

COLLEGE OF EUROPE  
NATOLIN (WARSAW) CAMPUS  
EUROPEAN INTERDISCIPLINARY STUDIES

**Building Member States?  
The EU's Instrument for Pre-Accession Assistance  
for the Western Balkan Countries**

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for the Degree of Master of Arts  
in European Interdisciplinary Studies  
Academic Year 2010-2011

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### **Acknowledgements**

I would like to thank my supervisor, prof. Marie-Janine Calic of the University of Munich, along with prof. Aleš Debeljak of the University of Ljubljana, for the insightful discussion and precious interest in the research topic. A special thank goes to Justyna.

## **Summary**

The Instrument for Pre-Accession Assistance (IPA) is the EU's financial tool for pre-accession adjustment for the 2007-2013 period, aimed at fostering development, improving governance and strengthening administrative capacities in the candidate countries. The mid-term accomplishments of such an instrument should be analysed to check its appropriateness and effectiveness to cope with the challenges of "member-state building" in the Western Balkans.

The literature on the EU assistance towards the Western Balkan countries shows a gap in the lack of complete and in-depth evaluation of its effectiveness. A first literature strand focus on the characteristics of the Western Balkans, as opposed to Central and Eastern Europe, and how they impact on the pre-accession strategy. A second strand refers to the theory of Europeanisation and conditionality, identifying the factors of success of rule transfer. Finally, a third strand refers the empirical results and to the constraints faced during the implementation period of IPA and of the previous financial instruments in the region. The aim of the research is to bridge between the different strands, in order to build up a comprehensive picture of the conditions, mechanisms and results of pre-accession assistance in the Western Balkans.

The first chapter of the present research includes the analysis of the historical, economical, cultural and political elements that distinguish the Western Balkans from other European regions. After a brief description of the increasing involvement of the European Union in the region, the previous EU financial instruments are presented and assessed in their features and accomplishments. Finally, the method of elaboration of an EU pre-accession strategy for the Western Balkans is considered. The second chapter deals with the theoretical bases upon which the IPA is constructed. Starting from Europeanisation theory, it proceeds to analyse the success factors of rule transfer and conditionality, underlining the role of credibility and of domestic costs. The last section elaborates on the peculiar conditions for conditionality compliance in post-conflict situation, with the role of memory resources in raising adoption costs. The third chapter considers the quantitative data of the IPA. The IPA is analysed in its allocations, the levels of absorption in target countries, and the progress in management decentralisation.

The aim of the research is to provide a comprehensive analysis of how the EU pre-accession funds operate in the Western Balkan region, in order to be able to answer to the question “which factors influence the performance of the IPA in the Western Balkans region?” The findings point to a mixed performance of the IPA in relation to the expected results (funds absorption and management decentralisation), correlated with the fit between the IPA structure and the domestic conditions. Progresses have been faster in territories subject to moderate rather than to high or low adaptational pressure, thus confirming the hypotheses of Radaelli and of Schimmelfennig and Sedelmeier on the curvilinear relation between change and institutional fit. The results of the empirical analysis are thus in line with the theoretical framework recalled. The IPA acts under the same conditions highlighted by the studies on Europeanisation and conditionality.

**Keywords:** IPA; Western Balkans; pre-accession; conditionality; member-state building; EU enlargement.

**Word count:** 19.828

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## Introduction

The objective of the present research is to analyse whether the current instruments of the European Union (EU) are appropriate and effective to cope with the challenges of “member-state building” in the Western Balkans (WB). The Instrument for Pre-Accession Assistance (IPA) will be inquired both in its theoretical basis and in its empirical results.

The Western Balkans represent a key challenge for the European Union: their stability is deeply related to the one of the continent, and the credibility of the EU as an international actor largely depends on the success of its action in the region.<sup>1</sup> The process of European integration of the Western Balkan countries will therefore be the focus for most enlargement policies of the EU in the upcoming decade.

After a decade of failures, during the 2000s the EU has been able to exert a strong influence on the region, thanks to the accession perspective. Nevertheless, nowadays both the EU “enlargement fatigue”, and the stress on the EU’s absorption capacity as one of enlargement criteria, seems to threaten to leave Western Balkan countries on standby.<sup>2</sup> Such an outcome may have a higher risk than expected: democratic regimes are not necessarily stable over time,<sup>3</sup> and the EU might face the risk of the deconsolidation of the market economy and democracy in pre-accession countries.

Today’s influence of the EU in the Western Balkan region is mainly vested in the financial support through the Instrument for Pre-Accession Assistance, the EU’s financial tool for pre-accession countries for the 2007-2013 period. The IPA replaces all the previous instruments for both official candidate (Croatia, FYROM/Macedonia, Montenegro, Turkey, and Iceland) and potential candidate countries (Albania, Bosnia and Herzegovina, Serbia, and Kosovo<sup>4</sup>), while differentiating them with regards to the access to assistance components and to the progressive decentralisation of funds management. The aim of the IPA funds is to improve the governance structures and to strengthen administrative capacities.

It is necessary to forecast a measurement of the impact of the IPA funds in the Western Balkans, in relation to the emergence of local capacities and ownership. A mid-term

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<sup>1</sup> Roberto Belloni, “European Integration and the Western Balkans: Lessons, Prospects and Obstacles”, *Journal of Balkan and Near Eastern Studies*, Vol. 11, No. 3, 2009.

<sup>2</sup> Dorian Jano, “EU-Western Balkans Relations: The Many EU Approaches”, *The Journal of the International University Institute of European Studies (IUIES)*, Vol. 2, No. 1, 2008.

<sup>3</sup> Juan Linz & Alfred Stepan, *Problems of Democratic Consolidation and Transition*, Baltimore, John Hopkins University Press, 1996.

<sup>4</sup> As defined under United Nations Security Council Resolution 1244.

review showing a lack of performance of the IPA in relation to the expected results (funds absorption and management decentralisation) would imply the risk of a loss of influence of the EU in the area, while accession perspectives blur. The lack of credibility in conditionality, a bad fit between domestic and standard EU institutions, as well as the presence of higher domestic costs than expected, might negatively impact the capacity of the IPA to act as a catalyst of reforms. A lack of performance will need to be redressed in the post-2013 framework, in terms of allocations and conditionality structure, to avoid further delays in the estimated EU accession timeline of the countries of the region.

The first chapter of the present research describes the Western Balkans as a region progressing towards Europeanisation, and it includes the analysis of the historical, economical, cultural and political elements that distinguish the Western Balkans from other European regions. After a brief description of the increasing involvement of the European Union with the countries of the region over time, the previous EU financial instruments are presented and assessed in their features and accomplishments. Finally, the elaboration of an EU pre-accession strategy for the Western Balkans is considered.

The second chapter deals with the theoretical bases upon which the IPA is constructed. Starting from Europeanisation theory, it proceeds to analyse the success factors of rule transfer and conditionality, underlining the role of credibility and of domestic costs. The last section elaborates on the peculiar conditions for conditionality compliance in post-conflict situation, with the role of memory resources in raising adoption costs.

The third chapter takes into account the quantitative data of the IPA, in order to draw a mid-term picture of its accomplishments. The IPA is analysed in its allocations, the levels of absorption in target countries, and the progress in management decentralisation. Some trends are identified and some explanatory hypotheses are put forward.

Finally, in the Conclusions, the main findings will be summarised, showing how the empirical data confirm some of the theoretical assumptions.

## **1. The Western Balkans towards the European integration**

The theoretical framework of pre-accession assistance, derived from the experience of EU enlargement in Central and Eastern Europe, has to be assessed in relation to the reality of the Western Balkans.

Taking care of avoiding any Orientalist or “Balkanist” view, some factors may be identified in relation to the historical, economical, cultural and political features of the Western Balkans region, distinguishing the region from the broader Eastern Europe.

After a brief description of the progress in the involvement of the EU in the region, it is useful to take a look at the build-up of an EU pre-accession strategy for the Western Balkans, stemming from the classic method of enlargement through the lessons of the last Eastern enlargement. The EU will have to consider the peculiarities of the region while establishing a pre-accession strategy, and adapt its tools in order to achieve the same aims as in the previous rounds of enlargement.

### ***1.1. The Western Balkans as a region***

The Western Balkans are a constructed sub-region: the term appeared in the late 1990s to indicate those countries left behind in the process of European integration after Slovenia, Romania and Bulgaria had opened talks for signature of Europe Agreements.<sup>5</sup> Nevertheless, the countries of the region share some particular features, that have influenced their recent history of Euro-Atlantic integration and that have an impact on the effectiveness of the EU’s instruments for further integration.

Different scholars have tried to list the peculiarities of the Western Balkans regions. Among them, Inotai summarises the differences between CEE and SEE countries in six aspects: (a) the legacy of Ottoman domination; (b) the lack of economic modernisation in the 1990s; (c) the legacy of foreign policies of Great Powers aimed at security concerns rather than economy-driven; (d) delayed development of modern nation-states; (e) higher ethnic, religious, mental and behavioural heterogeneity of societies; (f) blueprint economic development policies, enacted by external actors in the region,

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<sup>5</sup> Steven Blockmans, *Tough Love. The European Union’s relation with the Western Balkans*, The Hague, T.M.C. Asser, 2007, p. 13. Milica Delevic, “Regional Cooperation in the Western Balkans”, *Chaillot Paper*, No. 104, Institute for Security Studies, Paris, July 2007, pp. 15-16. Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’: The Stages of Western Balkans Complex Transformations”, *L’Europe en Formation*, No. 349-350, Autumn-Winter 2008, n. 12, p. 55.

which result inappropriate to deliver the same results in the WB region.<sup>6</sup> Such a picture puts together elements that refer to different sectors (economics, politics, societies) and different periods in time (historical legacies and present policies), which may be more useful to keep separate. Some of them, such as the delayed polity-building and the lack of modernisation, are actually peculiar to the region, while others, such as the heterogeneity of societies and the legacy of security policies of foreign powers, can be found at least in specific areas of Central and Eastern Europe too.

### 1.1.1. Historical elements

The Western Balkans and Central and Eastern Europe share a delayed development of nation-states in comparison with Western and Northern Europe. The Habsburg, Russian and Ottoman empires, being multinational on the whole although featuring a dominant nationality, only slowly gave way to national polities, most of whom gained independence in 1919. In the territory of Yugoslavia a new multinational state was set up, that slowly and at the end ineffectively tried to build up a nation. The present-day states of the region derive their existence from the recent conflictual fragmentation of such a larger polity,<sup>7</sup> thus being still faced with issues of statehood and nationhood, and bringing along a baggage of memories that have relevance on the effectiveness of EU action in the region.

Several authors have referred to the specific legacy of the Ottoman Empire in the region, as opposed to the footprints of the Austro-Hungarian and the German empires in other regions of Central and Eastern Europe. Some of them refer to its specific legacy of backwardness and proneness to violence, whilst some others carry a critical view towards such an Orientalist or “Balkanist” approach.<sup>8</sup> In fact, a similar opposition between legacies and development levels of suzerain territories could be constructed between the Russian empire and the German and Austro-Hungarian ones in Central and

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<sup>6</sup> András Inotai, *The European Union and Southeastern Europe. Troubled Waters Ahead?*, College of Europe Studies No. 7, Bruxelles, Peter Lang, 2007, pp. 64-65.

<sup>7</sup> Judy Batt, “Introduction: the stabilisation/integration dilemma”, in Judy Batt (ed.), “The Western Balkans: moving on”, *Chaillot Paper*, No. 70, Institute for Security Studies, Paris, October 2004, pp. 7-20. For a theory of fragmentation in international relations, and the strains it poses upon the creation of nation-states by carving up larger polities, see Alessandro Vitale, “Towards a Theory of *Fragmentation: International Coexistence and the Transformation of War*”, Paper presented at the Sixth *SGIR Pan-European International Relations Conference*, Turin, 12 September 2007. Albania can be assimilated to post-Yugoslav countries as it is still in the process of recovering from the state anomy of 1997-1998; see Dorian Jano, “How Legacies of the Past and Weaknesses of the State Brought Violent Dissolution and Disorder to the Western Balkan States”, *Journal of Peace, Conflict and Development*, No. 14, July 2009.

