

Did EU candidacy differentiation impact on the performance of pre-accession funds? A quantitative analysis of Western Balkan cases

Davide Denti

Abstract

After four years of implementation the EU funds for candidate countries, the Instrument for Pre-Accession Assistance (IPA), has shown a mixed performance, resulting in a statistically limited level of use of IPA funds in most target countries, though with some variance. This article intends to test the hypothesis linking such a differentiation with the presence or absence of the official status of candidate country. The analysis of the funds allocation levels, the funds absorption levels and the progress in administrative reforms nevertheless shows that candidacy status is neither a sufficient nor a necessary condition for a good IPA performance. Rather, the data show that the IPA funds were able to catalyse a good progress only in those target countries characterised by an average adaptation pressure, but not to spur laggards and frontrunners, recalling the hypothesis put forward by Radaelli in his analysis of the outcomes of Europeanisation.

KEY WORDS:

Europeanisation, Western Balkans, Instrument for Pre-Accession Assistance, EU candidate countries

Introduction

The paper intends to give a mid-term assessment of the achievements of the Instrument for Pre-Accession Assistance (IPA). Pre-accession assistance, in the form of EU funds for candidate countries, is part and parcel of a process aimed at fostering institutional and policy change, with the final aim of accelerating EU membership. The IPA Regulation replaces all previous instruments for both official candidate and potential candidate countries, while differentiating them on their access to assistance components and funds management decentralisation. The IPA aims at improving the governance structures and at strengthening administrative capacities, in order to prepare the candidate countries to the administrative tasks implied in being an EU member state. I operationalise its performance through three indicators: the levels of funds allocation, funds absorption, and administrative reform.

Firstly, I compare the levels of financial assistance per country both in absolute terms, and in relative (per capita) terms. Secondly, drawing from the Financial Transparency System of the European Commission, I present the amount of funds awarded to the beneficiary countries according to: (a) the country of the beneficiary, (b) the location of the action, and (c) a combination of the two, pointing to the absorption capacity of local agencies. Thirdly, I check the development of administrative capacities in target countries through the progress in establishing a Decentralised Implementation System (DIS). Such a reform is instrumental in allowing national governments to achieve accreditation by the European Commission for decentralised management and to gain access to all available budget lines under the IPA. Through the analysis of the IPA Progress Reports for 2008, 2009, 2010, 2011 and 2012 it is possible to identify the main trends. The DIS accreditation process proceeds separately for each country and IPA component through six stages, resulting in a highly differentiated pattern.

Preliminary findings show that the allocation levels are path-dependent; absorption levels vary widely, and may be linked with local administrative capacities. Finally, at mid-term, the IPA has pushed some countries to develop decentralised management of EU funds. Progress has

nevertheless proven particularly difficult in the most laggard territories (Bosnia and Herzegovina, and Kosovo), highlighting that in such cases the IPA lacks force to push for deep internal reforms. The challenge for the next budgetary period for the IPA will be to identify and address the factors hindering funds absorption and decentralised management in the laggard territories too. Likely, additional incentives will be needed for this scope.

The financial instrument of EU pre-accession assistance

Pre-accession assistance, in the form of EU funds for candidate countries, is part and parcel of a process aimed at fostering institutional and policy change, with the final aim of accelerating EU membership. The current framework for relations between the EU and its candidate countries in the Western Balkans (WB)¹ is the Stabilisation and Association Process (SAP), launched in 2003, based on contractual relations (Stabilisation and Association Agreements, SAA) and financial aid through the Instrument for Pre-Accession Assistance (IPA). The IPA Regulation 718/2007² provides an overall structure to pre-accession financial assistance for both official candidate³ and potential candidate countries,⁴ while introducing a differentiation in the assistance components between the two categories. While candidate countries have access to all IPA budget lines, including the ones mimicking the most closely the EU structural funds (regional development, agriculture, human resources), potential candidate countries may only accede to the first two, aimed at institution-building and regional

1 "Western Balkans" is a referent including those South East European countries which are candidate or potential candidate to EU accession in the 2007/2014 timeframe. It refers to all former Yugoslav countries, minus Slovenia, plus Albania. Besides the Western Balkans, the IPA financial instrument applies also to Turkey and Iceland; they are altogether indicated in European Commission documents as "target" or "beneficiary" countries.

2 Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) (OJ L 170, 29.6.2007, p. 1), as amended by Commission Regulation (EU) No 80/2010 of 28 January 2010 (OJ L 25, 29.1.2010, p.1).

3 Croatia, Former Yugoslav Republic of Macedonia (hereinafter: Macedonia), Montenegro (since 2010), Serbia (since 2012), Turkey, and Iceland.

4 Albania, Bosnia and Herzegovina, Montenegro (until 2010), Serbia (until 2012), and Kosovo (without prejudice to positions on status, and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence).

cooperation. Moreover, while decentralised management is a stricter requirement for candidate countries, potential candidates may continue spending EU funds through centralised EU Commission management.

The structure of the IPA funds is “designed to mirror the Structural Funds” of the EU⁵ and they have to be managed accordingly. Their aim is to provide candidate countries with a training mechanism to set up administrative capacities and learn how to deal appropriately with cohesion and structural funds after EU accession. The focus of the IPA is therefore on institution building and on compliance with the *acquis*, in a full accession-driven perspective. The management system is more structured, although still flexible; it provides for a roadmap towards the establishment of the Decentralised Implementation System in each administration, final objective for all target countries.⁶

Table 1 - Availability of IPA components by candidate status

	IPA components	Management	Candidate countries	Potential candidates	Cf.
1	Transition Assistance and Institution Building	centralised or joint	p	p	CARDS Funds
2	Cross-Border Cooperation	centralised / concurrent	p	p	regional programmes
3	Regional Development	decentralised	p	y	Cohesion & Regional Funds
4	Human Resources Development	decentralised	p	y	European Social Funds
5	Rural Development	decentralized	p	y	CAP / Rural Devt Fund

Source: Denti, *op. cit.*, p. 32.

Cohesion policy and pre-accession aid can be understood through the prism of Europeanization and neo-institutionalism, as they require target states to evolve into “compound polities”⁷ by developing multi-level governance structures, according to the principles of decentralization, partnership and programming. The IPA mixes characteristics only partially

5 Allan F. Tatham (2009), *Enlargement of the European Union*, Alphen aan de Rijn: Kluwer Law International, p. 323.

6 *Ibid.*

7 Vivien A. Schmidt (2006), *Democracy in Europe*, Oxford: Oxford University Press, cited by Bache (2010), “Europeanization and multi-level governance: EU cohesion policy and pre-accession aid in Southeast Europe”, *Southeast European and Black Sea Studies*, Vol. 10, No. 1, p. 1.

present in the previous pre-accession funds, to introduce the three principles, already contextually present only in the EU structural funds. In doing so, the IPA “deliberately mimic cohesion policy requirements to prepare candidate countries more effectively for managing cohesion policy post-accession”.⁸

Table 2 - Evolution of structural principles of pre-accession instruments over time

<i>period</i>	<i>Instruments</i>	<i>Decentralization</i>	<i>Partnership</i>	<i>Programming</i>
1985-1992	IMPs (Greece)	ý	þ	þ
1989-present	Structural funds	þ	þ	þ
1994-present	Cohesion funds	ý	þ	ý
1990-2006	Pre-accession instr.	þ	ý	ý
1996-2001	MEDA (Turkey)	ý	þ	þ
2007-present	IPA funds	þ	þ	þ

Structural funds: ERDF, ESF, EAGGF
Pre-accession instruments: PHARE, OBNOVA, SAPARD, ISPA, EDIS, CARDS + PAI Turkey
Source: Author's re-elaboration from Bache, op. cit., p. 8.

