	Date
	General Affairs	2743	2006-07-17
European Commission	Commission DG		Commissioner
	Neighbourhood and Enlargement Negotiations		-- --
	External Relations		-- --

Key events

Date	Event	Reference	Summary
29/09/2004	Legislative proposal published	COM(2004)0627 	Summary
07/03/2005	Committee referral announced in Parliament		
10/03/2005	Referral to associated committees announced in Parliament		
25/04/2006	Vote in committee		
02/05/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0155/2006	
17/05/2006	Debate in Parliament		
06/07/2006	Decision by Parliament	T6-0308/2006	Summary
06/07/2006	Results of vote in Parliament		
17/07/2006	Act adopted by Council after consultation of Parliament		
17/07/2006	End of procedure in Parliament		
31/07/2006	Final act published in Official Journal		

Technical information

Procedure reference	2004/0222(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amended by 2009/0163(COD) Amended by 2011/0193(COD)
Legal basis	EC Treaty (after Amsterdam) EC 181
Stage reached in procedure	Procedure completed
Committee dossier	AFET/6/24187

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	AGRI	PE353.718	20/04/2005	
Committee opinion	REGI	PE357.924	14/07/2005	
Amendments tabled in committee		PE360.341	27/07/2005	
Committee opinion	INTA	PE357.521	02/08/2005	
Committee opinion	BUDG	PE355.356	25/10/2005	

Committee report tabled for plenary, 1st reading/single reading		A6-0155/2006	02/05/2006	
Text adopted by Parliament, 1st reading/single reading		T6-0308/2006	06/07/2006	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2004)0627 	29/09/2004	Summary
Document attached to the procedure	SEC(2006)0827 	19/06/2006	
Commission response to text adopted in plenary	SP(2006)3801	28/08/2006	
Follow-up document	COM(2009)0699 	23/12/2009	Summary
Follow-up document	SEC(2009)1719 	23/12/2009	
Follow-up document	COM(2011)0647 	11/10/2011	Summary
Follow-up document	SEC(2011)1198 	11/10/2011	
Follow-up document	COM(2012)0678 	20/11/2012	Summary
Follow-up document	SWD(2012)0385 	20/11/2012	
Commission document (COM)	COM(2013)0625 	12/09/2013	Summary
Commission working document (SWD)	SWD(2013)0326 	12/09/2013	
Follow-up document	COM(2014)0610 	30/09/2014	Summary
Follow-up document	SWD(2014)0287 	30/09/2014	Summary
Follow-up document	COM(2014)0686 	30/10/2014	Summary
Follow-up document	SWD(2014)0335 	30/10/2014	Summary
Follow-up document	COM(2015)0548 	30/10/2015	Summary
Follow-up document	SWD(2015)0201 	30/10/2015	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
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CofR	Committee of the Regions: opinion	CDR0498/2004 OJ C 231 20.09.2005, p. 0067-0068	14/04/2004	
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Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Regulation 2006/1085 OJ L 210 31.07.2006, p. 0082-0093	Summary

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 11/10/2011 - Follow-up document

The Commission presents a report covering the main strategic and operational developments that occurred in 2010 regarding implementation of pre-accession assistance. The report covers in one single document both the Instrument for Pre-Accession Assistance (IPA) (which has an overall budget of EUR11.5 billion for the period 2007-2013) and the preceding instruments for pre-accession and for the Western Balkans (i.e. PHARE, CARDS, Turkey Pre-accession Instrument and the Transition Facility). It sets out briefly the political and economic context in which EU-funded activities took place. It also:

- covers key events in the year and progress made to improve strategic planning and programming documents;
- provides summary reports on project implementation and results as well as on donor coordination;
- presents priorities for improving the impact of IPA funds;
- uses analysis of past experience, provided by evaluations and conclusions from the IPA 2010 Conference, to draw recommendations for further improving the impact of IPA funds up to and beyond 2013.

The report notes that the global financial crisis has had a deep impact on the region in 2010. Candidate countries and potential candidates faced challenges of high unemployment, increased poverty levels, reduced capital investment, and increased public deficits and uneven growth. In spite of the difficult economic context there were some notable milestones towards EU integration for a number of enlargement countries in 2010 :

- Croatia is in the final stages of its accession to the EU;
- Montenegro and Iceland were granted candidate status and Iceland opened accession negotiations;
- Serbia presented its application for EU membership;
- Visa-free travel to the Schengen area was extended to Albania and Bosnia and Herzegovina

The report states that the enlargement process has created opportunities for the EU to engage in broader strategic actions. To this end and with a view to ensure policy coherence, enlargement policy has begun to dovetail with the Europe 2020 strategy. In this way, enlargement policy generates benefits for the EU, and for the candidate countries and potential candidates to achieve strategic objectives for economic recovery and sustainable growth.

Stable institutions and protection of minorities: the Commission considers that 2010 was a good year for IPA, showing steady improvement in strategic focus and better impact. The report shows how pre-accession funding assisted in building stable institutions, strengthening democratic processes and the rule of law, human rights and the respect for and protection of minorities. The latter issue regarding minorities and vulnerable groups is a serious and urgent issue for **Kosovo**. IPA-funded projects produced achievements in this area in 2010. The Roma Camp in Cesmin Lug was closed and 130 refugee families from minority communities were able to return to Kosovo, with a comprehensive package of assistance and professional training aimed at ensuring their resettlement and reintegration.

The Multibeneficiary MIPD highlighted support to enhance regional cooperation in the fight against organised crime and corruption and for IPA beneficiaries to establish strong public administrations, notably through the establishment of the Regional school for Public Administration in Danilovgrad, Montenegro

Market economies: IPA support helped create the conditions for better functioning market economies and supported the development of better skilled, more employable work forces in a time of economic difficulty. It encouraged regional cooperation, contributed to sustainable development and inclusive growth, in addition to beginning to build awareness of the critical challenge of climate change. Candidate countries were also better prepared to take on

the obligations of EU membership. This concerned in particular the preparation for the implementation of future structural and rural development policies and funds. Not only has the setting-up of social, environmental and economic infrastructures and competitive agricultural as well as safe and hygienic food production been supported but efficient and effective implementing structures and systems for post-accession funds have continued to be built up successfully as well.

Closer partnership: the Commission recognises that there are differentiated development needs across enlargement countries and that IPA must be targeted towards preparations for accession for beneficiaries who are very different in terms of their socio-economic development and at different stages of accession. In 2010 the Commission played a role of coordinator in support of the EU enlargement agenda, and promoted coherence and complementarity between the different EU actors who continued to provide bilateral support to the Western Balkans and Turkey. The closer partnership with the Western Balkans and Turkey embodied in pre-accession assistance also offers benefits for EU Member States, such as enhanced security of energy supply as well as safe and hygienic food imports, more security at the external borders of the EU and better prospects for the management of global challenges such as combating climate change and pollution.