<sup>8</sup> See for instance L. Carl Brown, *Imperial Legacy. The Ottoman Imprint on the Balkans and the Middle East*, New York, Columbia University Press, 1996; and Maria Todorova, *Imagining the Balkans*, New York, Oxford University Press, 1997.

Eastern Europe. It therefore appears more likely that the cleavage lies between territories subject to core-European industrialising empires, on the one hand, and to peripheral pre-industrialisation empires on the other hand, rather than being consequence of the cultural or religious peculiarities of the Ottoman legacy.

### 1.1.2. Economics elements

The legacies of the empires also come into focus in regard to the issues of economic development. Foreign powers administered Western Balkan countries in the XIX century for security concerns more than for economic interests. Also due to its peripheral position and the lack of close ties with economic centres, the stability of the region rather than its economic integration remained the primary concern of foreign powers.<sup>9</sup>

A second economic element of continuity refers to the persistence of networks. Given their origin from fragmentation, the Western Balkan states inherited for the most part an economic structure that was tailored on the size and economic logic of Yugoslavia. The war had nevertheless destroyed the links between them, and the post-war nation-building policies had made it impossible to pursue a programme of regional economic (re-) integration.<sup>10</sup> The persistence of a broken economic network has therefore remained as a legacy, forming a base for informal economic ties in the last years, bringing up the notion of a “Yugosphere” in the making.<sup>11</sup> Nevertheless, such trans-border economic ties have been found reinforced by ethnic kinship, thus raising the notion of “ethnic trade”.<sup>12</sup>

Thirdly, the Western Balkan countries have all suffered from a post-war delayed economic transition and deindustrialisation. Economic transition involved the opening up of national economies and the shift towards market-driven economies, but reforms came only slowly due to political reluctance, and the private sector proved unable to produce a marginal productivity strong enough to compensate the downturn provoked by the demise of the public sector.<sup>13</sup> The GDP of the countries of the region in 1998

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<sup>9</sup> András Inotai, *op. cit.*, p. 65.

<sup>10</sup> Alessandro Vitale, *op. cit.*

<sup>11</sup> Tim Judah, “Yugoslavia is Dead. Long Live the Yugosphere”, *LSEE Papers on South Eastern Europe*, London, London School of Economics, November 2009.

<sup>12</sup> Centar za Novu Politiku (CNP), *CEFTA 2007-2010. Experiences, Potential and Perspective*, Belgrade, February 2011, pp. 5, 32.

<sup>13</sup> Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’”, *op. cit.*, p. 63.

varied between the 86% of Albania and the 35% of Bosnia and Herzegovina, when compared to 1989 levels.<sup>14</sup>

### 1.1.3. Cultural elements

The heterogeneity of societies in the Western Balkans is usually pointed out as one of the main factors of instability, if not as the cause of the recent conflicts. Inotai reports that “for historical reasons, South East Europe remained much more heterogeneous in ethnic, religious, mental and behavioural terms than Central and Eastern Europe (which did not contain ethnically homogeneous societies either)”, considering such condition as “fuel” for successive waves of nationalism, wars, and ethnic cleansing.<sup>15</sup>

In fact, both Central and Eastern Europe, and South East Europe, shared a high degree of heterogeneity in terms of culture, religion, language of their populations, up to the first half of the XX century. Central and Eastern Europe then saw a dramatic simplification of its national patterns by the outcomes of the second world war with its movements of populations and the creation of nation-states, while South East Europe maintained a higher degree of cultural diversity.<sup>16</sup> Although considering heterogeneity *per se* as a factor of conflict is consistent with the XIX-XX century view of an international system based on homogeneous nation-states, it is less in line with the post-war Western European paradigm of civic states and protection of minorities that informs *inter alia* today’s EU law.<sup>17</sup> Moreover, heterogeneity alone is not a sufficient element of distinction between Central and Eastern Europe and South East Europe, given that countries such as Albania and Czechoslovakia underwent trajectories opposite than what would have been forecast by the mere homogeneity v. heterogeneity divide.

A second element of political culture, common to the Western Balkan region, is the endogenous origin, and the ensuing greater legitimacy, of the Communist regimes which held power from 1945 to 1990. While Soviet rule was imposed by the Red Army in Central and Eastern Europe, it stemmed out of endogenous resistance movements in Albania and Yugoslavia. Here, the transformations of the 1990s involved a regime

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<sup>14</sup> Milica Uvalic, “Regional Cooperation in Southeastern Europe”, *Southeast Europe and Black Sea Studies*, Vol. 1, No. 1, Summer 2000, p. 18, cited in Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’”, *op. cit.*, p. 62.

<sup>15</sup> András Inotai, *op. cit.*, p. 65. See also Jacques Rupnik, “Eastern Europe: in International Context”, *Journal of Democracy*, Vol. 11, No. 2, 2000, p. 118, cited in Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’”, *op. cit.*, p. 60.

<sup>16</sup> Leszek A. Kozisnki, “Changes in the Ethnic Structure in East-Central Europe”, 1930-1960, *Geographical Review*, Vol. 59, No. 3, July 1969, p. 388-389.

<sup>17</sup> Eric Kaufmann, “Ethnic or civic nation? Theorizing the American case”, *Canadian Review of Studies in Nationalism*, Vol. 27, No.1-2, 2000, pp. 133-155.

change without the legitimacy of a national liberation for sovereignty, if not in terms of wishful new nations; the direction and outcome of transition was thus more uncertain. Yugoslavia and Albania lacked an organised dissidence and an effective counter-elite who could lead the transition, while the military remained strong and heavily linked to the governments, thus making the path towards democratisation much more unlikely.<sup>18</sup>

#### **1.1.4. Political elements**

The attitude of the EU towards the countries of South East Europe, when compared with the one towards Central and Eastern Europe countries, appears also to have had a relevant effect. In introducing immediate institutional ties and offering financial assistance, the EU helped reducing the uncertainty of transition in Central and Eastern Europe countries. To the contrary, the far and uncertain European perspective of the Western Balkan countries was a factor in the delay of reforms and institution-building in the region.<sup>19</sup>

Secondly, and most importantly, the Western Balkan countries are only slowly quitting a spiral of negative relations between the citizens and the state, leading to a loss of legitimacy. The incapacity of the state structure, due to its weakness, to provide its citizens with basic services, including personal security, is a primary cause of loss of trust and legitimacy. The state apparatus is perceived as responsive to and instrument of only particular group interests, whether on ethnic (as in Yugoslavia) or on political bases (as in Albania). Such an exclusionary response to citizens' demands, and an open discrimination between intra-polity communities, brings up a zero-sum societal security dilemma, transforming the state in a security problem for its own citizens, and finally resulting in armed conflict.<sup>20</sup> Such a pattern reflects what was described by Linz and Stepan as the dilemma between nationalising and democratising policies during democratic transitions. Nationalising policies, aimed at increasing political and/or cultural homogeneity, clash with democratic policies, aimed at a broad and inclusive definition of citizenship, based on equal individual rights. As happened after the First World War, the priority given to nation-building in newly established states contributed to exclusionary feelings, democratic instability, and crisis.<sup>21</sup>

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<sup>18</sup> Dorian Jano, "From 'Balkanization' to 'Europeanization'", *op. cit.*, p. 64.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*, p. 60-61. Dorian Jano, "How legacies of the past...", *op. cit.*, p. 9-11.

<sup>21</sup> Juan Linz & Alfred Stepan, *Problems of Democratic Consolidation and Transition*, Baltimore, John Hopkins University Press, 1996, pp. 16-37.

### 1.1.5. The regional features of the Western Balkans

The Western Balkan countries differ from Western and Central European countries as they have mostly been only recently established by the conflictual fragmentation of a larger polity. According to the theory of democratic transition, some special caution has therefore to be applied, since issues of stateness (and subsequent nationalising policies) might still hinder their democratic evolution. Eight features have been highlighted above as peculiar to the region, as opposed to the Central and Eastern European countries that have been part of the 2004-2007 Eastern enlargement of the European Union. Such region-specific factors have to be taken into consideration when analysing the EU pre-accession strategy for the Western Balkans, as they might alter the conditions under which the pre-accession strategy unfolds, thus impacting on its prospects of success.

**Table 1.1.1 - Features of the Western Balkan region**

	<i>Peculiar to the Western Balkans</i>	<i>Shared with Eastern Europe</i>
<i>History</i>	1. Delayed development of nation-states;	1. Legacy of peripheral empires;
<i>Economics</i>	2. Security-aimed past imperial policies; 3. Persistence of broken networks; 4. De-industrialisation;	
<i>Culture</i>	5. Endogenous history of communism;	2. Heterogeneity of societies;
<i>Politics</i>	6. Limited EU support in early transition; 7. Negative state/citizen relations; 8. Delayed democratic transition;	

## ***1.2. The European Union in its relations with the Western Balkans***

The Western Balkans represent a key challenge for the European Union: their stability is deeply related to the one of the continent, and the credibility of the EU as an international actor largely depends on the success of its action in the region.<sup>22</sup> The process of European integration of the Western Balkan countries will therefore be the focus for most enlargement policies of the EU in the upcoming decade. The build-up of an EU strategy for the region passed through distinct phases of distancing and crisis management (1991-1995), regional approach (1995-2000) and comprehensive approach (2000 and onwards). After a decade of failures, during the 2000s the EU has been able to exert a strong influence on the region, thanks to a clear membership perspective and to the establishment of a pre-accession strategy that draws heavily from the experience of its Eastern enlargement. Nevertheless, nowadays both the EU “enlargement fatigue”, and the stress on the EU’s absorption capacity as a condition for further enlargement, seems to threaten to leave Western Balkan countries on standby.<sup>23</sup> Such an outcome might have a higher cost than expected, as the EU might risk facing deconsolidation of the market economy and democracy in such pre-accession countries.

### **1.2.1. The phases of the EU’s involvement with the Western Balkans**

The progressive involvement of the EU in the Western Balkan region followed different phases.<sup>24</sup> In the period the conflict (1990-1995), the main strategy of the EU was of distancing the problem while applying crisis management and humanitarian aid. Assistance funds, provided through Phare and Obnova schemes, served mainly to sustain consumption. To the contrary, at the same time the EU was engaging with CEE countries to ensure institution building, infrastructure investments and *acquis* compliance.<sup>25</sup> Then, in the early post-conflict phase (1995-1999), a regional approach was introduced. Its aim was to foster political and economic cooperation among Balkan countries, responding to the moral imperative, felt by the EU countries, to help other European countries to overcome the legacies of the war. Nevertheless, such an approach proved unable to deliver the expected results, due to a series of factors: (a) it remained

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<sup>22</sup> Roberto Belloni, “European Integration and the Western Balkans: Lessons, Prospects and Obstacles”, *Journal of Balkan and Near Eastern Studies*, Vol. 11, No. 3, 2009, pp. 330-331.

<sup>23</sup> Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, pp. 153-154.

<sup>24</sup> Allan F. Tatham, *Enlargement of the European Union*, Alphen aan de Rijn, Kluwer Law International, 2009, pp. 159-173. Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, pp. 143-146. Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’”, *op. cit.*, pp. 57-68.