The IPA aims at improving the governance structures and at strengthening administrative capacities, in order to prepare the candidate countries to the administrative tasks implied in being an EU member state. It is therefore possible to identify the different explanatory variables by pragmatically applying some concepts offered by the literature on Europeanisation. Scholars have focused on three perspectives on the causal mechanisms of Europeanisation,⁹ under a ‘neo-institutionalist umbrella’,¹⁰ summarised in Table 3. All the three are relevant to explain the performance of the IPA funds. In fact, rather than offering exclusive and competing approaches, they help to build a comprehensive theoretical framework.¹¹

8 Ian Bache, op. cit., p.7.
 9 Frank Schimmelfennig and Ulrich Sedelmeier, eds. (2004), *The Europeanization of Central and Eastern Europe*, Ithaca: Cornell University Press.
 10 Paolo Graziano and Maarten Peter Vink, *Europeanization: New Research Agendas*, Basingstoke: Palgrave Macmillan, pp. 12-13.
 11 Tanja Börzel and Thomas Risse (2003), “Conceptualizing Domestic Impact of Europe”, in: Kevin Featherstone and Claudio Radaelli, *The Politics of Europeanization*, Oxford: Oxford University Press, pp. 55-78.

Table 3 – Theoretical perspectives on the causal mechanisms of Europeanisation

	Logic	Interests of the actors	Main factors of change
Rationalist perspective	consequentiality	fixed	thin learning (same goals, new strategies)
	"Europeanization results from a distribution of power resources between actors in the domestic arena as a result of engaging with the EU"		
Sociological perspective	appropriateness	constructed	thick learning (new goals, new strategies)
	"Network governance provides the potential for a deeper transformation of actor behaviour and preferences". Regular interaction can generate trust through socialisation, promoting problem-solving rather than bargaining.		
Historical perspective	path dependency	evolving over time	timing and practices
	Europeanisation derives from incremental change plus critical junctures.		

Source: Author's elaboration (op. cit., p. 35). Quotes from Bache (op. cit., p. 3)

Since Europeanisation is understood as a two-way process, in order to define the explanatory variables it is important to consider not only the EU level, but also the domestic level.¹² To analyse the IPA, both levels are important, in order to take into account both the structure of the instrument and the recipient countries' specific features. The main key conditions underlined in the relevant literature are summarized in Table 4.

.....
12 Helen Wallace (2000), "EU Enlargement: a Neglected Subject", in Maria Green Cowles and Michael Smith (eds.), Risk, Reforms, Resistance, and Revival (The State of the European Union), Vol. 5, Oxford: Oxford University Press, p. 157.

Table 4 – Explanatory variables of Europeanisation

	Rationalist perspective (logic of consequentiality): CONDITIONALITY	Constructivist perspective (logic of appropriateness): SOCIALISATION	Historical perspective (logic of path-dependency): PERSISTENCE
Domestic level (endogenous variables)	1- Veto players 2- Domestic political costs	Presence of epistemic communities / thick learning	1- Administrative capacities 2- Legacies of conflict
EU level (exogenous variables)	1- Financial aid 2- Determinacy and density of norms	Presence of epistemic communities / thick learning	Resonance with: 1- domestic conditions 2- other international factors

A comparison of the different EU financial assistance instruments for the Western Balkans in their chronological succession is presented in the table below. The geographical focus of the EU's action appears widening; the focus moves from reconstruction to development to pre-accession, and the regional programmes acquire more and more importance over time.¹³

Table 5 – Evolution over time of EU financial assistance instruments for the Western Balkans

Instrument	1st generation instruments			2nd generation instruments	3rd generation instruments
	PHARE	OBNOVA	ECHO	CARDS	IPA
Period	1990-2000	1996-2000	1990-2000	2000-2006	2007-2013
Target countries	BiH, Alb, Mak	BiH, Alb, Mak	BiH, Alb, Mak	BiH, Alb, Mak	1) BiH, SR, Kos, AL
		CRO, FRY, Kos	CRO, FRY, Kos	CRO, FRY, Kos	2) CRO, MK, MN, TR
Amount (only for WB)	1.184 bln €	1.476 bln €	2.196 bln €	5.385 bln €	5.189,5 bln €
	TOT 1990-2000: 4.856 bln €				
Primary focus	Post-conflict Reconstruction			Development & Stabilization	Institution building & acquis compliance
Management method	Centralized			Differentiated methods	Decentralized Implementation System (DIS)
Regional programmes	4%	--	6%	4%	8%

.....
13 Davide Denti, op. cit., p. 33

Source: Denti, *op. cit.*, p. 33.

Candidate status differentiation and performance of pre-accession funds

The issue of differentiation has been called into attention by the European Stability Initiative (ESI) in a 2005 a priori analysis of the draft IPA regulation.¹⁴ According to the ESI, the IPA was an “essentially passive” strategy towards the region, aiming only at providing, at best, the same amounts and the same quality of the previous CARDS funds, whose experience and impact were deemed “disappointing” and “very limited”. A differentiation in the IPA approach might therefore have carried heavy risks, first of all the one of a ‘double bluff’ in which, in the absence of relevant incentives, the EU would pretend to offer membership while candidate countries would pretend to reform, resulting in a delaying tactic postponing final accession perspectives beyond 2020 and eroding the EU’s influence in the region. The correction put forward by the ESI included the need to link assistance to the signature of SAAs rather than to candidate status, following the example of the strategy towards Bulgaria, that had achieved a “dramatic policy and institutional change” by opening up all pre-accession instruments to the country even in absence of an official candidacy.

The call of the ESI was taken up again in 2008 by Tamás Szemlér in his analysis of the appropriateness of the IPA to the political situation and to the development needs of the Western Balkans.¹⁵ Szemlér remarked in particular the lack, in the context of the Western Balkans, of the three merits of the ‘regatta approach’ for Central and Eastern European (CEE) countries, namely incentives for reform, adequate assistance, and credible commitment. He therefore suggested opening up the regatta between all official and potential candidate countries, in order to give incentives for reforms and enhance the credibility of accession perspectives.

14 European Stability Initiative - ESI (2005), *Breaking out of the Balkan Ghetto: Why IPA should be changed*, Berlin, pp. 1-12, available at http://www.esiweb.org/pdf/esi_document_id_66.pdf.