Sector approach: the 2011-2013 Multi-annual Indicative Planning Documents (MIPDs) prepared in 2010, to set the strategy for financial pre-accession assistance, introduced for the first time the shift towards a sector approach. Nine reference sectors were identified as being the areas of most relevance to the EU integration process, namely: i) public administration reform; ii) justice and home affairs; iii) private sector development; iv) transport; v) energy; vi) environment

and climate change; vii) social development; viii) agriculture and rural development; and ix) support and other activities. From these, a lesser number of priority sectors were selected in individual MIPDs.

The introduction of the sector approach in the MIPDs for 2011-2013 will lead to a reduction of the number of intervention fields in all enlargement countries, better prioritisation and a more definite focus on results. It also helped the beneficiary countries to pay greater attention to the feasibility, complementarity and coherence of IPA funded interventions with the national sector plans and strategies, and the support for these plans by other donors. More remains to be done in 2011 and beyond to ensure more complete ownership at the country level and to correctly identify and address capacity building needs in the beneficiary countries

so as to reap the full anticipated benefits of the sector approach. In areas that expose the region to dynamic global challenges, such as climate change, the MIPD 2011-2013 recognises that efforts need to intensify at the national and regional level to prepare the countries to mitigate and adapt to climate change impacts. The Commission will seek to apply as far as possible principles of alignment, division of labour and management for development results.

EU and financial institutions: the EU also explored how deeper partnerships between the EU and European and international financial institutions could help meet the needs of the beneficiaries through enhanced partnerships and new financing mechanisms such as blending. The 2010 IPA Conference confirmed the importance of investments and strengthened partnerships, particularly with the International Financial Institutions to support the beneficiary countries to participate in the shared Europe 2020 vision of smart, sustainable and inclusive growth. Complementarity, blending and the leverage effect of IPA assistance for IFI support, investment and knowledge transfer could enhance the impacts of pre-accession financing. The Western Balkans Investment Framework (WBIF) was seen as a good example of pooled grants, loans and expertise from the EU, IFIs as well as bilateral donors for priority investment projects. 2010 saw increased ownership by beneficiaries of IPA, as demonstrated through increased leadership of donor coordination and through carrying out their own needs assessments for preparing for EU accession and for achieving broader development aims, macro-economic stability and sustainable growth in preparation for the IPA 2010 Conference. In addition, there was considerable engagement from beneficiaries, especially the National IPA Coordinators and authorities responsible for European integration in supporting and developing approaches to improve performance measurement and demonstrate the impact of IPA funds to their citizens.

Future prospects: credible prospects of future EU membership remains the strongest driving force for reforms and the transformation of the societies in the enlargement countries. The efficient and well targeted use of IPA funds combined with its power to leverage resources from IFIs should contribute to faster progress in the accession process.

Lastly, 2010 opened a public consultation on how the IPA instrument can be further improved, under the next multi-annual financial framework of the EU, to produce the most positive impact on the progress of the Western Balkans, Turkey and Iceland, which would also bring benefits for the EU and its Member States.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 06/07/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by István **Szent-Iványi** (ALDE, HU), making some amendments to the proposal. It should be noted that in negotiations between the three institutions, the Commission and the Council have agreed to Parliament's wish to have another, separate instrument for actions in the field of democracy and human rights. The principal amendments are as follows:

1) Parliament amended some of the areas to be supported by Community assistance, and added new ones, in particular:

- market-oriented economic reform to build a sustainable social, environmentally-friendly and competitive economy, by progressive price and trade liberalisation, gradual integration into the customs union, accession to the World Trade Organization (WTO) and the implementation of WTO rules and those resulting from the Doha Development Agenda;

- preparation of EU-compatible provisional National Development Plans aimed at building institutional absorption capacity for future EU assistance, especially in the areas of rural, infrastructure and human resources development,

- the promotion of gender equality;
- the economic and social integration of vulnerable groups, particularly women.

2) The implementing instruments shall be presented to the European Parliament for its opinion before their adoption, and the Commission must have regard to the recommendation of Parliament. In its annual report, the Commission shall set out in detail the extent to which the European Parliament's recommendations have been taken into consideration. Should it deviate from the recommendations of the European Parliament, the Commission shall give its reasons for doing so.

3) The Commission shall promote detailed information and publicity about the projects and programmes financed in order to raise public awareness about the Community action and its objectives.

4) The Commission shall ensure consistency between assistance provided under this Regulation and assistance provided under other external assistance instruments including a separate instrument devoted to the promotion of human rights and democracy, as well as Member States' bilateral operations and funding from the EIB, other international organisations and regional development banks.

5) If the European Council recognises a State as a potential candidate for membership of the European Union, the Council, acting by a qualified majority on the basis of a proposal from the Commission, and after consulting the European Parliament, shall include that country in Annex I.

6) Not later than 30 June 2010, the Commission shall submit to the European Parliament and the Council a report on the implementation of the Regulation together with a legislative proposal introducing the necessary modifications. The European Parliament and the Council, acting on a proposal by the Commission, shall re-examine the Regulation by 31 December 2013.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 23/12/2009 - Follow-up document

The Commission presents its 2008 report on the implementation of the Instrument for pre-accession assistance (IPA). IPA aims to provide targeted assistance to candidates or potential candidates for membership of the EU. This report deals with the implementation of IPA during 2008, until the cut-off date of 31

December 2008. As implementation of the 2007 and 2008 IPA programmes has only recently begun, the information on monitoring and assessments of results achieved through these programmes are rather limited.

The results achieved in 2008 with respect to the candidate countries and the potential candidates were presented in the November 2008 enlargement package. The enlargement strategy paper outlines the Commission's approach to future enlargement challenges. It is accompanied by progress reports on candidate countries and potential candidates. Most notably, the 2008 strategy paper presented **Croatia** with an indicative and conditional roadmap for reaching the final phase of technical negotiations at the end of 2009. The enlargement package has since been broadly welcomed by the Council and was well received in the enlargement countries.

Turkey's strategic importance to the EU has further increased in key areas such as energy security, conflict prevention and resolution and regional security in the Southern Caucasus and the Middle East. The country's engagement with the EU makes it a stronger force for stability in a region facing many challenges. Accession negotiations with Turkey continued to reflect the pace of reform. In the Commission's 2008 assessment, Turkey qualified for the first time as a functioning market economy in terms of the Copenhagen economic criteria.

As regards the **Cyprus issue**, the leaders of the Greek Cypriot and Turkish Cypriot communities started full-fledged negotiations on a comprehensive settlement under the auspices of the United Nations. The Commission continued to support their efforts and to stand ready to provide technical advice on issues within EU competence.