<sup>25</sup> Dorian Jano, “From ‘Balkanization’ to ‘Europeanization’”, *op. cit.*, p. 64.

mostly based on bilateral relations, (b) it maintained a certain “distancing” perspective, (c) it appeared too late and only as a reaction, (d) it lacked adequate resources, (e) it appeared out of context by packing together countries at different steps of their EU integration path (thus arising in Bulgaria and Romania the fear of remaining trapped and delayed in their accession objectives), and (f) finally it lacked a clear, long-term perspective of EU membership for the Western Balkan countries.<sup>26</sup> Since 1999, the EU finally arrived at establishing a comprehensive approach for the region. Drawing lessons from the CEE region, prospects of EU and NATO membership were put forward as the main incentives for the stabilization and the democratization of WB states. The Stability Pact for Southern Europe (SP) was launched to couple conflict prevention with the economic development of the region; at the same time, the Stabilization and Association Process (SAP) was meant to engage national authorities by offering explicit candidacy prospects in exchange for domestic reforms. The process was enhanced after the 2003 Thessaloniki Council meeting, with the introduction of pre-accession elements and the perspective of the European Partnerships, although some shortcomings were reported once again.<sup>27</sup>

**Table 1.2.1 - Stages of WB transformation and EU approaches**

<i>Periods</i>	<i>Last Balkanization (1991-1995)</i>	<i>Delayed transition (1995-1999)</i>	<i>Pre-Europeanization (2000-onwards)</i>
<i>Focus</i>	Nation- and State-building	Institution-building	Member-State building
<i>Features</i>	Dissolution and disorder	Governance incapacity	Compliance / Adaptation
<i>WB</i>	Loss of legitimacy in state/citizens relations (societal security dilemma)	Uncertainty of transition: - endogenous communism - persistence of the elites - lesser role of the EU	Conditionality (pos./neg.) transformation pushed by: - local political will - EU absorption capacities
<i>EU</i>	Distancing; crisis management and humanitarian aid	Regional Approach: - Moral imperative to strengthen commitment - No clear perspective - No adequate means	Comprehensive approach: - Clear membership perspectives EU / NATO - SAP process - Pre-accession
Source: re-elaboration from Allan F. Tatham, <i>op. cit.</i> , pp. 159-173. Dorian Jano, "EU-Western Balkans Relations", <i>op. cit.</i> , pp. 143-146. Dorian Jano, 'EU-Western Balkans...', <i>op. cit.</i> ; Dorian Jano, 'From 'Balkanization' ...', <i>op. cit.</i> ;			

<sup>26</sup> Dorian Jano, "EU-Western Balkans Relations", *op. cit.*, pp. 144-146.

<sup>27</sup> *Ibid.*, p. 146. Allan F. Tatham, *op. cit.*, pp. 165-170.

Such a perspective, combined with the democratic developments in Croatia and Serbia, stepped up the quantity and quality of the assistance provided through the CARDS and the IPA funds. The new instruments were designed as accession-driven and focused on institutional building and the adoption of the *acquis*.

### **1.2.2. The eastern enlargement and the EU's approach for the WB**

The process of EU integration of the Western Balkans has been designed following the path and the lessons learned from the 2004-2007 eastern enlargement, through an approach defined as “Eastern style Europeanization”.<sup>28</sup> Such a “member-state building” phase is characterized by the institutional and political adaptation to EU standards and the compliance with the *acquis* through the instrument of positive and negative conditionality, whose success is linked to the local political will and to the credibility of accession prospects, in relation with the EU absorption capacity debate.<sup>29</sup> Conditionality can be a successful incentive only when expected benefits (accession) seem realistically attainable<sup>30</sup>; the outcome of the WB transition will therefore also depend on the ongoing commitment of the EU to the accession prospects of the Western Balkans.

The series of enlargement of the European Communities and then of the European Union followed a constant basic pattern, in expectations and procedures, dubbed as the “classical method of enlargement”.<sup>31</sup> Upon such a model, the experiences drawn by the EU following the extensive negotiations for the 2004 and 2007 enlargements have contributed to re-shape the model into a “new methodology”.<sup>32</sup> Rather than developing a specific model of pre-accession relations fitting the necessities and features of the Western Balkans, the EU has predictably followed a tendency of policy transfer, heavily drawing from the frameworks developed during the interplay with pre-accession CEE

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<sup>28</sup> Adrienne Heritier, “Europeanization Research East and West: A Comparative Assessment”, in Frank Schimmelfennig & Ulrich Sedelmeier (eds.), *The Europeanization of Central and Eastern Europe*, Ithaca, NY, Cornell University Press, 2005, pp. 199-209. Othon Anastasakis, “The EU’s Political Conditionality in the Western Balkans: Towards a More Pragmatic Approach”, *Southeast European and Black Sea Studies*, Vol. 8, No. 4, 2008, pp. 365-377.

<sup>29</sup> Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, p. 157.

<sup>30</sup> Tim Haughton, “When Does the EU Make a Difference? Conditionality and the Accession Process in Central and Eastern Europe”, *Political Studies Review*, Vol. 5, 2007, p. 243. Frank Schimmelfennig & Hanno Scholtz, “EU Democracy Promotion in the European Neighbourhood: Political Conditionality, Economic Development, and Transnational Exchange”, *European Union Politics*, Vol 9, No. 2, 2008, pp. 187-215. Schimmelfennig and Scholtz are less convinced of the strength of such a relation, and consider that conditionality still impacts on countries where the promise of membership is distant and uncertain. Still, the recent developments in Turkey seem to point out that the weakening of the accession prospects of a candidate country has a negative impact on the EU’s influence.

<sup>31</sup> Christopher Preston, *Enlargement and integration in the European Union*, London, Routledge, 1997, p. 9, cited in Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, p. 148.

<sup>32</sup> Klaudijus Maniakas, “Methodology of the EU enlargement: A critical appraisal”, *Lithuanian Foreign Policy Review*, Vol. 1, No. 5, cited in Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, p. 152.

countries. According to Tatham, the EU applied for the Western Balkans “the same or similar (slightly-altered) instruments” as for the CEE countries, demonstrating a “high institutional conservatism, [...] path dependency and close reliance on past policies, coupled with a degree of adaptation and institutional learning based on prior experiences”.<sup>33</sup> Such a policy, as a result, raises expectations and set a blueprint for comparison with the CEE countries; but it does not take into consideration that the outcomes would not necessarily be the same, given the different regional conditions.<sup>34</sup> An enlargement model fitting the Western Balkans will therefore need to start from specific features of the target region combining it with the CEE experience.

### ***1.3. The EU’s financial assistance for the Western Balkans***

The programmes of financial assistance have been a key component of the strategy of the EU towards the region since the 1990s. Their structure evolved from a post-conflict reconstruction focus, through a reconstruction, development, and stabilisation approach, up to the present accession-driven funds. The financial assistance began thus including more and more elements of conditionality, while being constantly fine-tuned in order to maximise efficiency in allocation and absorption of funds, and to provide with a comprehensive framework rather than with an *ad hoc* approach. Nevertheless, the performance of financial assistance for the Western Balkans showed mixed outcomes. Problems of substandard efficiency and effectiveness, coupled with a weak absorption capacity of beneficiary administrations when confronted with EU bureaucratic burdens, have resulted in a statistically limited level of use of IPA funds in most pre-accession countries.<sup>35</sup>

#### **1.3.1. Post-conflict reconstruction: Echo, Phare and Obnova**

The European Commission’s Humanitarian Office (ECHO), set up in 1992, began delivering emergency aid in Yugoslav territories, totalising 2,3 bln € of expenditures by 2003. Its activities evolved from responding to the basic needs of the victims of the

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<sup>33</sup> Allan F. Tatham, *op. cit.*, pp. 325-326.

<sup>34</sup> Heather Grabbe, *The process of EU accession. What will it bring to Southeast Europe?*, Global Development Network Southeast Europe (GDN-SEE), Vienna, 2003, p.10, cited in Dorian Jano, “EU-Western Balkans Relations”, *op. cit.*, p. 151.

<sup>35</sup> Silvana Mojsovska, “Western Balkans’ accession to the EU: a need for (re)tailoring of the EU assistance instruments”, *Europesworld.org*, December 2010.

conflicts, to restoring livelihood conditions and fostering post-war infrastructure reconstruction and refugee returns.<sup>36</sup>

Besides ECHO, the earliest financial assistance to the Western Balkans came in the 1991-1999 period through the expansion of the Phare programme (originally an acronym for *Poland and Hungary: Assistance for Restructuring their Economies*) to cope with the immediate needs of post-conflict reconstruction.<sup>37</sup> The assistance delivered through Phare was mainly constituted by *ad hoc* projects; it targeted selected countries, without a regional dimension; nevertheless, it included a longer-term focus on issues of development and institution-building,<sup>38</sup> such as the implementation of the Dayton Agreement in Bosnia and Herzegovina, and infrastructural reconstruction and administrative reform in Albania.<sup>39</sup> Some shortcomings of Phare have been identified after its implementation, and learnt as lessons for the following assistance programmes. They include: (a) an excessive centralisation of management, due to the key role of the European Commission, with a loss of efficiency in the enactment of the projects; (b) the lack of conditionality, also linked to the small entity of the grants; (c) a lack of relevance for the beneficiaries, again associated with the small entity of the grants when compared with the loans from e.g. the World Bank; (d) the lack of a clear European perspective for the beneficiary countries, able to foster an efficient use of the available resources. Such factors caused low involvement, ownership and accountability of the beneficiary administrations while using the funds.<sup>40</sup>

**Table 1.3.1 - Phare allocations in absolute and per capita values, 1990-2000**

	1990-95	1996	1997	1998	1999	2000	Total	Population	Average €/pc/y
<i>Bosnia-Herz.</i>	37,30	140,00	73,00	32,20	3,00	3,83	289,43	3.922.205	7,38
<i>Albania</i>	240,80	53,00	68,40	42,53	94,05	34,17	532,95	3.069.275	17,36
<i>Macedonia</i>	82,40	25,00	33,00	24,93	21,68	67,99	255,00	2.022.547	12,61
<i>Total</i>	360,50	218,00	174,40	99,76	118,73	105,99	1077,38	9.014.027	11,95

Sources: elaboration from European Commission, Phare Annual Reports 1997, 1998, 1999, 2000  
Population values are 2001-2003 estimates and census (see Appendix I)

<sup>36</sup> Allan F. Tatham, *op. cit.*, pp. 317-318.

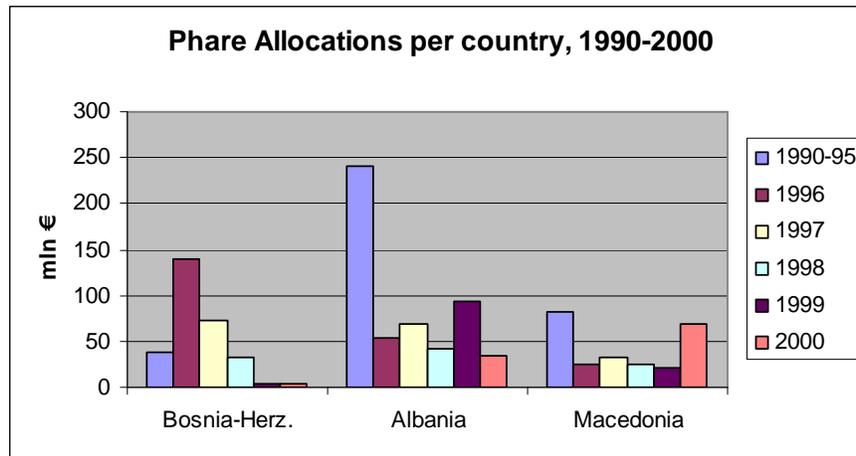
<sup>37</sup> The programme and its amendments are included in the Regulations (EEC) No 3906/89 and (EEC) No 1360/90, and in the Decisions 97/256/EC and 1999/311/EC.

<sup>38</sup> Allan F. Tatham, *op. cit.*, pp. 319-230.

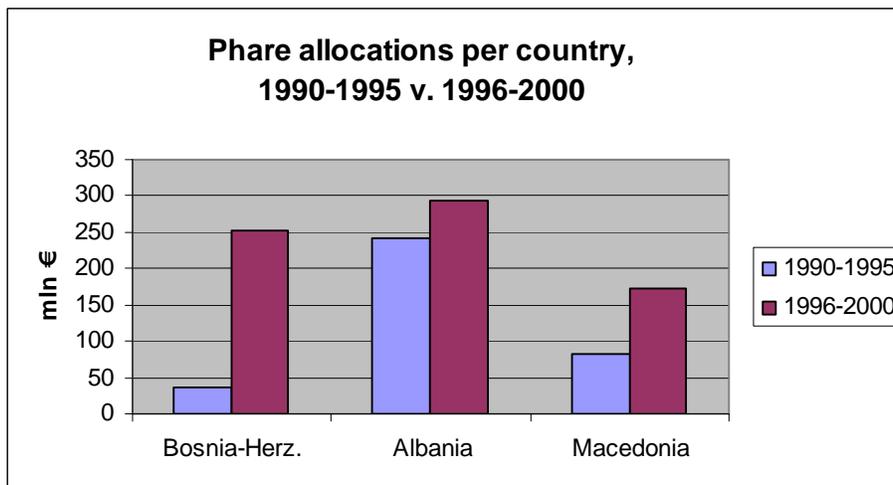
<sup>39</sup> Sara Bagnato, *Programmi comunitari di assistenza ai Balcani Occidentali: stabilizzazione e integrazione*, M.A. thesis in International Relations, Università di Perugia, Perugia, November 2009, pp. 68-73.