15 Tamás Szemlér (2008), “EU Financial Support for the Western-Balkans: Well-Suited to Real Needs?”, in *Using IPA And Other EU Funds To Accelerate Convergence And Integration In The Western-Balkans*, Budapest: Central European University-ENS, available at web.ceu.hu/cens/assets/files/IPA.pdf.

The present paper intends to answer the question if the differentiation among target countries, based on candidacy status, had a relevant impact on the performance of the EU pre-accession funds in the Western Balkans. As such, it aims to verify or confute the claim of the ESI and of Szemlér.

In fact, the current structure of the IPA tries to square the circle of the dilemma of fairness: how to treat equally countries that are at substantially different pre-accession stages? With this aim, it provides an overall regional approach, while preserving differentiation in the access to its components and in their management strategies. To ensure that differentiation does not end up into ghettoisation, it provides for two important correctives: first, the amount of funds available (while higher in absolute terms) remains roughly the same for all WB territories once taken into consideration population and development needs; second, the reform process towards decentralised management is set to start for both categories of candidates, though incentives may be stronger for official candidate countries.

The research takes a causal research design, with a comparative approach to the mid-term outcomes of IPA. It compares the various target countries in the Western Balkans and evaluate whether the various levels of performance of IPA (variance in funds allocation, funds absorption, or administrative reform) are correlated with the candidacy status of the target countries.

The aim of the IPA funds is to improve the governance structures and to strengthen administrative capacities. Several criteria may be taken in consideration in order to draw a preliminary assessment of their efficiency. I operationalise their performance through three indicators: the levels of (a) funds allocation, (b) funds absorption, and (c) administrative reform.

Firstly, I compare the levels of financial assistance per country both in absolute terms, and in relative (per capita) terms. Secondly, drawing from the Financial Transparency System of the European Commission, I present the amount of funds awarded to the beneficiary countries according to: (a) the country of the beneficiary, (b) the location of the action, and (c) a combination of the two, pointing to the absorption capacity of local agencies. Thirdly, I check the development of administrative capacities

in target countries through the progress in establishing a Decentralised Implementation System (DIS). Such a reform is instrumental in allowing national governments to achieve accreditation for decentralised management and to gain access to all available budget lines under the IPA. Through the analysis of the IPA Progress Reports for 2008, 2009, and 2010, it is possible to identify the main trends in the progress of DIS establishment.

Funds allocations, per country

The allocation of funds for each IPA component and for each beneficiary country is defined in the Multiannual Indicative Financial Framework (MIFF), which reflects the political priorities identified by the European Commission in annex to its three-yearly Enlargement Strategy.¹⁶ The total allocations under IPA for the Western Balkan countries reach a level of 6,7 bln €, thus exceeding the amount of 5,1 bln € under CARDS.¹⁷ This allows us to dispel the claim that a reduction in overall assistance levels reflects the backslide of enlargement among EU priorities and constitutes a priori an accession-delaying tactic.

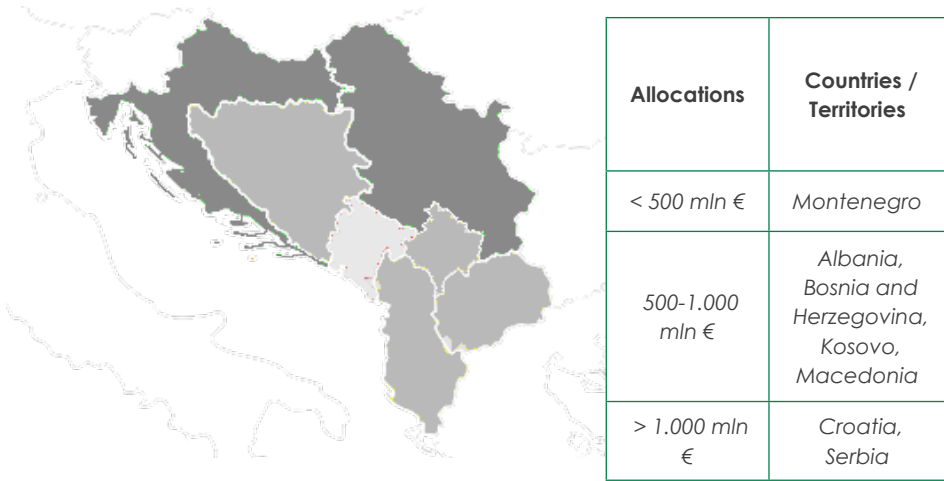
A first indicator to consider is the absolute level of financial assistance per country, as reported in the MIFF 2008-2012¹⁸ visualised in the following map in clusters according to assistance levels. These clusters do not appear to be correlated to the candidate status of each country, as the three candidate countries are in three different groupings.

16 European Commission, COM(2008) 705 final of 5 November 2008 - Instrument for Pre-Accession Assistance (IPA) - Multiannual indicative financial framework for 2010-2012.

17 Robert Sierhej (2007), "EU funds: what can the Western Balkans learn from the New Member States (NMS)?" presentation, Warsaw : International Monetary Fund regional office, October 2007.

18 Detailed data are included in the Annexes.

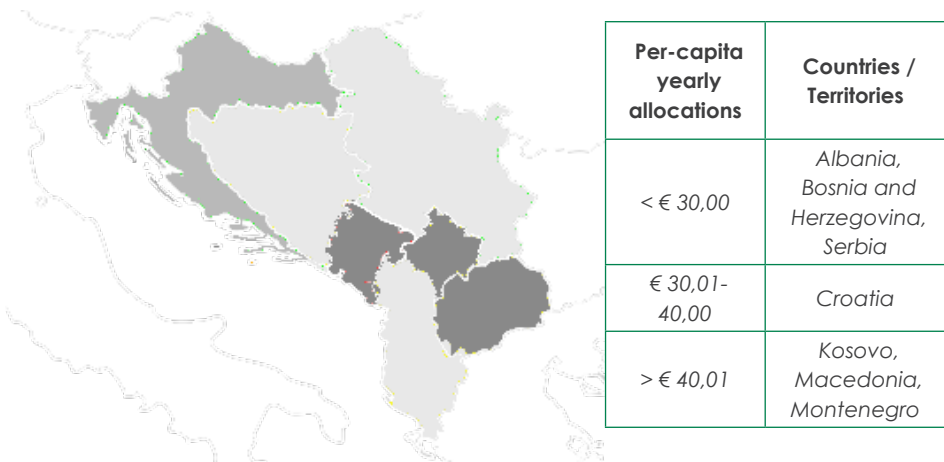
Map 1 - Total allocations per beneficiary countries, 2007-2013 (mln €)



Source: author's elaboration on data from COM(2009) 543 final and COM(2008) 705 final

The levels of assistance can be better compared when equalised in terms of population; the results are again visualised in the map below in clusters according to per capita yearly assistance levels.