All the countries concerned have signed Stabilisation and Association agreements (SAAs). For most of them, the corresponding Interim Agreement has entered into force and the SAA ratification process was underway. The ratification of **Serbia's** SAA and the entry into force of its Interim Agreement is conditional on Serbia's full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). DG Enlargement's activities in the countries of the Western Balkans contributed to further securing stability in the region, including Kosovo, which unilaterally declared its independence on 17th February 2008. **Kosovo** has since adopted a plan for European Integration 2008-10 which aims to facilitate its anchoring in the SAp. Cross-border co-operation in this region continued to develop and all countries concerned have been presented with roadmaps spelling out the conditions for achieving visa-free travel to the EU.

Important efforts have been made to provide support for regional cooperation initiatives in accordance with the Thessaloniki agenda. Several new initiatives to this end were outlined in a Commission Communication on the Western Balkans in March 2008. The newly established Regional Cooperation Council (RCC) became operational in 2008.

Montenegro applied for EU membership in December 2008. The Commission is well prepared for taking up the resulting challenges as soon as the Council mandates the Commission to draw up the related opinion.

The report gives an overview of the programming and implementation of the IPA and sets out the 2008 IPA allocations in million euros by country and by each of the five components, as well as for the regional and multi-country programmes as updated in the 2010-2012 Multi-annual Indicative Financial Framework MIFF (see [COM\(2008\)705](#)). The MIFF is part of the annual enlargement package and it is designed to provide information on the indicative breakdown of the overall IPA envelope proposed by the Commission by country and by component for a three year rolling period. It acts as the link between the political framework within the enlargement package and the budgetary process. Based on the MIFF allocations, and on the priorities identified within the political framework, Multi-annual Indicative Planning documents (MIPD) for each country and for the multibeneficiary

programmes are prepared. The MIPD represents the Commission's view of major areas of interventions and main priorities that the beneficiary country is expected to develop in detail in the programming documents.

The report gives details of IPA programmes in 2008 and sets out implementation modalities and structures, noting that for all candidate countries, the medium term objective is fully decentralised management, i.e. with Commission ex post control only. It gives an overview of IPA implemented Programmes.

It discusses the outcome of a Donor Coordination Conference in Brussels in 2008, which highlighted the achievement of cooperation and synergies between donors of the Western Balkans and Turkey on the basis of a reliable overview of donor activities in IPA countries and the need to take on board the experience of the countries which joined the EU in 2004 and 2007.

Lastly, the document sets out details of coordination with the European Investment Bank and International Financial Institutions. Non-repayable grants both from the EU and from other donors including the Member States combined with IFI loans have become a crucial resource for private sector development, investments in energy efficiency, and infrastructure remediation and upgrading without overburdening the Beneficiaries with excessive debts.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 17/07/2006 - Final act

PURPOSE: to establish a new Instrument for Pre-Accession Assistance for candidate countries and for potential candidate countries and to replace the existing financial instruments by way of a more simple and effective framework for the period 2007-2013: Instrument for Pre-Accession Assistance (IPA).

LEGISLATIVE ACT: Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA).

BACKGROUND: following the adoption of the new [financial framework 2007-2013](#), a series of new instruments for economic, financial and technical assistance for third countries were adopted, consolidating, reforming and improving the procedures governing access to and planning of assistance granted under the **Community's external policy**.

There different funding instruments of the external policy are now as follows:

- the [Instrument for Development Cooperation](#) (DCI);
- the [European Neighbourhood and Partnership Instrument](#) (ENPI) covering all external policy on cooperation and economic assistance (excluding development aid);
- the [Instrument for Stability](#) to combat serious crises in third countries;
- the [Instrument for Nuclear Safety Co-operation](#), supplementary to the Instrument for Stability;
- the Instrument for Pre-Accession Assistance (IPA);
- an [Instrument for the promotion of democracy and human rights world-wide](#);
- an [Instrument for co-operation with industrialised and other high income countries and territories](#).

This Instrument for Pre-Accession Assistance (IPA) is part of this new structure, streamlining existing assistance measures into one single instrument and replacing 8 financial instruments from the period 2000-2006.

CONTENT: with an overall financial envelope of **EUR 11.468 billion between 2007 and 2013**, the IPA will help beneficiaries to gradually align themselves with the norms and policies of the European Union, including the *acquis communautaire*, with a view to their accession.

Beneficiaries: this Regulation covers two distinct categories of eligible countries:

- **candidate countries for membership** (Annex I to the Regulation): Croatia, Turkey and the Former Yugoslav Republic of Macedonia;
- **potential candidate countries for membership** (Annex II to the Regulation): Albania, Bosnia and Herzegovina, Montenegro and Serbia (including Kosovo).

Scope: the assistance shall be used to provide support in the following areas:

- strengthening of democratic institutions, as well as the rule of law;
- the promotion and the protection of human rights and fundamental freedoms and enhanced respect for minority rights, the promotion of gender equality and non-discrimination;
- public administration reform, including the establishment of a system enabling decentralisation of assistance management to the beneficiary country;
- economic reform;
- the development of civil society;
- social inclusion;
- reconciliation, confidence-building measures and reconstruction;
- regional and cross-border cooperation;

In addition to these general objectives, assistance shall also be used to provide specific support depending on the beneficiary:

- **in candidate countries:** (i) the adoption and implementation of the *acquis communautaire*; (ii) support for the policy development as well as preparation for the implementation and management of the Community's common agricultural and cohesion policies;

- **in potential candidate countries:** (i) progressive alignment with the *acquis communautaire*; (ii) social, economic and territorial development including, *inter alia*, infrastructure and investment related activities, in particular in the areas of regional, human resources and rural development.

Status of a beneficiary country: if the status of “candidate country” for membership to the EU is granted to a “potential candidate country”, the Council shall, by qualified majority on the basis of a proposal from the Commission, proceed with the transfer of the country concerned to the “candidate country” category.

Political framework for assistance, multi-annual planning and programming of assistance: assistance shall be provided in accordance with the general policy framework for pre-accession, defined by the European and Accession Partnerships, and taking due account of the regular reports by the Commission on progress in beneficiary countries.

Assistance shall be provided on the basis of **multi-annual indicative planning documents established by country** in close consultation with the national authorities. These documents shall present indicative allocations for the main priorities of assistance by country. These documents shall be established following a three-year perspective and shall be the subject of specific information presented to the European Parliament and to the Council in the form of a multi-annual indicative financial framework (this framework shall present the Commission's intentions for the allocation of funds, broken down by component, country and multi-country action).

Assistance shall also be provided through **multi-annual or annual programmes**, established by country and by component, or, as appropriate, by group of countries or by theme in accordance with the priorities defined in the multi-annual indicative planning documents.