<sup>40</sup> Alan Mayhew, *Recreating Europe: The European Union's Policy towards Central and Eastern Europe*, Cambridge University Press, Cambridge, 1998.

**Figure 1.3.1 - Phare allocations per country, 1990-2000**



**Figure 1.3.2 - Phare allocations per country, 1990-1995 v. 1996-2000**



In terms of allocations, the Phare funds appear to follow a rather inconsistent pattern. In the first half of the period (1990-1995), the main receiver was Albania, followed by Macedonia, while funds for Bosnia were limited to the immediate humanitarian necessities stemming from the ongoing conflict. In the second half of the period (1996-2000), Bosnia saw a hike in funding in 1996, with a gradual decrease in 1997 and 1998, until reaching very low levels in 1999 and 2000. Albania and Macedonia remained on similar levels than before, with a slight increase, and a peak for Albania in 1999, related to the reconstruction projects following the 1997 anarchy, and for Macedonia in 2000. To complement the assistance delivered though Phare, a specific programme of financial assistance, called Obnova (“reconstruction”) was put in place to target all post-Yugoslav countries (thus excluding Albania), in the framework of post-conflict

reconstruction.<sup>41</sup> Obnova included elements of conditionality (respect of human rights, democratic principles, and peace accords), and identified some focal sector for assistance, such as refugee returns and infrastructure reconstruction.<sup>42</sup> Although essentially demand-driven and aimed at decentralised management, Obnova was managed *de facto* by the Commission, which was tasked with the selection and monitoring of the projects. Obnova was entitled only with a modest amount of funds, used mostly (at 80%) for Bosnia and Herzegovina, and Kosovo, according to the local current needs. Its main role was complementary to Phare. Even so, some shortcomings were found to affect the quality and impact of the Obnova funds: (a) a lack of coordination with Phare, (b) delays in the allocation and management of the funds due to the remote control from Brussels, and (c) the general inadequacy of the resources to foster economic and institutional revival.<sup>43</sup> For what concerns allocations, Obnova showed once again strong fluctuations and the lack of a predetermined strategy. Its funds followed similar levels over time in Croatia and in Bosnia and Herzegovina; to the contrary, they saw a peak in the last two years in the FRY and especially in Kosovo, where in 2000 they reached an all-time level of almost 440 mln € in only one year, more than for all the other countries of the region altogether in the same year.

**Table 1.3.2 - Obnova allocations per country and per year, 1996-2000, in mln €**

	1996	1997	1998	1999	2000	Total	Population	Average €/pc/y
<i>Croatia</i>	10,99	8,59	15,00	11,50	18,34	64,42	4.437.460	2,90
<i>Bosnia-H.</i>	88,19	134,07	155,96	115,39	97,02	590,63	3.922.205	30,12
<i>FRY</i>	0,00	0,00	5,00	26,90	208,95	240,85	8.118.146	5,93
<i>Kosovo</i>	0,00	0,00	13,16	127,00	439,90	580,06	1.804.838	64,28

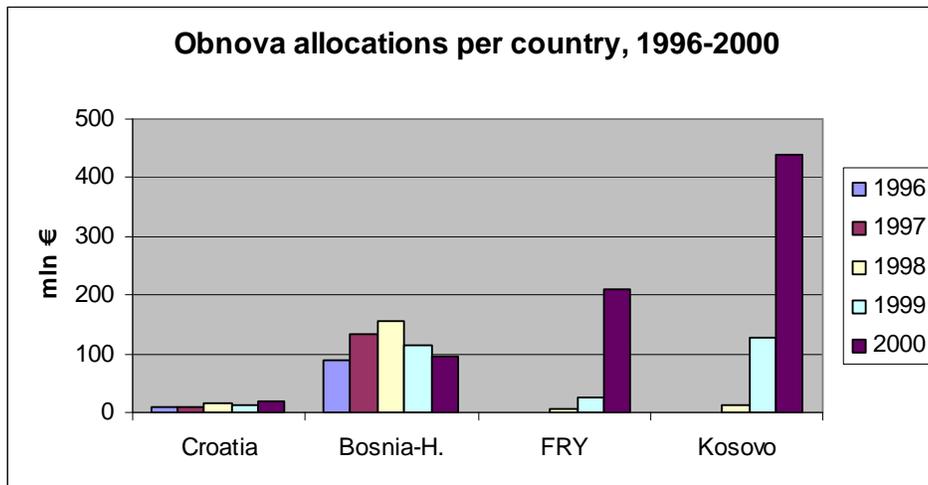
Source: European Commission, Phare Annual Reports 1997, 1998, 1999, 2000  
Population values are 2001-2003 estimates and census (see Appendix I)

<sup>41</sup> Council Regulation (EC) No 1628/96 of 25 July 1996 relating to aid for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia, *Official Journal L 204*, 14 August 1996, pp. 1-5.

<sup>42</sup> Allan F. Tatham, *op. cit.*, p. 318-319.

<sup>43</sup> Sara Bagnato, *op. cit.*, p. 77.

Figure 1.3.3 - Obnova allocations per country, 1996-2000



In the first period, with the assistance provided through the Phare, Obnova and Echo funds, the EU enacted in the region a post-conflict strategy, focusing on infrastructure reconstruction and humanitarian aid, rather than a conflict-prevention strategy, including actions to build and reinforce institutions.<sup>44</sup>

Taking a closer look at total allocations in different countries, when the different financial instruments are added up including also the funds disbursed through ECHO, some conclusions can be drawn: (a) different instruments focused mainly on different countries: Macedonia and Albania received the highest share from Phare funds, Kosovo from Obnova; (b) Bosnia and Herzegovina received the highest share of Echo funds, also coupled with high levels from Phare and Obnova funds, thus accumulating the highest total share, with a record average of 110 € per capita per year; (c) Croatia and FRY only drew limited funds, due to their lack of eligibility under Obnova as well as to their delayed democratisation. Their levels per capita remained the lowest in the region; (d) the share of regional programmes remained also limited, around the 5% of the total resources.

Such features highlight how, before the year 2000, the EU financial assistance to the Western Balkans was mainly on an *ad hoc* base and focused on post-conflict reconstruction. One of the reasons of the lack of evolution in the approach of the EU to the region may lay in the fact that the Union was by then focusing on Central and Eastern European countries, in order to accomplish the eastern enlargement.<sup>45</sup> Phare

<sup>44</sup> Vladimir Gligorov, Mary Kaldor and Loukas Tsoukalis, "Balkan reconstruction and European integration", *Policy Paper No. 1, Hellenic Observatory*, London, London School of Economics, cited in Sara Bagnato, *op. cit.*, p. 78.

<sup>45</sup> Dorian Jano, "From 'Balkanization' to 'Europeanization'", *op. cit.*

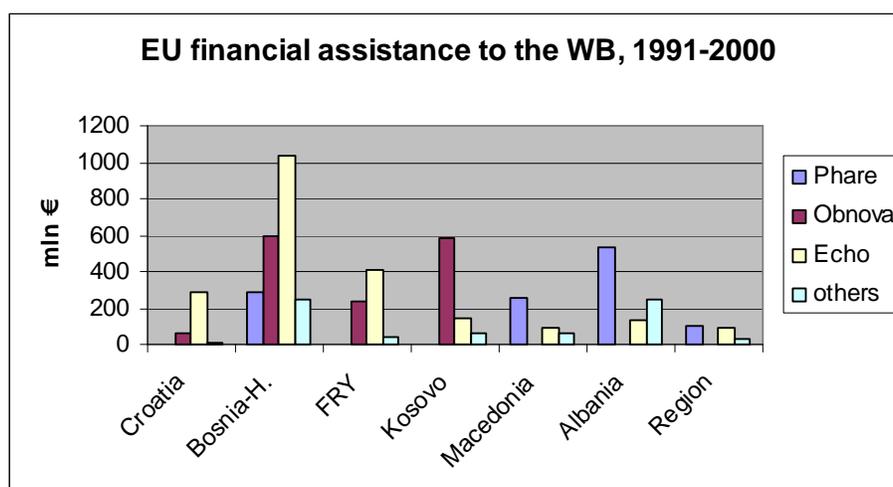
had acquired some pre-accession features for Central and Eastern European countries after the European Council in Essen, in 1994, with emphasis on institution building and on decentralised management;<sup>46</sup> it was then complemented by the ISPA funds for investments in transports and the SAPARD funds for agricultural and rural development. Croatia was the only country of the Western Balkans to be able to access such funding schemes between 2005 and 2007. At the end of the implementation period of Phare in the CEE region, the main priorities for its reform were identified in the need for decentralisation, stronger monitoring and evaluation, and a shift towards multi-annual programming.<sup>47</sup> Such indications will be taken into account when drafting the structure of the IPA.

**Table 1.3.3 - EU financial assistance to the Western Balkans, 1991-2000, in mln €**

	<i>Phare</i>	<i>Obnova</i>	<i>Echo</i>	<i>others</i>	<i>Total</i>	<i>Population</i>	€/pc/y
<i>Croatia</i>	0,00	64,42	292,00	9,00	365,42	4.437.460	16,47
<i>Bosnia-H.</i>	289,43	590,63	1035,00	248,00	2163,06	3.922.205	110,30
<i>FRY</i>	0,00	240,85	408,00	41,00	689,85	8.118.146	17,00
<i>Kosovo</i>	0,00	580,06	140,00	62,00	782,06	1.804.838	86,66
<i>Macedonia</i>	255,00	0,00	91,00	63,00	409,00	2.022.547	40,44
<i>Albania</i>	532,95	0,00	135,00	249,00	916,95	3.069.275	59,75
<i>WB region</i>	107,00		95,00	26,00	228,00	23.209.194	1,95
<i>Total</i>	1184,38	1475,96	1966,00	423,00	4409,39	23.374.471	37,73

Sources: European Commission, Cards Regional Strategy Paper, Phare Reports 1999 and 2000; Sara Bagnato, *op. cit.*, p. 78. Population values are 2001-2003 estimates and census

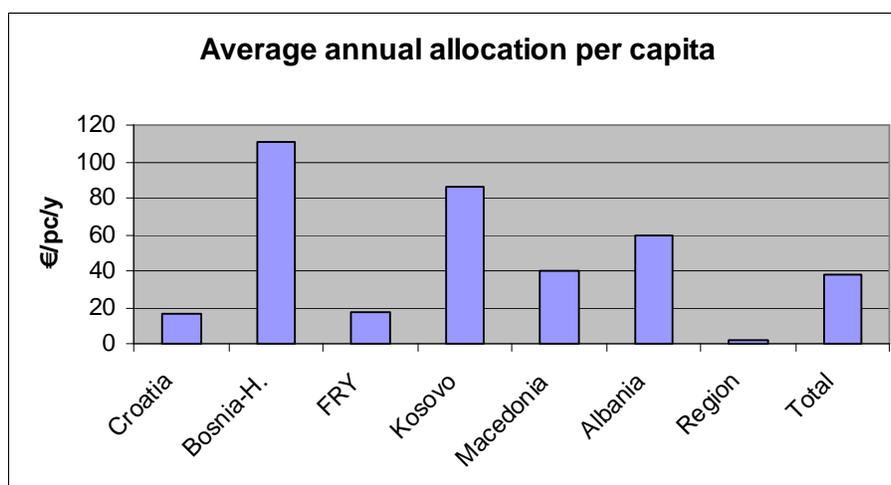
**Figure 1.3.4 - Cumulated EU financial assistance to the Western Balkans, 1991-2000**



<sup>46</sup> Council of the European Union, Presidency Conclusions, Meeting in Essen, 9-10 December 1994.