Map 2 - Per capita yearly allocations per beneficiary countries, 2007-2013 (€)



Source: author's elaboration on data from COM(2009)543 final and COM(2008)705 final; population data for 2011.

The levels of per capita allocation show a high variance, as the amounts for Montenegro exceed the double of those for Bosnia. Candidate countries are in the upper and intermediate groupings, making it possible to suggest that candidate status may play a role in the definition of

per capita funds allocations. Anyway, the presence in the same upper grouping of Kosovo, which is far away from candidate status, should make us wary of intervenient variables (e.g. fixed costs of new national administrations, expensive consociational agreements, and post-conflict rebuilding efforts). Candidacy status may at best be a sufficient condition for a higher than average level of per capita pre-accession assistance, but not a necessary one.

Funds absorption, per country

In the framework of the EU budget and finances, the funds absorption capacity has been defined as “the extent to which a state (member or non-member) is able to spend the allocated financial resources fully and in an effective and efficient way”.¹⁹ Funds absorption represent an issue to be tackled, as the achievement of cohesion targets largely depends on timely and effective spending of the available amounts of funds. Underspending is highly deprecated, as it results in the need to send the money back to Brussels, and it might influence future funding levels.²⁰

A set of data on the absorption levels of IPA funds in the Western Balkan countries can be extracted from the Financial Transparency System (FTS) database of the European Commission,²¹ in order to draft a preliminary evaluation of the absorption levels. Such data can be exported: (a) per country/territory, based on the address given by the beneficiary in the identification documents submitted to the Commission; (b) per geographical zone, referring to the location of the action financed by the grant; (c) per both criteria at the same time. In all the three cases, the amount corresponds to the total awarded to carry out the contracted activities, and not to the actual payments for the year.

19 Mojmir Mrak and Dragan Tilev (2008), Absorption for EU pre-accession funds: concept and implications for Kosovo, Pristina, Forumi2015-KCSF, April 2008, p.30.

20 Gerbrand Van Bork (2011), Introduction to Cohesion Policy, IPA, and Project Cycle Management, Ecorys PCM Training, Ankara, 1-11 February 2011.

21 Europa.eu, Financial Transparency System, http://ec.europa.eu/beneficiaries/fts/index_en.htm. The data have been exported in June 2013.

When analysed in relation to the address of the implementing agency, the data show a prevalence of expenditures per capita in Serbia, Montenegro, and Kosovo (all above the 8€/pc/y threshold). A lower cluster of countries is composed of Macedonia and Croatia (below 4 €/pc/y). Bosnia and Albania stand in the middle. No effect of the countries' candidacy status appears from the data.

Data per capita in relation to the location of the contracted activities show a peak in the case of Kosovo (beyond 55€/pc/y), followed by Montenegro, Serbia and Albania. Bosnia and Macedonia's values are the lowest, below 20€/pc/y, not reaching the minimum threshold identified in 23€ per capita per year. The region's overall average of 23,43€/pc/y is anyway in line with the threshold.²² The data for Croatia is particularly striking, since the country scores close to zero levels of fund awarded per person per year. This may be related to the choice of few, big infrastructural projects, whose enactment is taking time, and which are thus not yet included in the database. All in all, for this indicator as well, no correlation appears between the countries' candidate status and the level of funds awarded.

When the two criteria exposed above are applied together, as in an intersection, the data extracted show a lower absolute value (496 mln €, slightly less than 30% of the total). This amount reflects the value of the agreements contracted with local implementing parties for actions on the territory of the Western Balkans. In this case, the highest per capita values are expressed by Kosovo and Serbia, while values close to zero appear for Croatia.²³ No relation with the candidate status of pre-accession countries may be noticed from the data even here.

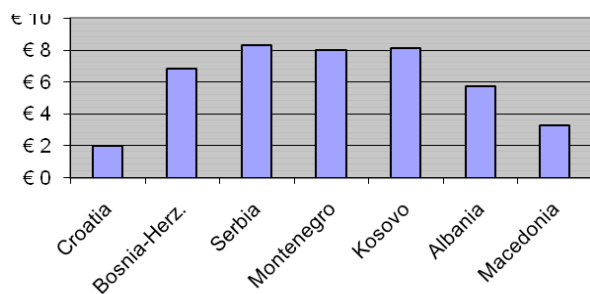
22 A second MIFF for the period 2010-2012 has been approved on 5 November 2008, identifying the 2008 allocations based on per capita past expenditures, with a minimal threshold of 23 - per person [COM(2008) 705 final].

23 The shadow of the European Reconstruction Agency (EAR) is also not apparent from the data: the territories where previous EU funds were managed by the EAR have no additional burden in absorbing funds through the new implementing methods.

Maps 3 – IPA awarded funds, per country/territory (beneficiary's address), in € per capita per year (2007/12)



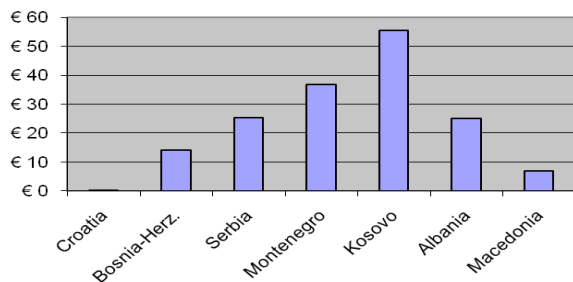
Figure 1 – as above



Maps 4 – IPA awarded funds, per geographical zone (location of the action) in € per capita per year (2009/12)



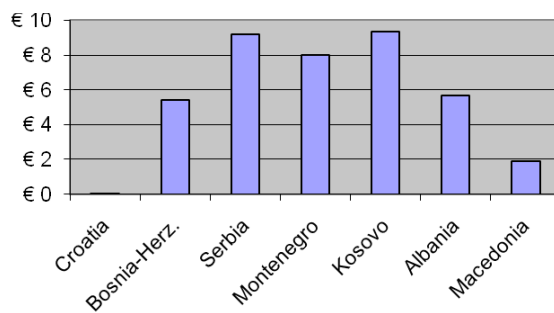
Figure 2 – as above



Maps 5 – IPA awarded funds, per location of the action and beneficiary's address in € per capita per year (2009/12)



Figure 3 – as above



Source: author's elaboration on data from the EC Financial Transparency System; population data for 2011. Figures 2 and 3 are relative to the 2009/12 period, since there were no awarded funds in 2007 and 2008.