Assistance components: assistance provided under the IPA is characterised by specific assistance components:

1. Transition Assistance and Institution Building;
2. Cross-Border Cooperation;
3. Regional Development;
4. Human Resources Development;
5. Rural Development.

For each of these components, the Regulation defines specific rules for implementation depending on the beneficiary country. Transition assistance and institution building and cross-border assistance are aimed at all countries concerned, whereas assistance for regional development, human resources development and rural development is only aimed at three candidate countries.

Implementing rules: the Regulation provides the general framework for the implementation of measures as well as technical procedures for the management of measures. It lists, in particular:

- **eligible bodies:** entities, bodies and institutions traditionally eligible for technical assistance to third countries, coming from Member States, a beneficiary country of the Regulation, the Neighbourhood Instrument, a Member State of the EEA or another third country, insofar as measures of reciprocity of external assistance of that country exist within that country as well as at international organisations;
- **types of assistance:** assistance may, *inter alia*, finance investments, procurement contracts, grants, special loans, loan guarantees and financial assistance or budgetary support, provided that specific eligibility criteria are met;
- **support measures:** assistance may be used to cover the costs of actions linked to preparation, follow-up, control, audit and evaluation of implementing measures;
- **management methods** that the Commission must use to implement the measures decided upon: the Commission is responsible for the implementation of the Regulation, relying on comitology measures laid down in the Regulation. Community financing can take the form of financing agreements between the Commission and the beneficiary country (framework agreements), procurement contracts or grant agreements with national or international public sector bodies. Each year the Commission shall send to the European Parliament and the Council a report on the implementation of Community assistance, containing information on the actions financed during the year;
- **rules on the possible suspension of assistance:** it is provided that assistance may be suspended temporarily or permanently, under a gradual mechanism, in the event of non-compliance with democratic criteria by the partner country. Community assistance to the Western Balkans shall also be subject to the conditions defined by the Council in its Conclusions of 29 April 1997, in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms;
- **implementing measures to strengthen the coherence and complementarity of assistance:** the Commission and the Member States shall ensure coherence between Community assistance provided under the Regulation and financial assistance provided through other internal and external financial instruments;
- **regular evaluation of assistance:** the Commission shall monitor and evaluate the implementation of assistance programmes. The Commission shall submit, by 31 December 2010, a report evaluating the implementation of this Regulation in the first three years, if appropriate with a legislative proposal introducing the necessary modifications.

Repeal: Regulations (EEC) No 3906/89 (PHARE), (EC) No 2760/98, (EC) No 1266/1999, (EC) No 1267/1999 (ISPA), (EC) No 1268/1999 (SAPARD), (EC) No 555/2000 (pre-accession assistance for Malta and Cyprus), (EC) No 2500/2001 (pre-accession assistance for Turkey) and (EC) No 2115/2005 shall be repealed as of 1 January 2007, except in the case of Bulgaria and Romania until their accession.

ENTRY INTO FORCE: the Regulation shall enter into force on 1 August 2006. It shall apply from 1 January 2007 until 31 December 2013.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

PURPOSE : to replace the Phare , SAPARD, ISPA, Phare CBC and Co-ordination Regulations, as well as the Turkey and CARDS Regulations with the aim of establishing a unified and simplified pre-accession instrument.

PROPOSED ACT : Council Regulation.

CONTENT : this new instrument proposed by the Commission has to be seen in the context of the revision of the External Aid framework for the forthcoming financial perspective from 2007 to 2013, which is currently ongoing. The draft Regulation constitutes a framework regulation, establishing a unified instrument for pre-accession assistance. As such, it will replace not only the Phare Regulation, but also – among others - the SAPARD, ISPA, Phare CBC and Co-ordination Regulations, as well as the Turkey and CARDS Regulations. It will be supported by substantial implementing rules, defining more closely the areas of activity identified in the framework Regulation.

Beneficiary countries will be divided into two categories, depending on their status as either Candidate Countries or potential Candidate Countries. Potential Candidate Countries are listed in Annex I (Albania, Bosnia and Herzegovina, Serbia and Montenegro, the former Yugoslav Republic of Macedonia) of the Regulation, Candidate Countries in Annex II (Croatia and Turkey).

Potential Candidate Countries will continue to receive assistance along the lines currently laid down in the CARDS-Regulation: Institution Building and Democratisation, Economic and Social Development, Regional and Cross-Border Co-operation and some alignment with the *acquis communautaire*, in particular where this is in the mutual interest of the EU and the beneficiary country.

Candidate Countries will receive the same kind of assistance, and will additionally receive assistance in the preparation for the implementation of Structural and Rural Development Funds after Accession, as well as concerning the full implementation of the *acquis communautaire*.

A country can move from Annex I to Annex II only after the decision of the Council giving it Candidate status. Such a decision would then authorise the move from Annex I to Annex II through a decision of the Council to be adopted under a "light" procedure, provided for in Article 17.

This draft Regulation sets out, in a non-finite matter, the target areas for assistance. These target areas are set up in a way to ensure coherence with earlier Community assistance, allocated either under the CARDS or the Turkey Regulations by globally targeting the same objectives set down in these two Regulations. Assistance shall, where appropriate, be used to support in particular the following areas:

- strengthening democratic institutions and the rule of law,
- public administration reform, including the establishment of a system enabling de-centralisation of assistance management to the beneficiary country in accordance with the rules set down in Regulation 1605/2002/EC,
- economic reform,
- the promotion and the protection of human rights and fundamental freedoms and enhanced respect for minority rights,
- the development of civil society,
- reconciliation, confidence building measures and reconstruction,
- regional and cross-border cooperation,
- In case of the potential candidate countries, assistance shall also be used to support the following areas:
 - progressive alignment with the *acquis communautaire*;
 - social and economic development.

This proposal also sets up five Components, under which the different areas of intervention will be dealt with:

- Transition Assistance and Institution Building : this component can be considered the crucial component in charge of all Institution Building matters, as well as the Transition Assistance made available to the countries listed in Annex 1. It is also in charge of all co-operation measures which are not covered by the other Components. In keeping with this logic, it is also the Component which will co-ordinate the assistance through its Committee (see Art. 11 (2)). This subsidiary catch-all function will enable rapid reaction and adaptation to changing needs and newly emerging priorities.

- Cross-Border and Regional Co-operation: this Component will be open to both groups of beneficiary countries. It will support crossborder activities among beneficiary countries and between beneficiary countries and Member States. It would also support beneficiary countries' participation in transnational and interregional programmes including both Member States and third countries managed by other instruments (e.g. the ENPI). In the Western Balkans, the component will continue to support Regional Co-operation previously supported under CARDS.