<sup>47</sup> David Bailey and Lisa De Propris, 'A Bridge Too Phare? EU Pre-Accession Aid and Capacity-Building in the Candidate Countries', *Journal of Common Market Studies*, Vol. 42, No. 1, 2004, p. 95.

Figure 1.3.5 - Average annual allocation per capita, 1991-2000



### 1.3.2. Reconstruction, development and stabilisation: CARDS

Following the launch of the Stabilisation and Association Process (SAP) in 1999, a new financial instrument was designed for the 2000-2006 budget period. The European Council meeting in Helsinki (10-11 December 1999) asked the Commission, in its conclusions, “to present a single framework for coordinating all sources of European Union financial assistance for pre-accession”,<sup>48</sup> in order to guarantee a better management, along with its efficacy and effectiveness. The CARDS (Community Assistance for Reconstruction, Development and Stabilization) was put in place by the Council Regulation (EC) No 2666/2000 of 5 December 2000, as a specific instrument targeting the Western Balkan countries, which had been recognised at the European Council in Feira (June 2000) as “potential candidates for EU membership”.<sup>49</sup> The four primary areas of intervention of CARDS funds included: (a) reconstruction, democratic stabilisation, reconciliation and refugee return; (b) institutional and legislative development, including harmonisation with European Union norms and approaches, to underpin democracy and the rule of law, human rights, civil society and the media, and the operation of a free market economy; (c) sustainable economic and social development, including structural reform; and (d) the promotion of closer relations and regional cooperation among target countries and between them, the EU and the candidate CEE countries.<sup>50</sup>

<sup>48</sup> Council of the European Union, *Presidency Conclusions, European Council Meeting in Helsinki, 10-11 December 1999*, § V.D.67.

<sup>49</sup> Council of the European Union, *Presidency Conclusions, European Council Meeting in Santa Maria da Feira, 15-20 June 2000*, § I.12.

<sup>50</sup> Council Regulation (EC) No. 2666/2000 of 5 December 2000, Art. 2(1).

The CARDS was intended to enhance the quality of the EU's financial assistance, in particular by fine-tuning the strategic capacity of planning the interventions, by enhancing the efficiency in the management of available resources, and by stimulating ownership in the beneficiaries. (a) Firstly, it aimed at enhancing efficiency in the management of funds, which were entrusted in a new deconcentrated way to the EC delegations on the field and to the European Reconstruction Agency (ERA), set up in Thessaloniki to manage the implementation of CARDS funds in Kosovo and then in FRY and Macedonia. (b) Secondly, it aimed at strengthening the ownership of recipient countries and entities and their involvement in the SAP.<sup>51</sup> (c) Thirdly, it included a clause of political conditionality; the Art.5(1) of the CARDS Regulation foresaw the respect of "the principles of democracy and the rule of law and for human and minority rights and fundamental freedoms" as an "essential element" and a "precondition of eligibility for Community assistance". As a sanction, upon proposal of the Commission, the Council was tasked with "tak[ing] appropriate measures" by qualified majority voting.<sup>52</sup> (d) Fourthly, it aimed at forcing donors' coordination through the existing fora,<sup>53</sup> such as the High Steering Group, the Stabilization Process for South-East Europe, and the European Commission - World Bank Joint Office.

The CARDS funds were mainly aimed at the sectors of social and economic development, administrative capacities, and justice and home affairs, reflecting the slow progress from a reconstruction approach towards administrative and institutional development. The allocations for the CARDS were defined by the European Commission in the 2000-2006 Country Strategic Paper (CSP), in accordance with Art. 3(1)(a) of the Regulation.<sup>54</sup>

Under CARDS, the regional programmes were endowed with 229,60 mln € out of a total of 5.384,50 mln €, i.e. 4,2%. The CSP identified three regional priorities: joint border management, regional stabilisation and capacity building of national institutions, and strengthening of regional infrastructures and environmental development. Even so, the total amounts allocated to regional programmes remained well below the 10% announced by the European Commission in its Regional Strategy Paper.<sup>55</sup>

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<sup>51</sup> *Ibid.*, Preamble, §5.

<sup>52</sup> Council Regulation (EC) No 2666/2000 of 5 December 2000, Art. 5(1).

<sup>53</sup> *Ibid.*, Art. 11(2).

<sup>54</sup> Allan F. Tatham, *op. cit.*, pp. 320-321.

<sup>55</sup> *Ibid.*

**Table 1.3.4 - CARDS allocations per country and per year, 2000-2006, in mln €**

	2000	2001	2002	2003	2004	2005	2006	Total	Population	€/pc/y
<i>Croatia</i>	16,80	60,00	59,00	62,00	81,00	105,00	140,00	523,80	4.437.460	23,61
<i>Bosnia-Herz.</i>	90,30	105,20	71,90	63,00	72,00	49,40	51,00	502,80	3.922.205	25,64
<i>Serbia-Mont.</i>	650,00	385,50	351,60	324,30	307,90	282,50	257,50	2559,30	8.118.146	63,05
<i>Kosovo</i>	10,00	24,50	33,00	32,00	35,00	36,00	35,00	205,50	1.804.838	22,77
<i>Macedonia</i>	13,00	56,20	41,50	43,50	59,00	45,00	40,00	298,20	2.022.547	29,49
<i>Albania</i>	33,40	37,50	44,90	46,50	63,50	44,20	45,50	315,50	3.069.275	20,56
<i>Regional prog.</i>	20,20	20,00	43,50	31,50	23,00	47,90	43,50	229,60	26.068.332	1,76
<i>Macro-fin. Aid</i>	70,00	120,00	100,00	15,00	16,00	33,00	50,00	404,00	26.068.332	3,10
<i>Other</i>	141,50	118,00	11,00	17,00	22,50	19,70	16,10	345,80	26.068.332	2,65
<i>Total</i>	1045,20	926,90	756,40	634,80	679,90	662,70	678,60	5384,50	26.068.332	41,31

Source: European Commission; Sara Bagnato, *op. cit.*, p.86.

Notes: Data for 2000 and 2001 include Phare and Obnova allocations; data for Croatia for 2005 and 2006 refer to allocations under pre-accession instruments (Phare, Ispa, Sapard); data for Serbia-Montenegro also include funds for Kosovo; *Other* include, in 2000-2001: humanitarian aid, specific measures, Rapid Intervention Operations, CSFP/CSDP operations, in 2002-2006: administrative costs and contributions for the European Training Foundation

**Figure 1.3.6 - CARDS allocations per country, 2002-2006 (lines)**

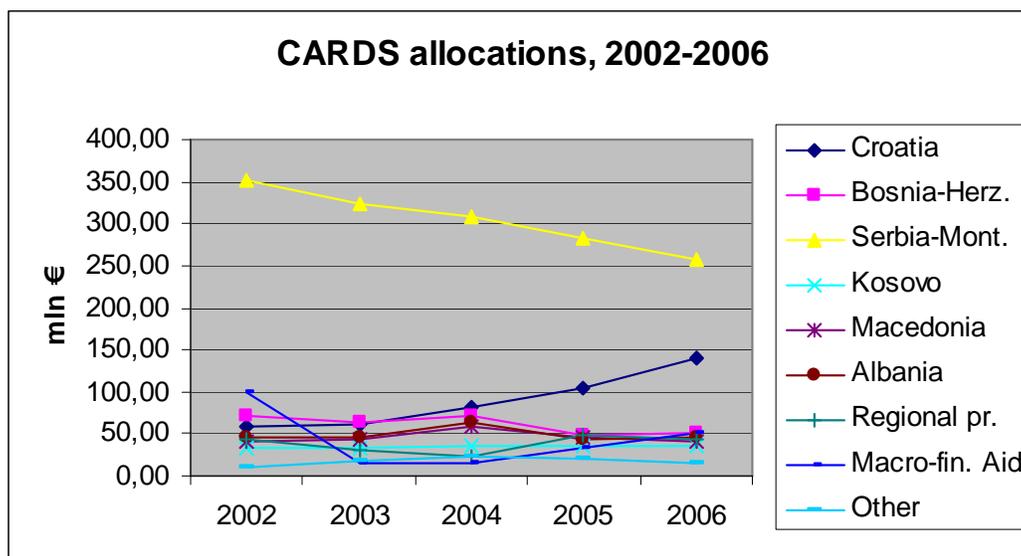


Figure 1.3.7 - CARDS allocations per country, 2002-2006 (bars)

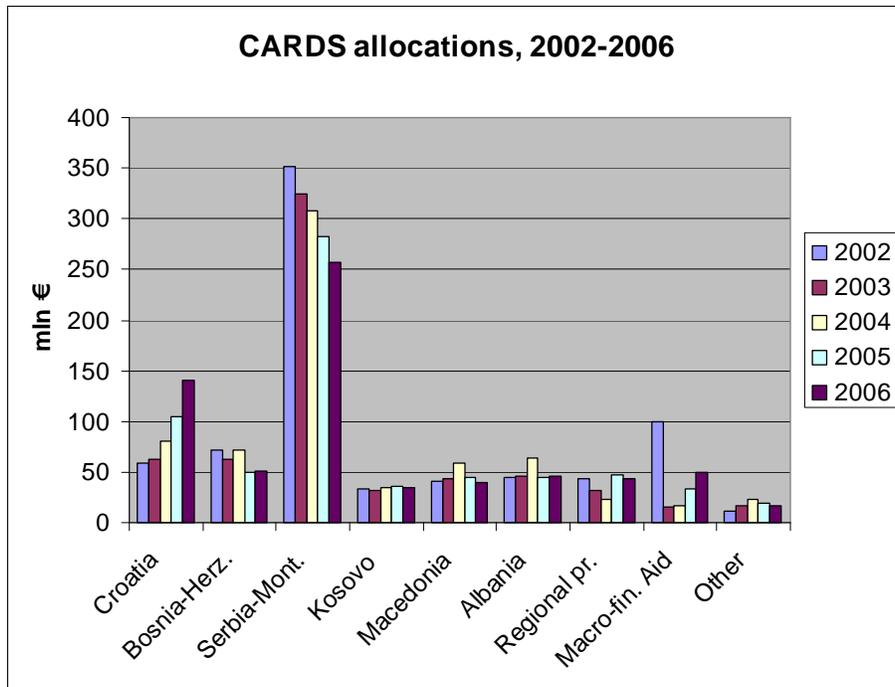
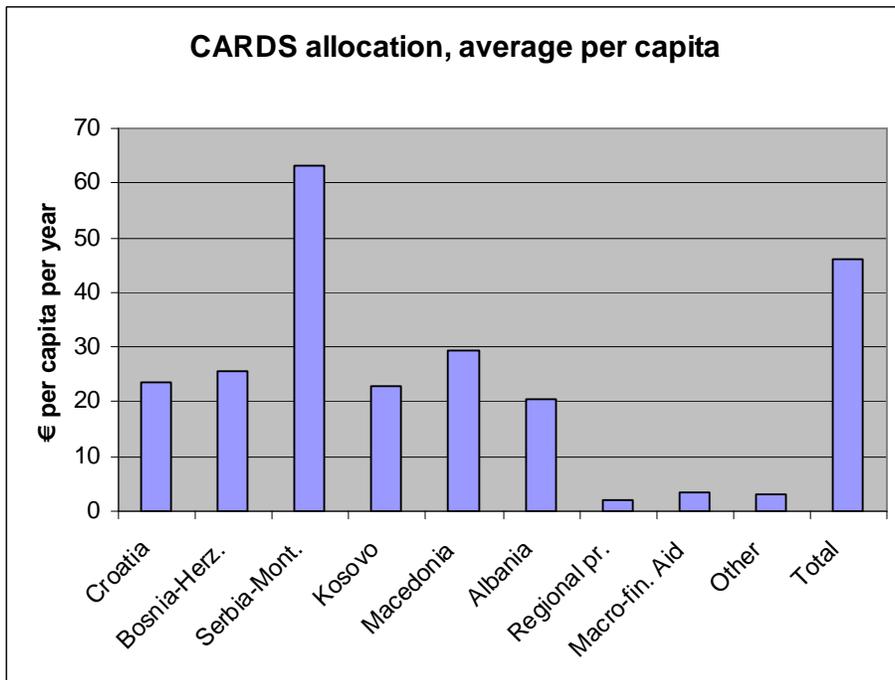