Management decentralisation, per country

The implementation and programming of IPA funds may begin with centralised management, at least for the assistance components I and II for potential candidate countries. Nevertheless, the final aim and condition for full availability of all five budget lines is the development of the administrative capacities by the national beneficiary governments, in compliance with Art. 10 of the IPA Regulation 718/2007, to cover at least tendering, contracting and payments. The component V of IPA assistance can only be implemented in a fully decentralised way from the beginning, without ex ante controls. The Decentralised Implementation System (DIS) of each national administration should achieve “conferral of management” (accreditation) by the European Commission before the competencies of the EU Delegations and of the Commission may be transferred to the beneficiary government.²⁴

The roadmap for the accreditation of the DIS includes six different stages, numbered from 0 to 5. Such steps range from establishing the administrative structure, with the definition of tasks, appointment of the key actors, and provision of adequate staffing and equipment, until the final verification audit by the Commission, which leads to the conferral of management powers and the signature of a Financing Agreement between the EC and the state administration. The intermediate steps request the national administrations to: (a) identify the gap between the local procedures and the DIS requirements, through a Gap Assessment Report; (b) take actions in order to fill the gaps, following an Action Plan for Gap Plugging; (c) assess the effective compliance through a Compliance Assessment Report; and (d) obtain the accreditation from the European Commission.

.....
24 Mrak and Tilev, op. cit., pp. 21-22.

Table 6 - Roadmap for DIS accreditation

Status	Scope	Who*	Outcomes
Stage 0	Establishment of Structures	OS	Appointment of key actors Adequate staffing and equipment
Stage 1	Gap Assessment	TA (FWC) MoF (NF)	Gap Assessment Report Action Plan for Gap Plugging
Stage 2	Gap Plugging	OS / TA	Compliance with requirements
Stage 3	Compliance Assessment	TA	Compliance Assessment Report
Stage 4	Accreditation	NAO	National accreditation and submission of application for conferral of management powers with ex ante control
Stage 5	Verification audit	EC	Conferral of management powers Signature of Financing Agreement

* The key actors involved in managing and implementing the IPA funds, as foreseen in the DIS, other than the European Commission (EC), are: the National IPA Coordinator (NIPAC); the Strategic Coordinator for Components III and IV (SCO); the Competent Accrediting Officer (CAO); the National Authorising Officer (NAO); the National Fund (NF); the Operating Structure (OS), with a Central Financial and Contracting Unit (CFCU); and the Audit Authority (AA).

The implementation of the DIS roadmap proceeds separately for each WB country and for each IPA component, resulting in a highly differentiated pattern of progress.

The progress of the different Western Balkan countries on the roadmap towards decentralised management of the IPA funds may provide us with a measure of mid-term performance of the IPA in its objective of fostering reform and strengthening administrative capacities in pre-accession countries. The presence of clear benchmarks, defined by the formalised stages of the DIS roadmap, allows us to draw some conclusions based on quantitative data, and to compare them with the test hypothesis linking IPA performance with the countries' EU candidacy status.

When taking a look at the picture of the progress in the decentralisation of management of IPA funds in the 2008-2011 period, it is possible to underline some trends.²⁵

.....
25 Data are extracted from the yearly Commission report on IPA funds (COM(2008)850, COM(2009)699, COM(2010)687, COM(2011)647, COM(2012)678). In its last reports for the years 2010 and 2011, the Commission has stopped detailing explicitly the country progress in terms of DIS stages per component, especially in the case of Albania, Montenegro and Macedonia. Data for such countries are thus the author's interpretation of the Commission's lexicon. Moreover, Serbia and Albania started working on DIS for components III to V even

Figure 4

Status of DIS roadmap for IPA component, 2008

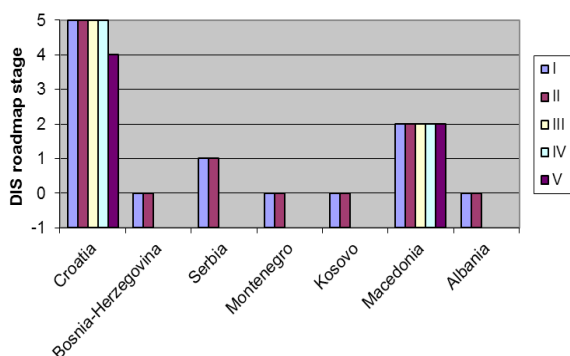


Figure 5

Status of DIS roadmap for IPA component, 2011

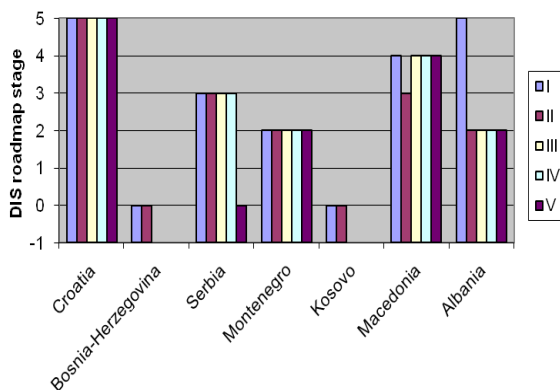
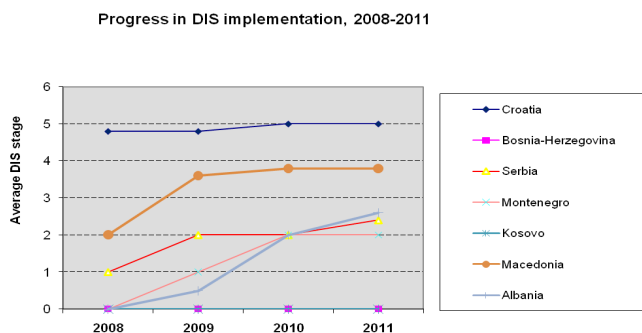


Table 7 - Average stage of DIS implementation (0 to 5)

	2008	2009	2010	2011
Croatia	4,8	4,8	5,0	5,0
Bosnia-Herzegovina	0,0	0,0	0,0	0,0
Serbia	1,0	2,0	2,0	2,4
Montenegro	0,0	1,0	2,0	2,0
Kosovo	0,0	0,0	0,0	0,0
Macedonia	2,0	3,8	4,0	3,8
Albania	0,0	0,5	2,0	2,3

For candidate countries: comp. I to V; for potential candidates: I to II.

Figure 6



Croatia remains the highest scoring country in DIS roadmap throughout the period, already starting from a very good position; nevertheless, it could achieve stage 5 also for the component V only in 2010. Among the other countries, while up to 2009 Macedonia and Serbia were the frontrunners, Belgrade is afterwards caught up by Montenegro and Albania. Serbia does not see any progress in 2010, while Montenegro stalls in 2011 and is overcome by Serbia and Albania. Kosovo and Bosnia and Herzegovina do not mark any substantial progress whatsoever, remaining at the very early stages for four years in a row.

Although both Croatia and Macedonia hold good levels in the scoreboard, the case of Montenegro highlights how the status of EU candidate country does not appear to be a sufficient condition to foster progress on the DIS roadmap. This may have to do with a time variable: the effects of candidacy are not immediate, as it may take some time for a candidate country, especially in the case of small administrations, to set up the competent structures for the new IPA components III to V. The upgrade to candidate country of Montenegro in 2009 did not bring about substantial DIS progresses in 2010. The candidacy status does not either seem to be a necessary condition to achieve a good progress on the DIS roadmap. This is shown by the parallel paths of Albania and Montenegro, running contrary to the expectations according to the candidacy hypothesis.