- Regional Development Component: this Component, which is accessible only to Candidate Countries would be expected to emulate, to the maximum extent possible, the ERDF and Cohesion Fund, thereby giving the beneficiary countries the highest possible approximation to Structural and Rural Development Funds practises under External Aid rules.

This will, on the one hand, create efficiency gains because in their move from the preaccession to post accession phase, Candidate Countries will not have to change procedures and criteria more than absolutely necessary to comply with the Financial Regulation. On the other hand it will give them the best possible preparation for the implementation of the European Regional Development Fund and the Cohesion Fund after accession.

- Human Resources Development : the purpose of this Component is to prepare them for the programming, implementation and management of the European Social Fund, in the framework of the European Employment Strategy. Hereby the objectives of the Community in the fields of social inclusion, education and training and equality between men and women are to be taken into account.

- Rural Development Component: the administrative objective is to help the countries prepare for post-accession EU-funded rural development programmes by implementing preaccession assistance through systems which are as similar as possible to those required postaccession. In order to achieve the operational objective of contributing to the sustainable adaptation of the agricultural sector and rural areas, the range of actions supported (to be specified in the Implementing Regulation) may not include all those eligible under the Rural Development Regulation for Member States. Furthermore, some rural development measures no longer considered relevant within EU Member States may still be important within countries whose agricultural and rural sectors are less well developed and should therefore be eligible under the IPA.

- Management and Implementation : according to Art. 211 of the TEC, the Commission exercises implementation powers conferred to it by the Council. The proposal sets down that, vis-à-vis the Council, the Commission is responsible for the implementation of the assistance, subject to a Comitology procedure set up in Art. 11. This also confirms the Commission's responsibility for the implementation of the budget set down in Art. 48 of the Financial Regulation. According to Art. 10 (2), implementation shall take place according to the rules of External Aid as set down in the Financial Regulation. This provision gives sufficient flexibility to the implementation process, because it makes a whole continuum of implementation methods available for the execution of the tasks at hand. The Commission may thus resort for example to centralised direct management, centralised indirect management (including agencies, Community bodies and national public-sector bodies/bodies with a public service mission), various stages of decentralised management and joint management with international organisations. According to the purposes they pursue, different Components may apply different implementation methods where this is justified. The Commission shall manage funds put at its disposal by other donors, e.g. Member States or third countries, which will be earmarked in the budget in accordance with Art. 18 of the Financial Regulation as assigned revenue.

- Suspension Clause: the proposal sets down a *clausula rebus sic stantibus* for the granting of Community assistance, giving the Council – on a proposal of the Commission – the competence to make the adaptations it considers necessary in case a beneficiary country violates fundamental principles of democracy, rule of law, human rights, minority right, or where progress with a view to the European Partnerships or the Accession Partnerships is insufficient.

This draft Regulation aims to repeal the Phare Regulation, the CBC Regulation, the Co-ordination Regulation, the ISPA-Regulation, the SAPARD-Regulation, the Cyprus/Malta Regulation and the Turkey Regulation. It is not necessary to repeal the CARDS Regulation, because it has an expiry date set at December 31, 2006.

For further information concerning the financial implications of this measure, please refer to the financial statement.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 20/11/2012 - Follow-up document

The Commission presents the 2011 Annual Report on financial assistance for enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument and Transition Facility). It covers the most significant developments regarding the implementation of pre-accession assistance in 2011, including considerations on future perspectives.

The Report briefly sets out the **economic and political context** in which EU-funded activities took place. It highlights the progress made to improve strategic planning and programming documents, providing summary reports on project implementation, their results and the on-going enhancement of donor coordination. Analysis of past experience is used to draw recommendations for further improving the impact of IPA funds up to and beyond 2013.

Further positive developments took place in the enlargement countries over the past year, including progress in EU-related reforms in most candidate countries and potential candidates:

- the Treaty of Accession of **Croatia** was signed in December.
- Accession negotiations with **Iceland** continued to advance;
- the Commission announced a new positive agenda for **Turkey**;
- In **Montenegro**, the reform process continued, allowing the Commission to propose the opening of accession negotiations.
- the **Former Yugoslav Republic of Macedonia** continued accession-related reforms with the support of IPA, though core challenges remained in 2011;
- EU financial assistance to potential candidates **Albania and Bosnia and Herzegovina** has played an important role during 2011 in further supporting the countries on their way towards European integration;
- in October, the Commission delivered its opinion on **Serbia's** application for EU membership, recommending that the European Council grants Serbia the status of candidate and that accession negotiations are opened as soon as it achieves further progress in meeting a key priority concerning Kosovo, another potential candidate country;
- further steps were taken regarding the European perspective of **Kosovo**, including as regards visa and trade issues. Progress was achieved within the framework of the Belgrade-Pristina Dialogue.

Following the global economic crisis, in 2011, all enlargement countries embarked upon a path of recovery but only Turkey managed to recover to a considerable extent. The Western Balkan countries are confronted with high and rising unemployment rates, while fiscal consolidation and the reform of labour markets remain most urgent economic priorities. In a number of countries important reforms were delayed. Enforcement of good governance, the rule of law and administrative capacity continue to represent major political challenges.

An evaluation to support the preparation of pre-accession financial instruments beyond 2013 found that there is a strong rationale for a future pre-accession financial instrument. The preferred option of the evaluators was the continuation of the current programme with similar levels of EU funding. The [new instrument for pre-accession assistance for the post-2013 period](#), proposed by the Commission in December 2011, as part of a package of external action instruments.

2011 saw an important step on the path towards making assistance to the Enlargement countries more **strategic, coherent, and result-oriented** as an integral part of the Enlargement strategy. The **legal and strategic planning framework** that the Commission has proposed for delivering pre-accession assistance from 2014 onwards will **reinforce its link with the political monitoring and reporting** and will put in place a framework aiming for results, achieving impact and rewarding performance. This will contribute to increasing even further the **added value of EU funds** allocated to Enlargement countries by creating stronger incentives for the transformation of their societies, legal systems and economies needed to become an EU Member State.

2011 marked the fifteenth anniversary of **TAIEX** (Technical Assistance and Information Exchange). While the basic principles at the core of TAIEX operations remain, the instrument is constantly kept up-to-date in order to respond to current challenges in the Enlargement regions, with almost EUR10 million spent in IPA beneficiary countries.

The report contains summary tables on the **status of IPA financial assistance to all the countries concerned**. However, further details on specific activities undertaken during the reporting period can be found in the Commission's [technical Staff Working Document](#) published in parallel which complements this report, covering in one single document both IPA and preceding instruments for pre-accession and for the Western Balkans (i.e. PHARE, CARDS, Turkey Pre-accession Instrument and the Transition Facility).