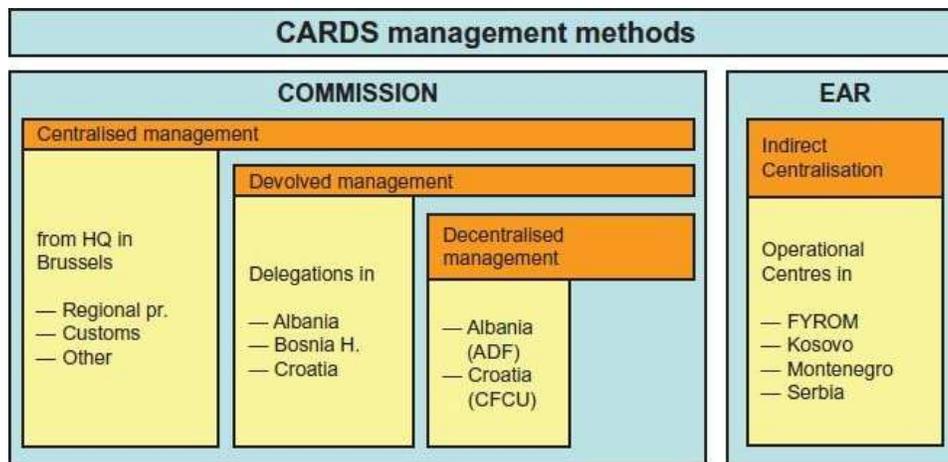
Figure 1.3.8 - CARDS allocations per country, average per capita



One of the main innovations of the CARDS concerned its project cycle management. The new instrument aimed at avoiding the delay problems faced by Phare and Obnova, due to excessive centralisation in Brussels. It therefore envisaged four different management methods: (a) a centralised management method, entrusted to the

Enlargement DG of the Commission, charged with the management of the regional programmes; (b) a devolved management method, entrusted to the EC delegations in the recipient countries (Albania, Bosnia and Herzegovina, and Croatia), delegated by the Commission; (c) a decentralised management method, entrusted to the national governments of the recipient countries (Albania and Croatia), accredited by the Commission; (d) an indirectly centralised management method, entrusted to the European Agency for Reconstruction (EAR), tasked with the management of the CARDS funds in Macedonia, FRY and Kosovo.

**Figure 1.3.9 - CARDS management structures**



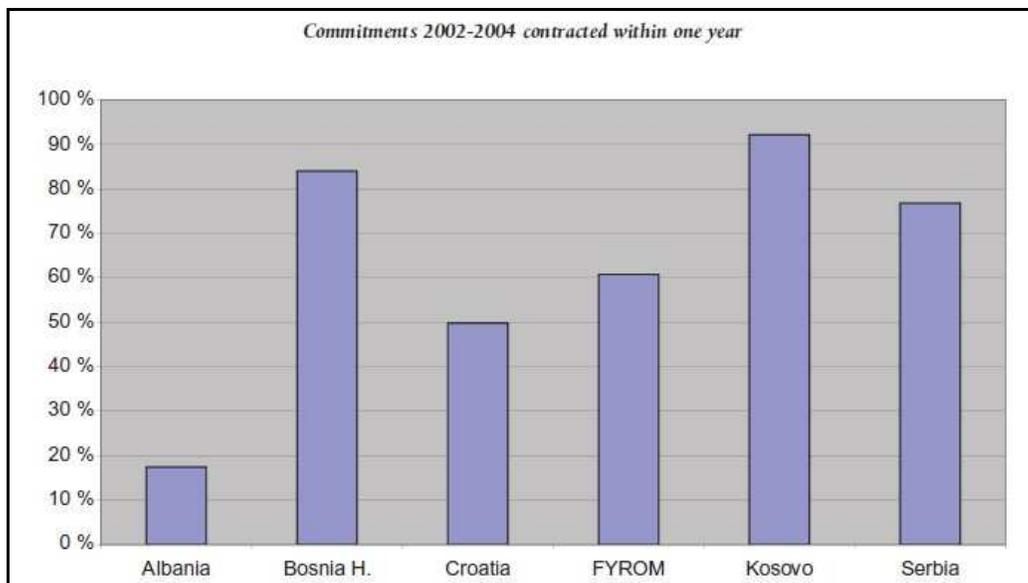
The EAR, based in Thessaloniki since 1999,<sup>56</sup> was conceived as an independent agency delegated by the EC to manage infrastructure reconstruction and other aid programmes. During its activity period, the EAR managed a total of 2,86 bln €, with a contracting ratio of 91% of the allocated funds and a disbursement ratio of 88%.<sup>57</sup> In its final evaluation of the CARDS programme, the Court of Auditors has found the EAR model as administratively solid and managerially ready, thanks to its independence and the use of qualified and expert staff; the coordination with other donors appeared satisfactory to the Court. On the other side, the centralised management method of the EAR had the side effect of excluding the local authorities from the project cycle management, thus hindering ownership and institution-building. The recommendations of the European Parliament to switch from reconstruction assistance towards development were enacted

<sup>56</sup> Council Regulation (EC) No 2454/1999 of 15 November 1999 amending Regulation (EC) No 1628/96 relating to aid for Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia, in particular by the setting up of a European Agency for Reconstruction. OJ L 299, 20.11.1999, p. 1-8.

<sup>57</sup> Richard Zink, "Delivering on promises to the Western Balkans: The European Agency for Reconstruction", *EAR publication*, Thessaloniki, July 2007.

only slowly and too late.<sup>58</sup> The Court of Auditors found that the two main management methods (through the EAR and through the EC delegations) proved effective and appropriate to deliver aid quickly and efficiently, thanks to enhanced structuring and to strategic and management programming. Nevertheless, such management system seldom impinged on ownership and institution-building, also with the risk of inconsistencies.<sup>59</sup> The other two management methods proved more problematic. Centralised management induced a lack of regional focus, and resulted in an obstacle to ownership, since no specific responsibility was attributed to recipient countries, and the number of projects enacted through co-financing remained low. Decentralised management clashed with the low absorption capacities of local administrations, which were sometimes put under pressure by the late, sudden and contemporary implementation of multiple programmes.<sup>60</sup>

**Figure 1.3.10 - Contracting rates in CARDS countries<sup>61</sup>**



Considering the rates of commitments contracted within one year in the 2002-2004 period, it is possible to draw some hypothesis on the correlation between management methods and contracting rates. The countries where the CARDS funds were managed by the EAR agency (Kosovo, Serbia-Montenegro and Macedonia) show a high level of

<sup>58</sup> Court of Auditors, *Special Report No. 5/2007*, *op. cit.*, pp. 9-15. Court of Auditors, *Information note on Special Report No 5/2007 concerning the Commission's management of the CARDS programme*, ECA/07/15, Luxembourg, 2007/10/04.

<sup>59</sup> Court of Auditors, *Information note on Special Report No 5/2007*, *op. cit.*

<sup>60</sup> Court of Auditors, *Special Report No. 5/2007*, *op. cit.*, pp. 9-11, 15.

<sup>61</sup> *Ibid.*

contracting rates, between 60% and 90%. The countries where funds management was tasked upon to EC delegation show a more differentiated pattern, with very high rates in Bosnia and Herzegovina (over 80%), in contrast to the low levels of Croatia (around 50%) and Albania (below 20%). Such lower levels may be correlated to the transfer of competences of funds managements towards national authorities in Croatia and Albania, incurring in problems of start-up and lack of experience in the first phase of implementation of decentralised management.

### **1.3.3. The Instrument for Pre-Accession Assistance**

Today's influence of the EU in the Western Balkan region is mainly vested in the financial and technical support through the Instrument for Pre-Accession Assistance (IPA), the EU's financial tool for pre-accession countries for the 2007-2013 period. The IPA replaces all the previous instruments for both official candidate (Croatia, FYROM Macedonia, Montenegro, Turkey, and Iceland) and potential candidate countries (Albania, Bosnia and Herzegovina, Serbia, and Kosovo), while differentiating them with regard to the access to the assistance components and to the progressive decentralisation of funds management. The aim of the IPA funds is to improve the governance structures and to strengthen administrative capacities.

The first two components of the IPA are available to all candidate and potential candidate countries, and include the same kind of actions that were available under CARDS and under the regional and cross-border programmes. The components III to V, to the contrary, are available only to potential candidate countries, and only under a decentralised management system. Their structure is "designed to mirror the Structural Funds" of the EU;<sup>62</sup> and 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.<sup>63</sup>

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<sup>62</sup> Allan F. Tatham, *op. cit.*, p. 323.

<sup>63</sup> *Ibid.*

**Table 1.3.5 - Availability of IPA components by candidate status**

	<i>IPA components</i>	<i>Management</i>	<i>Candidate countries</i>	<i>Potential candidates</i>	<i>To be compared to</i>
1	<i>Transition Assistance and Institution Building</i>	centralised or joint	☑	☑	CARDS
2	<i>Cross-Border Cooperation</i>	centralised / concurrent	☑	☑	regional programmes
3	<i>Regional Development</i>	decentralised	☑	☒	Cohesion & Regional funds
4	<i>Human Resources Development</i>	decentralised	☑	☒	European Social Funds
5	<i>Rural Development</i>	decentralized	☑	☒	CAP / Rural Devt Fund

Nonetheless, the IPA still faces questions about its efficiency and the appropriateness of its incentives to steer progress towards EU membership in the Western Balkans, as well as about its ability to be in line with their development needs. Several risks of the current IPA structure have been highlighted. The ESI reported that the distinction between candidate and potential candidate countries might have impinged on the allocation of resources, thus worsening the regional cohesion.<sup>64</sup> In fact, more than with nominal allocations, the impact of EU funds has been put in relation with its quality and its ability to trigger endogenous growth mechanisms able to guarantee sustainability.<sup>65</sup> In this regard, the III, IV and V component of IPA include the main development priorities, while the first two components provide potential candidate countries with assistance similar to the one of CARDS.<sup>66</sup> Therefore, potential candidates might have found incentive for institutional development. Moreover, this might risk leading to a return to a differentiated policy of EU towards WB states, with a downgrading of political commitment and accession-delaying tactics.<sup>67</sup>

<sup>64</sup> ESI (European Stability Initiative), *Breaking out of the Balkan Ghetto: Why IPA should be changed*, Berlin, 2005, p. 5. See also Roberto Belloni, *op. cit.*, p. 18; Steven Blockmans, *op. cit.*, p. 316; Tamás Szemlér, *op. cit.*, p. 20-21.

<sup>65</sup> ESI, *op. cit.*, pp. 6-8.

<sup>66</sup> Mate Gjorgjievski, "EU Instrument for Pre-Accession Assistance: The Path to a Successful Start", in *Using IPA And Other EU Funds To Accelerate Convergence And Integration In The Western-Balkans*, Budapest, Central European University, 2008, pp. 4-6.

<sup>67</sup> Tamás Szemlér, "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*, Central European University-ENS, Budapest, 2008, p. 20. ESI, *op. cit.*, pp. 3-4.

The EC, in its views, supports the position that the IPA is actually designed to fill the gap between the various WB states, enabling them to use both I component funds to speed up institutional development, and II component funds to invest in economic and social development.<sup>68</sup>

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.