At mid-term, the IPA has pushed some candidate countries to develop administrative structures able to sustain a Decentralised Implementation System, a necessary step towards the use of IPA funds, from the perspective

of future implementation of EU regional and cohesion funds. On the other hand, such developments have had variable records from country to country. The process of management decentralisation is likely to be brought around conclusions by 2014 in most of the countries of the region, with the exception of Bosnia and Herzegovina, and Kosovo. Progress in management decentralisation proved particularly difficult in these territories, which are also lagging behind in the EU integration process. In such cases, the IPA lacks enough force to constitute an incentive for deep internal reform.

The challenge for the new post-2014 IPA-II will be to foster decentralised management in the laggard territories too, in order to foster capacity-building of national administration. Likely, additional incentives will be needed for this scope.²⁶

Summary of the findings

Throughout the paper, the IPA funds have been analysed in terms of their allocations, their absorption levels, and their capacity of fostering administrative reform to achieve decentralised management, in order to check if the candidacy status of pre-accession countries mattered as an explanatory variable of their performance levels.

The allocation levels have been shown consistent with the previous financial instruments and not correlated with the status of candidate country. Globally, the risks highlighted by ESI and by Szémler concerning a differentiation between candidate and potential candidate countries about allocation levels are dispelled by the official data from the MIFF.

The absorption levels have been controlled through data collected from the Financial Transparency System of the European Commission. Up to 2010

.....
²⁶ Blockmans suggested as “flanking policies” the development of visa facilitation schemes and the inclusion of the Western Balkans countries in EU programmes such as Erasmus. Since all the countries of the region have achieved visa-free regime by 2010, it is even more necessary today to think about other flanking policies that may constitute a positive incentive for reform in the next years. Steven Blockmans (2007), *Tough Love. The European Union’s relation with the Western Balkans*, The Hague: T.M.C. Asser, pp. 313-316.

included, the highest absorption levels per capita have been recorded in Kosovo and Serbia. Serbia is also the territory in which the highest share of funds goes to national implementing agencies rather than to foreign consultancies. Concerning absorption levels, the candidate status of a country does not appear to be either a sufficient or a necessary condition.

Finally, the progress in management decentralisation up to 2010 highlights the differentiated pattern of pre-accession development in the Western Balkans. As two candidate countries over three (Croatia and Macedonia) score good results, candidacy may be a sufficient condition for progress in management decentralisation, but only after some time (as highlighted by the case of Montenegro); anyway, it remains not a necessary condition (as shown by the comparatively good results of Serbia and Albania).

Table 8 - Candidacy status as a condition of efficiency of pre-accession assistance in the Western Balkans

	<i>Allocations</i>	<i>Absorption</i>	<i>Management</i>
<i>Sufficient?</i>	YES ?	NO	YES ?
<i>Necessary?</i>	NO	NO	NO

Conclusions

After two years of implementation, the IPA has shown a mixed performance, resulting in a statistically limited level of use of IPA funds in most target countries, though with some variance.²⁷ A first hypothesis on the reasons of such a differentiation has been pointing at the candidate status of target countries as the explanatory variable.²⁸ Such an hypothesis proved nevertheless not to be supported by quantitative data: an analysis on the funds allocation levels, the funds absorption levels and the progress in administrative reforms, based on the European Commission's Financial Transparency System database and the IPA Progress Reports has shown

27 Silvana Mojsoska (2010), "Western Balkans' accession to the EU: a need for (re)tailoring of the EU assistance instruments", Europeworld.org.

28 ESI, op. cit.; Szemlér, op. cit.

that candidacy status is not a sufficient neither a necessary condition for a good IPA performance. Rather, the data show that the IPA funds were able to catalyse a good progress only in those target countries characterised by an average adaptation pressure, but not to spur laggards and frontrunners, recalling the hypothesis put forward by Radaelli in his analysis of the outcomes of Europeanisation: convergence will happen in cases of intermediate misfit, while divergence or inertia will be more likely where local structures are either already established and compatible (low misfit) or too different to allow for feasible reforms (high misfit).²⁹

Further research will be needed to identify the explanatory factors of such mixed and differentiated outcomes. When taking into account vectors of Europeanisation in the Western Balkans, one dimension should be added to the theoretical framework deriving from the research on "Europeanisation East" (Heritier 2005) and the impact of the EU on candidate states in Central and Eastern Europe. Western Balkan countries differ from their Central European counterparts in the stronger relevance of "hindering historical legacies" and "limited statehood" (Elbasani 2013:9).

First, special attention should be devoted to the domestic factors under an historical institutionalist perspective ("hindering historical legacies"), as the subject is still under-researched. A logic of path dependency highlights the role of inertia and of the level of consolidation of the domestic situation, since current institutions, shaped by legacies of the past, are resistant to change.³⁰ Schimmelfennig underlines the salience of specific legacies of conflict in the Western Balkans, identifying three sub-factors of change: (a) an 'endgame' situation, with short-term, certain and relevant prospects of reward and sanction; (b) non-prohibitive costs for the incumbent governments; and (c) adequate levels of identification with the EU.³¹ Mink and Bonnard consider that the legacies of conflict remain present in the collective memory of public opinions, as stocks of memorial materials that can be reactivated by political entrepreneurs aiming at exploiting their legitimacy effect in the political arena.³² The

29 Claudio Radaelli (2000), "Whither Europeanization? Concept stretching and substantive change", European Integration online Papers, Vol. 4, No. 8, 2000, available at <http://eiop.or.at/eiop/texte/2000-008a.htm>.

30 Simon Bulmer (2007), "Theorizing Europeanization", in: Paolo Graziano and Maarten Peter Vink, op. cit., p. 50.

31 Frank Schimmelfennig (2008), "EU political accession conditionality after the 2004 enlargement: consistency and effectiveness", *Journal of European Public Policy*, Vol. 15, No. 6, pp. 927-932.

32 Georges Mink and Pascal Bonnard (2010), *Le passé au Présent. Gisements Mémoires et Actions Publiques en*

factors influencing the domestic cost of compliance in post-conflict situations may therefore be summarised with the presence of: (a) legacies of conflict, available for reactivation in the dynamic collective memory; (b) political entrepreneurs willing to adopt historicising strategies; and (c) political arenas where such strategies can be enacted and capitalised. Following the “domestic turn” in Europeanisation studies, an analysis of the administrative structures in each IPA country (in both the organisation of the offices and their staffing – resources, educational background and experience) may allow an understanding of the root causes of the pattern of differentiated progress in both absorption capacity and management decentralisation.³³

Secondly, weak statehood is highlighted in most recent studies as the most relevant intervening variable to explain the lack of both capacity and will to reform in target states, even when EU conditionality is present and clear.³⁴ When compared to the results highlighted in figure 6, weak statehood may be seen as one factor affecting the countries’ performance in establishing decentralised management of EU funds.³⁵ Consolidated statehood seems to be a precondition for Europeanisation, since its absence also makes the EU’s conditionality more inconsistent.³⁶ Unfinished processes of state-building leave the EU at odd in a position of state-builder for which it has no experience and adequate tools. The European Union should thus find a way to cope with such a situation, positing itself “neither [as] a model, nor [as] a hegemon”,³⁷ but rather fostering the build-up of a viable institutional structures in candidate countries while respecting diversity and local solutions, in a process of member-state building rather than state-building alone.