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 12/09/2013 - Follow-up document

This Commission Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility) covers the most significant developments regarding the implementation of pre-accession assistance in 2012, including considerations on future perspectives.

The report concludes that 2012 witnessed a significant step on the path towards making assistance to the Enlargement countries more strategic and accession-driven as an integral part of the Enlargement strategy.

The **legal and strategic planning framework** that the Commission has proposed for delivering pre-accession assistance from 2014 onwards will reinforce its link with the political monitoring and reporting by putting in place a framework aiming for tangible results, achieving the desired impact and rewarding performance. This will contribute to increasing even further the **added value of EU funds** allocated to the Enlargement countries by **creating stronger incentives for the transformation of their societies, legal systems and economies**, for the mutual benefit of the European Union and of IPA beneficiary countries and their citizens.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 30/10/2015 - Follow-up document

This Commission report concerns the implementation of the Instrument for Pre-accession Assistance (IPA) in 2014.

To recall, IPA is the means by which the EU supports reforms in the enlargement countries with financial and technical help. It accompanies the accession policy, as set out by the European Union, with a view to implementing Article 49 of the Treaty on European Union which offers the prospect of EU membership to all European countries that respect the fundamental values of the EU and are committed to promoting them.

Beneficiaries of assistance in 2014 were: Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Iceland, Kosovo, Montenegro, Serbia, and Turkey. Since its entry into the EU, in July 2013, Croatia is no longer an IPA beneficiary, but still benefits from the Transition Facility.

EU pre-accession funds are a sound investment into the future of both the enlargement countries and the EU itself. They help the beneficiaries make political and economic reforms, preparing them for the rights and obligations that come with EU membership. Those reforms should provide their citizens with better opportunities and allow for development of standards equal to the ones enjoyed by the citizens of the EU. The pre-accession funds also help the EU reach its own objectives regarding a sustainable economic recovery, energy supply, transport, the environment and climate change, etc.

Since IPA II was only recently introduced, implementation of programmes in 2014 still fell under its predecessor IPA.

The Instrument for Pre-accession Assistance (IPA): IPA included five different components:

1. Assistance for transition and institution building;
2. Cross-border cooperation (with EU Member States and other countries eligible for IPA);

3. Regional development (transport, environment, regional and economic development);
4. Human resources development (strengthening human capital and combating discrimination);
5. Rural development.

The IPA beneficiaries were divided into two categories. EU candidate countries at the time - Croatia, Turkey and the former Yugoslav Republic of Macedonia - were eligible for all five components.

Potential candidates - Albania (which became a candidate country in 2014), Bosnia-Herzegovina, Montenegro (which became a candidate country in 2010), Serbia (which became a candidate country in 2012) and Kosovo - were only eligible for the first two components.

IPA intervened both at country level and at a regional level, via national programmes, multibeneficiary programmes, and cross-border cooperation.

From 2011 to 2013, IPA also supported Iceland, addressing mainly institutional capacity building issues. After the Icelandic government's decision to suspend accession negotiations in May 2013, **the Commission decided to end its support for Iceland.**

In most enlargement countries, the Commission found:

- combating organised crime,
- corruption and,
- dysfunctional justice systems were essential goals.

Public administration reform also remained a constant area of need in all EU enlargement processes. More recently, economic governance emerged as an area that needed improvement - not least because of the economic and financial crisis in the EU itself, whose impact was heavily felt in the Western Balkans.

A special effort was made in 2014 to **link political priorities with assistance programmes and funding**, with the aim of concentrating assistance where it was most critical for the EU integration process.

IPA II: in 2014 IPA II was launched. It covers the period 2014-2020 and represents the renewed commitment to enlargement. IPA II focuses on **democracy and rule of law, as well as competitiveness and growth.**

IPA II also introduces a **sector approach**, incentives for delivery on results, budget support and prioritisation of actions. Coordinated investments along the main infrastructure corridors and cooperation with international financial institutions (IFIs) are also important parts of IPA II.

Indicative Strategy Papers all countries were adopted in 2014. They cover the entire period 2014-2020 although a midterm review is foreseen. The programming process has been rendered more sector focused and sector planning documents form the basis of the process.

The EU also provided assistance to the enlargement countries through bilateral aid from EU Member States and investment loans delivered by the European Investment Bank (EIB). EU Delegations worked to ensure coherence between IPA support and other sources of EU support.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 30/09/2014 - Follow-up document

The Commission presented the 2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility).

Objectives of the enlargement policy: the overall objective of the enlargement policy is to implement Article 49 of the Treaty on European Union which offers the prospect of EU membership to all European countries that respect the fundamental values of the EU and are committed to promoting them.

The current enlargement agenda covers the Western Balkans, Turkey and Iceland.

In 2013, the enlargement countries further advanced on their path towards the European Union. There were a number of positive developments in the candidate countries (Croatia (until June 2013), Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey) and potential candidates (Albania, Bosnia and Herzegovina, Kosovo).

Accession negotiations with Iceland were put on hold by the Icelandic government in May 2013 and will only be resumed by the Icelandic side if the government decides to continue on the path towards EU membership.

The policy objectives of the Commission in the field of enlargement are supported by the Instrument for Pre-Accession Assistance (IPA). The instrument is the means by which the EU supports reforms towards alignment to EU standards and acquis in the enlargement countries through both financial and technical help.

IPA replaced the previous instruments for pre-accession: PHARE, ISPA, SAPARD, the pre-accession instrument for Turkey, and the financial instrument for the Western Balkans, CARDS. Since 2007, the enlargement countries have received EU funding and support through this single channel.

What does the IPA finance? IPA is divided into five components:

- Transition Assistance and Institution Building

- Cross-Border Cooperation
- Regional Development
- Human Resource Development
- Rural Development.

As regards pre-accession assistance, IPA allocations amounted to around **EUR 11.5 billion over the 2007-13 period about EUR 1.8 billion being allocated for the year 2013.**

This Report highlights the progress made to improve strategic planning, providing an overview on programme/project implementation, and the ongoing programming process and the enhancement of donor coordination.

What will the IPA II finance? as of 2014, the new Instrument for Pre-Accession Funding (IPA II) replaces its predecessor. The allocations foreseen for the 2014–2020 period amount to EUR 11.7 billion. Under the IPA II there will be a **gradual move towards a sector approach** aims at better achieving results, impact and added value in the assistance. This sector approach shall be based on national strategies with a view to:

- maximising the potential for complementarity,
- leveraging between different modes of support,
- helping to rationalise the support through an appropriate division of labour, while ensuring greater ownership of national authorities over the programmes.

In the framework of the implementation of sector approach, the Commission has also foreseen the **use of sector budget support** and to the extent that certain key conditions (the existence of a strategy, a stable macro-economic framework and a suitable public financial management system) are in place.