**Table 1.3.6 - EU Financial assistance instruments for the Western Balkans**

<i>instrument</i>	<b>PHARE</b>	<b>OBNOVA</b>	<b>ECHO</b>	<b>CARDS</b>	<b>IPA</b>
<i>period</i>	1990-2000	1996-2000	1990-2000	2000-2006	2007-2013
<i>target countries</i>	BiH, Alb, Mak	BiH, Alb, Mak	BiH, Alb, Mak	BiH, Alb, Mak	1) HZ, MK, MN, TR
		HZ, FRY, Kos	HZ, FRY, Kos	HZ, FRY, Kos	2) BiH, SR, Kos, Alb,
<i>amount</i>	1.184 bln €	1.476 bln €	2.196 bln €	5.385 bln €	5.189,5 bln €
	TOT 1990-2000: 4.856 bln €				
<i>primary focus</i>	post-conflict reconstruction			Development & Stabilization	Institution building & <i>acquis</i> compliance
<i>management method</i>	centralized			differentiated methods	Decentralized Implementation System
<i>regional programmes</i>	4%	--	6%	4%	8%

<sup>68</sup> Europa.eu, European Commission - D.G. Enlargement, *Instrument for pre accession assistance "IPA" - Questions and Answers*, [http://ec.europa.eu/enlargement/questions\\_and\\_answers/assistance\\_ipa\\_en.htm#4](http://ec.europa.eu/enlargement/questions_and_answers/assistance_ipa_en.htm#4)

## **2. The IPA and its theoretical framework**

The present chapter will present a comprehensive theoretical framework for the aims and the condition of action of the IPA funds. Starting with the various strands of neo-institutionalism, the analysis will move to the different patterns of change identified by Radaelli in his theory of Europeanisation, and to the relation between change and adoption costs. The mechanisms of Europeanisation drawn by Héritier will be presented, as well as her definition of “Europeanisation East” as the peculiar process of Europeanisation concerning pre-accession states of Central and Eastern Europe. Conditionality theory will then come into focus, to begin with the layering of conditionality elements in pre-accession strategies over time. Following the work of Schimmelfennig and Sedelmeier, the two broad areas of democratic conditionality and domestic conditionality will be distinguished, as well as the two modes of “old” and “new” governance. The analysis will proceed with the three models of rule transfer involving lesson drawing, social learning, and external incentives. This last one will be further inquired due to its relevance in the context of pre-accession acquis conditionality. The importance of the credibility of conditionality, as well as of the domestic political costs of compliance, will be highlighted as its main explanatory factors. The last section will include in the picture some specific features of the Western Balkans region, introducing some sub-factors of compliance in post-conflict contexts; the political reactivation of memory issues will be considered in its effects in raising the domestic costs for governments, thus hampering eventual compliance. Finally, the different agendas of political conditionality will be considered as an element of further differentiation of the EU’s expectations from its pre-accession strategy and of its reception by the target Western Balkan countries.

### ***2.1. Analytical framework of EU pre-accession strategy***

The IPA introduces a more structured approach in the EU’s financial assistance to the Western Balkans, including the requirements of decentralisation, partnership and programming, aimed at pushing the candidate countries to acquire the administrative capacities necessary to take part in the policy-making and policy-executing processes after accession. Such a process has been defined as “member-state building”, and

considered “unique in the international development field in its capacity to inspire change”.<sup>69</sup>

The process of member-state building is inscribed in the framework of “Europeanisation East”,<sup>70</sup> and evolved out of the experience of the EU in dealing with the pre-accession adjustment of Central and Eastern European countries, especially in the cases of Bulgaria and Romania, to whom all pre-accession instruments were made available in the late 1990s, even though the opening of membership negotiations was back then still considered premature.<sup>71</sup> The IPA constitutes an important step in the Europeanization process of the WB from a neo-institutionalist point of view. Bache remarks how the neo-institutionalism can be “helpful in understanding the relationship between Europeanization and multi-level governance through EU cohesion policy and pre-accession aid”.<sup>72</sup> As reported in Table 2.1.1, Bache resumes the main theoretic strands according to their fundamental logic, the consideration of the interest of the actors, and the triggers for change.

**Table 2.1.1 - Neo-institutionalist strands and main features**

<i>strands</i>	<i>basic logic</i>	<i>interests of the actors</i>	<i>Main element of change</i>
<b>Rational</b>	consequentiality	fixed	thin learning (new strategies, same goals)
	“Europeanization results from a distribution of power resources between actors in the domestic arena as a result of engaging with the EU” <sup>73</sup>		
<b>Sociological</b>	appropriateness	malleable	thick learning (new strategies, new goals)
	“Network governance provides the potential for a deeper transformation of actor behaviour and preferences”. <sup>74</sup> Regular interaction can generate trust through socialization, promoting problem-solving rather than bargaining.		
<b>Historical</b>	path dependency	evolving over time	timing and practices
	Europeanization derives from incremental change plus critical junctures.		

<sup>69</sup> ESI, *op. cit.*, p. 7.

<sup>70</sup> Adrienne Héritier, “Europeanization Research East and West: A Comparative Assessment”, in Frank Schimmelfennig & Ulrich Sedelmeier (eds.), *The Europeanization of Central and Eastern Europe*, Ithaca, NY, Cornell University Press, 2005, p. 203.

<sup>71</sup> ESI, *op. cit.*, p. 8-10.

<sup>72</sup> Ian Bache, “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, 2010, p. 3.

<sup>73</sup> *Ibid.*

<sup>74</sup> *Ibid.*

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”<sup>75</sup> by developing multi-level governance structures, according to the principles of decentralization, partnership and programming. The IPA mixes characteristics only partially 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”.<sup>76</sup>

**Table 2.1.2 - 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)	✗	✓	✓
1989-present	Structural funds	✓	✓	✓
1994-present	Cohesion funds	✗	✓	✗
1990-2006	Pre-accession inst.	✓	✗	✗
1996-2001	MEDA (Turkey)	✗	✓	✓
2007-present	IPA funds	✓	✓	✓
<i>Structural funds: ERDF, ESF, EAGGF</i>				
<i>Pre-accession instruments: PHARE, OBNOVA, SAPARD, ISPA, EDIS, CARDS + PAI Turkey</i>				

Source: re-elaboration from Ian Bache, *op. cit.*, p.8

## ***2.2. Europeanisation theory and Europeanisation East***

The concept of “Europeanisation” has been recently defined as “the reorientation or reshaping of politics (and governance) in the domestic arena in ways that reflect policies, practices or preferences advanced through the EU system of governance”.<sup>77</sup> The broadest definition remains anyway the one by Claudio Radaelli, referring to “processes of construction, diffusion and institutionalisation of formal and informal rules, procedures, policy paradigms, styles, ‘way of doing things’ and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structure and public

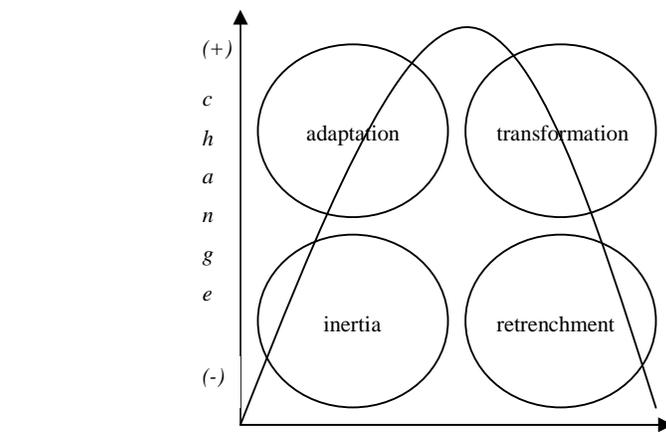
<sup>75</sup> Vivien A. Schmidt, *Democracy in Europe*, London, Oxford University Press, 2006, Oxford, cited by Bache, *op. cit.*, p. 1.

<sup>76</sup> Ian Bache, *op. cit.*, p.7.

<sup>77</sup> Ian Bache & Andrew Jordan (eds.), *The Europeanization of British politics*, Basingstoke, Palgrave Macmillan, 2006, p.30, cited in Ian Bache, *op. cit.*, p. 3.

policies”<sup>78</sup>. Such a concept underlines the importance of both the force of a particular EU instrument, and its ‘fit’ with the domestic situation. The worse the fit, the higher the adaptation pressure and costs, therefore triggering different domestic responses and degrees of change.<sup>79</sup> Radaelli identifies four patterns of change fostered by Europeanisation: (a) inertia, i.e. lack of change. If the EU models are too dissimilar from domestic practices, the result will be delay and resistance. Inside the EU or in a framework of accession, such a condition is considered unsustainable, and conducive to a crisis and to abrupt change; (b) absorption, i.e. superficial adaptation through resilience and flexibility of national structures. Non-fundamental requirements are accommodated, without a deep change of behavioural logic; (c) transformation, i.e. change of the fundamental logic of political behaviour, with formation of new orthodoxies and attitudes; (d) retrenchment, i.e. an opposite, defensive response of the national structures to the EU’s pressures, paradoxically resulting in a diminished fit between the European and national policies.<sup>80</sup> The relation between adaptational pressure and change in domestic structures, as sketched by Radaelli, is curvilinear, as presented in the figure below: (a) a good fit between the national structures and the EU’s requirements makes change unnecessary; (b) a moderate pressure induces change at national level, whether by adaptation or transformation; (c) a low fit between produces high adjustments costs, therefore raising the incentives for inertia or retrenchment, resulting in an eventual “fake compliance”.<sup>81</sup>

**Figure 2.2.1 - Correlation between induced change and policy fit in Europeanisation**



<sup>78</sup> Claudio Radaelli, “Whit (-) fit between nat. and EU policies (+) and substantive change”, *European Integration online Papers* (EIoP), Vol. 4, No. 8, 2000.

<sup>79</sup> Ian Bache, *op. cit.*, p. 3.

<sup>80</sup> Claudio Radaelli, *op. cit.*

<sup>81</sup> Claudio Radaelli, *op. cit.*

and substantive change”, *European*

Starting from the work of Radaelli, Adrienne Héritier proceeds to identify the factors, mechanisms and outcomes of Europeanization. The factors (independent variables) of Europeanization include: (a) the existing policy practices, in the issue area, in terms of fitting with EU policy requirements; (b) the policy types: their specificity v. framework nature, distributive v. redistributive impact, and coordination requirements; (c) the institutional structure of member states at both national and sectoral level, in their number of *de facto* veto holder; (d) the prevailing national belief systems, in their similarity or distinctiveness from EU policy demands. The outcomes (dependent variables) of Europeanisation include: (a) the output policy type: legislative decisions or transposition; (b) the type of outcomes: short term implementation or mid-term behavioural adjustment of target groups; (c) the nature of change: absorption, patching up, substitution or innovation; (d) the effect of centralisation or decentralisation.<sup>82</sup>

To link the two sets of variables, Héritier introduces some possible sets of causal mechanisms: (a) a rational actor approach, according to which any actor seek to achieve its aims in a given institutional context; therefore, the domestic actors will use the EU's requirements to strengthen their relative domestic positions, and the EU's demands may help overcoming the resistance of veto players and facing adjustment costs. Moreover, depending on the temporal sequence of EU and national reform cycles, EU requirements may have different effects on the same domestic actors; (b) an argument of policy inertia and path dependency, based on historical institutionalism, according to which the stickiness of existing policies constitutes a limit for EU policy influence, and only marginal changes can be expected by layering or patching up of EU policies into national repertoires; (c) an approach based on socialisation and learning, i.e. influence on compliance behaviour, which is found dependent on the uncertainty about the problem at hand, the existence of an authoritative reference model, and the isolation of the institutional context, although it results problematic in cases such as redistributive policies and prisoner's dilemmas.<sup>83</sup> The factors, causal mechanisms, and outcomes of Europeanization, according to Héritier, can be resumed as in the table below.

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<sup>82</sup> Adrienne Héritier, *op. cit.*, pp. 199-203.

<sup>83</sup> *Ibid.*

**Table 2.2.1 - Factors, mechanisms and outcomes of Europeanisation**

<i>Factors of Europeanisation (independent variables)</i>	<i>Causal mechanisms</i>	<i>Outcomes of Europeanization (dependent variables)</i>
1. Fit of existing policies	1. Rational actor approach	1. Output policies
2. Policy types	2. Path dependency	2. Short v. mid-term outcomes
3. Number of veto holders	3. Socialisation and learning	3. Nature of change
4. Fit of belief systems		4. Decentralisation effects

Héritier identifies also an opposition “Europeanisation East”, i.e. the impact of the EU on pre-accession CEE countries, and “Europeanisation West”, i.e. the impact of the EU on member states. Such patterns refer to the peculiarity of its starting point; the shadow of accession negotiations; their wide scope; the types of policy demands; and the type of process. (a) To begin, the starting point of Europeanisation East is peculiar as it includes a double transition towards democracy and market economy which parallels accession negotiations. The EU therefore accelerates and shapes transition, in a top-down approach. (b) Secondly, the ongoing accession negotiations include incentives associated with EU membership conditionality. Given a very limited room for manoeuvre (since only transition periods are actually negotiable) very high adjustment costs, and unlikely sanctions, the risk is that of non-transposition or mere formal transposition, not affecting policy outcomes and impacts. (c) Thirdly, Europeanisation East is of a wide scope, taking into consideration the whole, encompassing *acquis*, while in Europeanisation West only a sectoral approach is required. The final opinion of the Commission on accession viability will therefore be on the overall picture, leaving it open for sectoral tradeoffs. (d) Fourthly, the types of policy demands influence the Europeanisation outcomes. Europeanisation East contains more institutional requirements, and even substantive sectoral policies (e.g. environment) are seen as a vehicle to introduce democratic institutions. (e) Finally, Europeanisation East is strictly a one-way process, as pre-accession countries have no way to engage in regulatory competition, trying to upload policy measures at EU level to avoid adjustment costs; moreover, the scrutiny role of the Commission is more relevant and routinely applied for monitoring, in relation with the different starting point of CEE countries.<sup>84</sup>

<sup>84</sup> Adrienne Héritier, *op. cit.*, p. 203-209.