Europe Centrale et Orientale, Paris: Michel Houdiard

33 I am grateful to an anonymous referee for this insight.

34 Tanja Börzel (2013) ‘When Europeanization hits limited statehood: the Western Balkans as a test case for the transformative power of Europe, in Elbasani A. (ed) *European Integration and Transformation in the Western Balkans. Europeanization or Business as Usual?*. London: Routledge, pp. 173-184.

35 Cf. figure 11.1 in Börzel (2013), *op. cit.*, p. 180

36 Börzel (2013), *op. cit.*, p. 182.

37 Sylvie Ramel (2011) ‘The Role of the European Union in Bosnia-Herzegovina. Neither a Model, nor a Hegemon?’, *Transitions*, Vol. 51, pp. 269-287

Annexes

Table 1 - Allocations per country over time, in mln € (MIFF 2008-2010 and 2010-2012)

	2007	2008	2009	2010	2011	2012	2013	Total
Croatia	141,23	146,00	151,20	154,20	157,20	160,40	163,40	1073,63
Bosnia-Herz.	62,10	74,80	89,10	106,00	108,10	110,20	111,20	661,50
Serbia	189,70	190,90	194,80	198,70	202,70	206,80	207,80	1391,40
Montenegro	31,40	32,60	33,30	34,00	34,70	35,70	36,50	238,20
Kosovo	63,30	184,70	106,10	67,30	68,70	70,00	71,20	631,30
Albania	61,00	70,70	81,20	93,20	95,00	96,90	97,60	595,60
Macedonia	58,50	70,20	81,80	92,30	98,70	105,80	108,10	615,40
Total WB	607,23	769,90	737,50	754,70	765,10	785,80	795,80	5216,03

Sources: COM(2009) 543 final; COM(2008) 705 final

Figure 1 - IPA allocations according to the MIFF 2008-2010 and 2010-2012

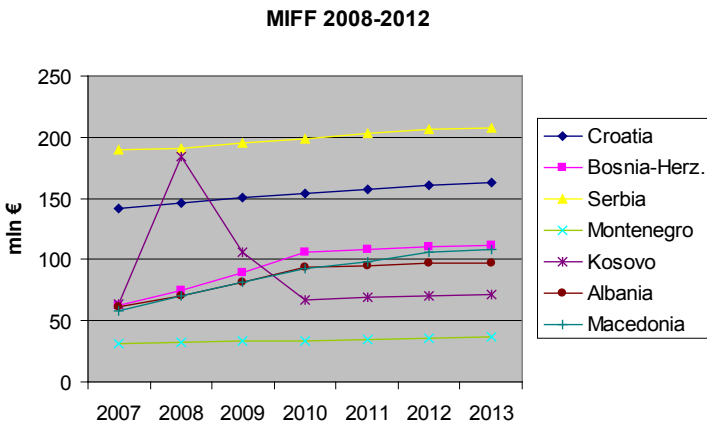


Table 2 - Average levels of financial assistance, in € per capita per year

	Total (mln €)	Population (2011)	Average (€/pc/y)
Total WB	5.207,03	22.551.142	32,99
Montenegro	238,20	625.266	54,42
Kosovo	631,30	1.733.872	52,01
Macedonia	615,40	2.058.539	42,71
Croatia	1.073,63	4.284.889	35,79
Serbia	1.391,40	7.186.862	27,66
Albania	595,60	2.821.977	30,15
Bosnia-Herz.	661,50	3.839.737	24,61

Sources: author's elaboration from official sources; population data for Bosnia, Kosovo and Macedonia in 2011 are estimates (North Kosovo not included).

Table 3 - IPA awarded funds, per country/territory (beneficiary's address), in €

	2007	2008	2009	2010	2011	2012	Per year per capita
Croatia	4.253.389,69	2.915.682,84	6.430.524,87	26.601.513,41	5.228.227,59	5.883.445,00	2,00
Bosnia-Herz.	16.927.026,66	35.700.941,18	21.075.618,67	28.316.476,18	18.756.582,77	36.577.109,00	6,83
Serbia	945.654,73	49.822.418,40	118.034.231,28	54.881.329,81	77.484.762,77	56.807.371,00	8,30
Montenegro	0,00	661.424,15	3.022.616,09	13.908.317,46	4.881.077,08	7.577.906,00	8,01
Kosovo	0,00	16.456.254,83	11.870.755,17	20.064.618,68	20.938.042,72	14.936.075,00	8,10
Albania	17.489.516,86	10.223.045,08	11.707.153,25	18.165.682,68	19.953.410,69	19.654.671,00	5,74
Macedonia	670.628,25	6.789.569,06	7.273.794,72	12.701.871,51	4.572.039,69	8.972.063,00	3,32
Average							6,04

Source: author's elaboration from European Commission, Financial Transparency Service database

Table 4 - IPA awarded funds, per geographical zone (location of the action), in €

	2007	2008	2009	2010	2011	2012	Per capita per year
Croatia	0,00	0,00	1.086.781,00	631.447,28	239.195,50	895.067,00	0,17
Bosnia-Herz.	0,00	0,00	42.409.555,95	66.265.730,54	33.441.102,66	75.166.964,00	14,15
Serbia	0,00	0,00	209.253.191,71	186.426.841,68	188.309.794,92	142.565.029,00	25,27
Montenegro	0,00	0,00	25.645.689,15	24.451.024,92	24.366.449,75	17.559.180,00	36,79
Kosovo	0,00	0,00	117.282.070,47	90.335.581,94	93.150.877,93	84.494.857,00	55,55
Albania	0,00	0,00	54.557.117,34	91.097.063,42	83.842.063,86	54.392.802,00	25,15
Macedonia	0,00	0,00	13.065.997,47	27.316.173,45	12.403.292,78	4.059.277,00	6,90
Average							23,43

Source: author's elaboration from European Commission, Financial Transparency Service database

Table 5 - IPA awarded funds, per location of the action and beneficiary's address, in €

	2007	2008	2009	2010	2011	2012	Per capita per year
Croatia	0,00	0,00	57.799,00	463.364,28	9.970,00	468.410,00	0,06
Bosnia-Herz.	0,00	0,00	12.355.352,51	22.177.891,41	14.951.139,42	33.703.303,00	5,42
Serbia	0,00	0,00	105.285.307,49	43.370.788,69	70.653.614,03	44.422.722,00	9,17
Montenegro	0,00	0,00	2.607.774,10	6.818.164,78	4.645.786,32	5.869.374,00	7,97
Kosovo	0,00	0,00	11.144.039,20	17.903.618,26	20.912.442,72	14.627.826,00	9,31
Albania	0,00	0,00	11.424.329,52	15.653.525,06	18.591.966,92	18.316.721,00	5,67
Macedonia	0,00	0,00	3.498.757,62	7.344.285,33	1.758.057,23	3.257.852,00	1,93
Average							5,37