Cooperation with the donor community on aid effectiveness: in 2013, the Commission continued to pursue the donor coordination agenda including efforts to maximise aid effectiveness and transparency. In this context and in the course of 2013, the Commission took further steps to ensure alignment of funding under the Instrument for Pre-accession with the international standards on aid transparency, as set by the Organisation for Economic Cooperation and Development (OECD) and by the International Aid Transparency Initiative (IATI). Further progress is expected in 2014, with the objective of being fully compliant to the common standard as of December 2015.

Internal coordination of the programming processes is in place to make sure that preaccession assistance is in line with the various initiatives within the Commission, as well as by EU Member States, International Financial Institutions and the wider donor community, to improve donor coordination and aid effectiveness and to ensure achieving expected results. In this regard the Commission has also ensured that coordination of assistance among international donors and Member States is included into the legal framework of the new financial assistance instrument. A specific study on the political economy of donor intervention in the Western Balkans and Turkey has been launched in 2013.

Main events in 2013 and conclusions: 2013 witnessed a significant step on the path towards making assistance to the Enlargement countries more strategic and "needs-driven" as an integral part of the Enlargement strategic vision. Significant highlights towards the accession process, to which the financial assistance has contributed, were:

- the accession of Croatia;
- the agreement between Serbia and Kosovo in April 2013;
- the opening of negotiations with Serbia;
- the launch of the negotiations for a Stabilisation and Association Agreement with Kosovo;
- the opening of a new negotiation chapter after three years and the signature of the Readmission Agreement with Turkey;
- the opening of 6 negotiating chapters with Montenegro during 2013, including the important rule of law related chapters 23 and 24 on the basis of comprehensive Action Plans;
- a smooth electoral process and the proposal by the Commission to award candidate status for Albania.

Meanwhile, the preparation of the Indicative Strategy Papers and the work on the IPA Regulation and its Implementing Regulation represented important steps in the framework of the launch of the new instrument in 2014. Future work will be clearly inspired by lessons learnt and the messages provided by the last Progress Report, with a critical focus on the **"fundamentals"**, to be also fully reflected in the framework of financial cooperation.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 30/09/2014 - Follow-up document

This Staff Working Document accompanies the Commission 2013 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility). It presents an overview of the achievements of IPA in 2013.

A summary of the main achievements is as follows:

Croatia: since 1 July 2013, Croatia is an EU Member State. Croatia's accession is an example of the transformative power and stabilising effect of the enlargement process. The implementation of EU financial assistance in 2012/2013 provided further support for completing reforms and building up capacity in the crucial areas within the membership perspective, namely judiciary, fundamental rights and justice, freedom and security. It further supported continued efforts of preparing Croatia for the management and implementation of post-accession funds.

An increasing policy focus has been put on improving the adaptability of enterprises and workers since 2011. A new priority axis has been introduced in 2012 targeting civil society organizations and the promotion of social dialogue.

Montenegro: progress was made in the accession negotiations. In June 2013, the country adopted comprehensive action plans for chapters 23 and 24. Five chapters were opened in December 2013, including the important rule of law related chapters 23 and 24, bringing the total to 7 opened chapters, of which 2 were provisionally closed. The screening meetings with Montenegro were concluded in June 2013.

During 2013 Montenegro put significant efforts in the process of conferral of management for decentralised implementation of IPA funds.

Serbia: the decision by the June 2013 European Council to open accession negotiations with Serbia followed the historic agreement between Serbia and Kosovo, reached in April 2013 in the framework of the EU-facilitated dialogue. Subsequently, in December 2013, the Council adopted the negotiating framework for accession negotiations and set the date for the first Inter-Governmental Conference (IGC) which took place in January 2014. The IPA 2013 Annual Programme was adopted in December 2013 and active preparations for IPA II have taken place throughout the year. Subsequently, the decision was taken in March 2014.

The former Yugoslav Republic of Macedonia: in October 2013, for the fifth year in a row, the Commission recommended the opening of accession negotiations with the former Yugoslav Republic of Macedonia. The Council has not yet decided on the Commission's proposal. Given the high level of alignment with the acquis, the focus is on implementing already existing strategies and legislation and on improving related administrative capacity. The management of IPA funds under the Decentralised Implementation System remained challenging for the national authorities throughout 2013 due to understaffing and insufficient managerial capacities in key institutions.

The year 2013 was dedicated to the preparation of the IPA II Indicative Strategy Paper 2014-2020.

Albania: in 2013, the Commission recommended that candidate status be granted to Albania on the understanding that the country continues to take action in the fight against organised crime and corruption. Candidate status was subsequently granted in June 2014. During 2013, EU financial assistance played a strategic role in the country, deploying approximately EUR 96 million with a view to enhancing administrative capacities of a number of institutions and fostering social, environmental and economic development.

The emphasis of the Enlargement strategy on the policy areas of judiciary and fundamental rights (chapter 23), and justice, freedom and security (chapter 24) has strengthened the focus of the Albanian Government on improving rule of law in the country through concrete achievements. Infrastructure projects, however, still encounter implementation problems.

The year 2013 was also dedicated to the preparation of the IPA II Indicative Strategy Paper 2014-2020.

Bosnia and Herzegovina: the Commission came to the conclusion that the country is at a standstill in the European integration process. The Commission stated that it is becoming increasingly difficult to justify the provision of pre-accession funds to a country whose political representatives are not willing to reach the consensus necessary to move forward on the pre-accession path.

This stalemate in the accession process affected the programming and the implementation of IPA assistance. In particular, in view of the absence of an EU coordination mechanism and an increasing politicisation of IPA implementation, the Commission decided to suspend several IPA projects in the course of 2013 and eventually to cancel two projects in the agriculture and rural development sector.

Consequently, the Commission reduced the budget of the IPA 2013 allocation. The preparations for IPA II did not restart in 2013.

Kosovo: in June 2013, the Council authorised the opening of negotiations for a Stabilisation and Association Agreement (SAA) with Kosovo, which were officially launched in October 2013. The implementation of EU assistance exceeded its financial targets, both in terms of contracts and payments in 2013. The 2013 Annual Programme was adopted in January 2013 with an allocation of EUR 65.86 million.

Kosovo's participation in Cross-Border Cooperation (CBC) programmes progressed well in 2013. The Financing Agreements for 2012 were signed for all three CBC programmes (with Albania, the former Yugoslav Republic of Macedonia, and Montenegro respectively). The first call for proposals with the former Yugoslav Republic of Macedonia was launched.

During 2013, the Indicative Strategy Paper 2014-2020 was prepared.

Turkey: the Positive Agenda has brought fresh dynamism to EU – Turkey relations. The accession process regained new momentum with the opening of a new chapter (22, on regional policy). In December 2013, the readmission agreement between the EU and Turkey was signed and the visa liberalization dialogue initiated. Despite political turmoil in this country, the impact on the programming process was controlled and work on the new Strategy Paper for the full duration of the multiannual financial framework 2014-2020 proceeded as foreseen. Regarding the management of the ongoing financial assistance by the Turkish national authorities under decentralised management mode, conferral of management for IPA Component V (agriculture and rural development) was granted to further 22 provinces throughout Turkey, raising to 42 the number of accredited agencies in the country.

However, as far as the implementation of IPA programmes is concerned, persisting delays have been registered.

Iceland: the government of Iceland announced its decision to put accession negotiations on hold on 22 May 2013. By that time substantial progress had been made in the negotiations: 27 chapters had been opened and 11 were provisionally closed. As a consequence, the Commission stopped engaging on new commitments under IPA and started to phase out ongoing IPA projects. In agreement with the government, all preparatory work on IPA II was also suspended.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

This report from the Commission concerns financial instruments supported by the general budget according to Article 140(8) of the Financial Regulation as at 31 December 2013.

The report focuses on all centrally-managed Financial Instruments for internal and external Union policies supported by the general budget according to Article 140(8) of the [Financial Regulation](#) as of 31 December 2013.

To recall, financial instruments, including loans or guarantees with greater risk capacity, represent a smart way to finance the real economy, and boost growth and employment. They can achieve financial leverage (multiplying scarce budgetary resources by attracting private and public funds to support EU policy objectives), policy leverage (incentivising entrusted entities and financial intermediaries to pursue EU policy objectives through alignment of interest), and institutional leverage (benefiting from the expertise of the actors involved in the implementation chain).

This report is the **first to be prepared under the new requirements of the Financial Regulation**. It is intended to **provide an informative overview of how the taxpayer's money has been used** and of the progress made in the implementation of the Financial Instruments as of 31 December 2013.

The report is complemented by a Commission Staff Working Document which provides specific information on individual financial instruments, their progress made in implementation and their environment in which they operate.

The report highlights that **important outcomes have been achieved through the use of Financial Instruments in the years 2007-2013**, and they will play an even more significant role in the 2014-2020 Multi-annual Financial Framework (MFF). The budgetary authorities have expressed their **political commitment and increased the necessary resources**. Furthermore, the Financial Regulation has been extended with a dedicated chapter, setting up the appropriate regulatory framework for Financial Instruments' design, management and reporting.

The main conclusions of the report are:

(1) **The implementation of the 2007-2013** centrally-managed financial instruments has been instrumental in helping to **alleviate financial market failures and leverage the positive effects of EU-wide actions**. For example, in the 2007-2013 period, the main EU-level financial instruments dedicated to SME support (CIP-GIF, CIP-SMEG 07 and RSI) and micro-SME support (EPMF) with an overall contribution (EU commitments) of more than EUR 1.6 billion, mobilised lending of nearly EUR 17.9 billion and also supported equity investments of about EUR 2.8 billion, thus enhancing access to finance for more than 336 000 SMEs.

(2) **The achieved leverage** is equal to 5 for Equity Instruments, and ranges from 4.8 to 31 for Guarantee instruments, from 10 to 259 for Risk-sharing instruments, from 1.54 to 158 for Dedicated Investment Vehicles, from 5 to 7 for Financial Instruments in the Enlargement Countries, from 5 to 27.6 for Financial Instruments in Neighbourhood Countries and Countries covered by the Development Cooperation Instrument.

With the experience gained in the course of implementation during the 2007-2013 period, and in the context of programme evaluations and audits, several lessons have been learned on how to further improve the design and management of financial instruments:

- best practices have been capitalised on the design and the management of the new generation of financial instruments;
- further, Financial Instruments will now cover **all main types of final recipients over the full funding cycle** and will include offer of both pro- and counter-cyclical instruments to respond flexibly to market needs, based on demand-driven implementation;
- effectiveness and efficiency have been enhanced through fewer instruments with larger volumes, ensuring critical mass in full consistency with State aid rules;
- alignment of interest with entrusted entities and financial intermediaries will be further achieved through fees and incentives, and risk sharing.

Since 2013 is the last year of commitment for the 2007-2013 programming period for a number of instruments, a final evaluation assessing the extent to which objectives have been achieved has not been finalised. More qualitative and in-depth feedback on the attainment of objectives will be available within one year and will be duly reported upon.

Instrument for Pre-Accession Assistance (IPA) 2007-2013

2004/0222(CNS) - 30/10/2014

This Staff Working Document (SWD) constitutes an Annex to the report of the Commission to the European Parliament and the Council on financial instruments supported by the general budget according to Article 140(8) of the [Financial Regulation](#) as at 31 December 2013. It provides specific information on individual financial instruments, their progress made in implementation and their environment in which they operate.

Financial instruments are a proven way to achieve EU policy objectives. They use EU funds to support economically viable projects and attract very significant volumes of public and private financing. By injecting money into the real economy, financial instruments contribute to the achievement of the EU policy objectives enshrined in the Europe 2020 Strategy, notably in terms of employment, innovation, climate change and energy sustainability, education and social inclusion.

The report gives detailed information on each financial instrument.

Guarantee Facility under the Western Balkans Enterprise Development and Innovation Facility (WB EDIF)

Access to loan finance remains one of the biggest difficulties for SMEs in the Western Balkans, in spite of SMEs becoming the most efficient segment of their economies' transition and a pillar for growth and employment. In addition, access to bank financing for SMEs in their early stage is almost impossible due to their lack of financial history and access to finance in the energy sector appears rather vulnerable.

The Financial Instrument of the European Union for the Guarantee Facility (GF) contributes to achieving the objectives of enhancing socio-economic growth of the Western Balkans.

Its major objective is the creation of preconditions for the emergence and growth of innovative and high-potential companies. The instrument guarantees new SME loans on a portfolio basis. This will entail improving SME access to lending and potentially lowering the cost of borrowing.

The instrument started in 2013 and will guarantee loans with maturity until 2023. The geographical coverage will be the Western Balkans in line with the Common Implementing Regulation. The Union contribution of almost EUR 22 million committed under the Facility is estimated to support a total investment of more than EUR 110 million.

Other Funds under this EDIF include the Enterprise Expansion Fund (ENEF), the Enterprise Innovation Fund (ENIF), the European Fund for Southeast Europe (EFSE), the Green for Growth Fund (GGF) providing dedicated financing for energy efficiency and renewable energy projects to help the target countries reduce CO2 emissions and energy consumption, the SME Recovery Support Loan for Turkey aiming to mitigate the crisis impact for SMEs and contributes to the development of the Turkish economy and employment sector. The Union contribution amounts to EUR 30 million and has mobilised a total of EUR 150 million in lending.