Source: author's elaboration from European Commission, Financial Transparency Service database

Bibliography:

- Bache, I. (2010) 'Europeanization and multi-level governance: EU cohesion policy and pre accession aid in Southeast Europe', *Southeast European and Black Sea Studies*, Vol.10, No.1, pp. 1-12.
- Blockmans, S. (2007) *Tough Love. The European Union's relation with the Western Balkans*. The Hague: T.M.C. Asser.
- Börzel, T. (2013) 'When Europeanization hits limited statehood: the Western Balkans as a test case for the transformative power of Europe', in Elbasani A. (ed) *European Integration and Transformation in the Western Balkans. Europeanization or Business as Usual?*. London: Routledge, pp. 173-184.
- Börzel, T. and Risse, T. (2003) 'Conceptualizing Domestic Impact of Europe', in Featherstone K. and Radaelli, C. (eds.) *The Politics of Europeanization*. Oxford: Oxford University Press, pp. 55-78.
- Denti, D. (2011) *Building Member States? The EU's Instrument for Pre-Accession Assistance for the Western Balkan Countries*, Master's thesis in European Interdisciplinary Studies (unpublished), Bruges/Natolin: College of Europe.
- Elbasani, A. (2013) 'Europeanization travels to the Western Balkans: enlargement strategy, domestic obstacles and diverging reforms', in Elbasani A. (ed) *European Integration and Transformation in the Western Balkans. Europeanization or Business as Usual?*. London: Routledge, pp. 3-21.
- Europa.eu, *Financial Transparency System* database, http://ec.europa.eu/beneficiaries/fts/index_en.htm, accessed 30 March 2013
- European Commission, Communication from the Commission to the Council and the European Parliament of 14 October 2009 - Instrument for pre-accession assistance (IPA) - Multi-annual indicative financial framework for 2011-2013 [COM(2009) 543 final – Not published in the Official Journal].

European Commission, Communication from the Commission to the Council and the European Parliament of 5 November 2008 - Instrument for pre-accession assistance (IPA) multi-annual indicative financial framework for 2010-2012 [COM(2008) 705 final – Not published in the Official Journal].

European Commission , Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) [Official Journal L 170 of 29.06.2007].

European Commission, Commission Staff Working Document - Background document accompanying the document Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee of 20 November 2012 - 2011 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility) [COM(2012) 678 final - Not published in the Official Journal] {SWD(2012) 385 final}.

European Commission , Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee of 11 October 2011 - 2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument, Transition Facility) [COM(2011) 647 final - Not published in the Official Journal] {SEC(2011) 1198 final}.

European Commission, Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee of 25 November 2010 - 2009 Annual Report on the implementation of the instrument for pre-accession assistance (IPA) [COM(2010) 687 final – Not published in the Official Journal].

European Commission, Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee of 23 December 2009 - 2008 Annual Report on the implementation of the instrument for pre-accession assistance (IPA) [COM(2009) 699 final – Not published in the Official Journal].

- European Commission, Report from the Commission to the Council, the European Parliament and the European Economic and Social Committee of 15 December 2008 – 2007 Annual IPA Report [COM(2008) 850 final – Not published in the Official Journal].
- European Stability Initiative – ESI (2005) *Breaking out of the Balkan Ghetto: Why IPA should be changed*, Berlin, pp. 1-12, http://www.esiweb.org/pdf/esi_document_id_66.pdf, accessed 30 March 2013
- Graziano, P. and Vink, M. P. (2008) *Europeanization: New Research Agendas*, Basingstoke: Palgrave Macmillan, pp. 3-20.
- Mink, G. and Bonnard, P. (2010) *Le passé au Présent. Gisements Mémoires et Actions Publiques en Europe Centrale et Orientale*. Paris: Michel Houdiard.
- Mojsovska, S. (2010) 'Western Balkans' accession to the EU: a need for (re) tailoring of the EU assistance instruments', *Europesworld.org*, http://www.europesworld.org/NewEnglish/Home_old/CommunityPosts/tabid/809/PostID/2077/
- Mrak, M. and Tilev, D. (2008) *Absorption for EU pre-accession funds: concept and implications for Kosovo*, Pristina: Forumi2015-KCSF, pp. 1-73.
- Radaelli C. (2000) 'Whither Europeanization? Concept stretching and substantive change', *European Integration online Papers*, Vol.4, No.8, 2000, <http://eiop.or.at/eiop/texte/2000-008a.htm>, accessed 30 March 2013.
- Ramel S. (2011) 'The Role of the European Union in Bosnia-Herzegovina. Neither a Model, nor a Hegemon?', *Transitions*, Vol. 51, pp. 269-287.
- Schimmelfennig, F. and Ulrich Sedelmeier, U. (2005) *The Europeanization of Central and Eastern Europe*. Ithaca: Cornell University Press.
- Schimmelfennig, F. (2008) 'EU political accession conditionality after the 2004 enlargement: consistency and effectiveness', *Journal of European Public Policy*, Vol. 15, No. 6, pp. 918-937.
- Sierhej R. (2007) 'EU funds: what can the Western Balkans learn from the New Member States (NMS)?', presentation, Warsaw: International Monetary Fund regional office, October 2007.

- Szemlér, T. (2008) "EU Financial Support for the Western-Balkans: Well-Suited to Real Needs?", in *Using IPA And Other EU Funds To Accelerate Convergence And Integration In The Western-Balkans*, Budapest: Central European University-ENS, 2008, web.ceu.hu/cens/assets/files/IPA.pdf, accessed 30 March 2013.
- Tatham, A. F. (2009) *Enlargement of the European Union*. Alphen aan de Rijn: Kluwer Law International.
- Van Bork, G. (2011), 'Introduction to Cohesion Policy, IPA, and Project Cycle Management', Ecorys PCM Training, Ankara, 1-11 February 2011.
- Wallace, H. (2000), 'EU Enlargement: a Neglected Subject', in Green Cowles, M. and Smith, M. (eds.), *Risk, Reforms, Resistance, and Revival (The State of the European Union)*, Vol. 5, Oxford: Oxford University Press, pp. 149-163.

Davide Denti is a PhD student at the School of International Studies, University of Trento, Italy. He holds Masters degrees in European Studies (College of Europe, 2011) and in International Relations (University of Milan, 2008). He worked as academic assistant at the College of Europe (Bruges, Belgium, 2012), and as programme assistant for development projects (DR Congo, 2010). His research focuses on the EU enlargement to the Western Balkans and the Europeanisation of candidate countries. He recently contributed to an edited volume on public apologies and on the political use of past memories.