## 2.3. Rule transfer and conditionality

### 2.3.1. Layering of conditionality elements over time

Anastasakis provides with a chronological analysis of the layering of political conditionality over time in the pre-accession relation between the EU and third countries, which are summarised in the table below.<sup>85</sup>

**Table 2.3.1 - Layering of conditionality elements over time**

<i>Year</i>	<i>Document</i>	<i>Conditionality elements</i>
1957	Art. 49 T.C.E.	“All European democratic states”...
1962	Birkelbach Report of the EP	Truly democratic practices and respect for human rights and fundamental liberties;
1973	Copenhagen declaration on European identity	Representative democracy, rule of law, social justice, respect for human rights;
1986	Single European Act	Democracy, rule of law and human rights;
1993	Copenhagen criteria	Pluralist and multi-party democracy, respect for human and minority rights, rule of law, independence of civil society, freedom of expression, separation of powers, civilian control over the military ( <i>inter alia</i> );
1997	Regional Approach	Regional cooperation, fight against corruption, social and cultural rights, good neighbourly relations;
1999	Stabilisation and Association Process / Stability Pact WB	Peace, justice for war crimes, reconciliation, anti-discrimination and good neighbourly relations;
2008	Regional Cooperation Council	Regional ownership and targeted assistance.
Source: re-elaboration from Othon Anastasakis, <i>op. cit.</i> , p. 367-368		

The new criteria added on top for the pending enlargement reflect, according to Anastasakis, the changing international circumstances, the internal EU anxieties, as well as the regional and country-specific context.<sup>86</sup>

<sup>85</sup> Othon Anastasakis, *op. cit.*, pp. 367-368.

<sup>86</sup> *Ibid.*, p. 367-368

### 2.3.2. Features of democratic and of *acquis* conditionality

The seminal work of Frank Schimmelfennig and Ulrich Sedelmeier offers a theoretical analysis of EU political conditionality and its effectiveness in rule transfer. In their work, the process of pre-accession adaptation is described as a major process of “external governance”, resulting in transfer of both procedure and substance of policies.<sup>87</sup> Schimmelfennig and Sedelmeier distinguish between two issue areas of applicability of such rule transfer models, namely democratic conditionality and *acquis* conditionality.

Democratic conditionality concerns the basic principles of liberal democracy, human rights and fundamental freedoms. Such context is mainly present at the beginning of the relation between EU and third countries, in order to establish institutional and association ties. It features very high adaptation costs for incumbent autocratic governments, and low salience for democratic frontrunners with a good fit between their political system and the minimal EU requirements. In this last case, rule transfer concerns additional requirements such as the principles of minority protection, although these norms suffer from a lack of legitimacy, being outside the *acquis* and not being equally applicable to EU member states. The relation between effectiveness of conditionality and institutional fit is graphically represented by a parabolic curve: the effects of conditionality are stronger towards fragile democracies, and weaker towards autocracies and established democracies. The external incentives model is therefore less relevant here, while the effect of rule transfer can be explained by the models of independent lesson-drawing and of socialisation and learning.<sup>88</sup>

The second context is the one of *acquis* conditionality. It includes the transposition of technical norms of the *acquis communautaire* in the domestic legal system of the pre-accession country, and it is mainly present at the later stage of accession negotiations, having final membership as the main external incentive for rule transfer. The technicality of the norms to be transposed allows keeping the level of politicisation low, thus lowering the adoption costs for the governments. Sectoral veto players are kept at

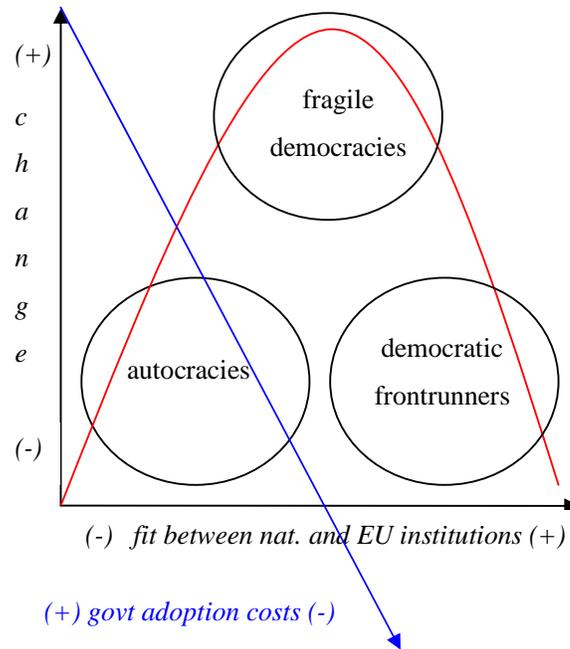
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<sup>87</sup> Frank Schimmelfennig and Ulrich Sedelmeier, “Governance by conditionality: EU rule transfer to the candidate countries of Central and Eastern Europe”, *Journal of European Public Policy*, Vol. 11, No. 4, August 2004, pp. 661-679. Frank Schimmelfennig, “EU political accession conditionality after the 2004 enlargement: consistency and effectiveness”, *Journal of European Public Policy*, Vol. 15, No. 6, September 2008, pp. 918-937.

<sup>88</sup> Frank Schimmelfennig and Ulrich Sedelmeier, *op. cit.*, pp. 669-671.

bay by the aggregate benefit of membership, being at best able to influence the speed and timing of rule transfer, but not its final outcome in *endgame* situations.<sup>89</sup>

**Figure 2.3.1 - Effectiveness of conditionality and institutional fit**



### 2.3.3. Rules transfer: external incentives, lesson drawing, social learning

Schimmelfennig and Sedelmeier outline three models of EU external governance and rules transfer, respectively based on: (a) external incentives, or bargaining by rewarding, (b) independent domestic lesson-drawing, and (c) socialisation and learning. Such models are roughly corresponding to Héritier's three causal mechanisms of Europeanisation, and their mechanisms of action are summarised in the table below.

<sup>89</sup> *Ibid.*, p. 671-673.

**Table 2.3.2 - Models of EU external governance**

	<i>External incentives</i>	<i>Lesson-drawing</i>	<i>Socialisation and learning</i>
<i>Basic logic</i>	Rationalism Utility maximisation Consequentiality	Appropriateness Legitimacy one-side model	Appropriateness Legitimacy Social constructivism
<i>Strategy</i>	Conditionality Reinforcement by reward	Norm diffusion	Persuasion and complex learning
<i>Factors</i>	1. Credibility of conditionality 2. Domestic adaptation costs 3. Determinacy of conditions 4. Size and speed of reward 5. Nb of veto players	1. Policy dissatisfaction 2. EU-centred epistemic communities 3. Rule transferability 4. Veto players	1. Norms legitimacy (formality, equal application, deliberation standard) 2. Identification with the EU 3. EU/domestic norm resonance
<i>Context of relevance</i>	Acquis conditionality Accession negotiations	Democratic conditionality Association negotiations	

Starting from a rationalist perspective, thus assuming its actors to be utility maximisers, the first rule transfer model implies a bargaining strategy of “reinforcement by reward”, according to which the EU provides external incentives in case of compliance, and sanctions in case of non-compliance. “A state adopts EU rules if the benefits of EU rewards exceed the domestic adoption costs”.<sup>90</sup> Such cost/benefit balance is dependent on the determinacy of conditions, the size and speed of rewards, the credibility of threats and promises, and the size of adoption costs.<sup>91</sup> The sub-factors of the external incentives model are noted in the table below.

<sup>90</sup> *Ibid.*, p. 664.

<sup>91</sup> *Ibid.*, p. 664-667.

**Table 2.3.3 - Factors and sub-factors of compliance under external incentives**

<i>Factors</i>	<i>Sub-factors</i>
1. Determinacy of conditions: clarity and formality of the norms	a. Informational value b. Credibility value c. EU engagement value
2. Size and speed of rewards	a. Size: accession v. association promise b. Speed: short-term v. mid/long-term of rewards
3. Credibility of threats and promises	a. Agency capability and costs: I. Low costs of non-rewarding (asymmetric interdependence) II. Low costs of rewarding (association v. accession) III. <i>Sunk costs</i> of rewarding (EU adjustments) IV. <i>Sunk costs</i> of non rewarding (investments lost) → credibility of promises increase over time b. Consistency of rewards: I. Intervening variables blur the cost/benefit analysis II. Inconsistent signals = confusion / manipulation c. Absence of alternative sources for comparable benefits at lower adjustment costs
4. Size of adoption costs	a. Nb of veto players with net adoption costs from compliance → opportunity, welfare, power costs v. net benefits

The second model of rule transfer, based on lesson drawing, implies an independent adoption of EU rules by non-member states in absence of EU action: “a state adopts EU rules, if it expects these rules to solve domestic policy problem effectively”.<sup>92</sup> EU acquis constitutes a repository of trash bin solutions, from which third countries can draw at pleasure. Sub-factors of this model include: (a) domestic policy dissatisfaction; (b) the presence of EU-centre epistemic communities; (c) rule transferability; (d) the number and resources of veto players.<sup>93</sup>

The third model of rule transfer, focusing on social learning, takes into consideration the motivations of actors, stemming from internalised identities, values and norms, thus referring to the theory of social constructivism and its logic of appropriateness and legitimacy. The EU is considered here as “the formal organization of a European

<sup>92</sup> *Ibid.*, p. 668.

<sup>93</sup> *Ibid.*

international community defined by a specific collective identity and a specific set of common values and norms”.<sup>94</sup> Rule transfer depends on the level of persuasion of the third country in the appropriateness of the EU rules. Sub-factors of such decision refer to: (a) the quality of EU rules: formality, equal application to EU member states, and compliance with basic standards of deliberation; (b) the identification between the country and the EU; (c) the domestic resonance of EU norms, due to absence, delegitimation or good fit with domestic norms.<sup>95</sup>

The first model of rule transfer, focused on external incentives and conditionality, is the one that is empirically found having the best explanatory value towards rule transfer in CEE countries. The main determinants of such a model are found by Schimmelfennig and Sedelmeier to be the credibility of EU conditionality and the domestic costs of rule adoption; the size and speed of rewards, as well as the determinacy of conditions, are only inconsistently correlated with the success of conditionality.<sup>96</sup> Moreover, such model is deemed particularly relevant in the context of *acquis* conditionality.<sup>97</sup> The lesson drawing and social learning models, at the contrary, can explain those rule transfers which happen before the explicit formulation of EU conditionality, often in a patchy way. They also have an impact on the depth of change, as rules transferred by lesson drawing or social learning are usually less contested domestically and therefore able to result in behavioural rule adoption and sustained compliance, rather than mere transposition.<sup>98</sup>

#### **2.3.4. Rules transfer between old and new governance patterns**

Given the abovementioned characteristics of rule transfer models, Schimmelfennig and Sedelmeier argue that EU rule transfer in pre-accession countries mainly follows the “old governance” pattern, rather than the “new/network governance” pattern.<sup>99</sup> The main features of the two patterns of governance are summarised in the table below.

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<sup>94</sup> *Ibid.*, p. 667.

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*, pp. 662-663.

<sup>97</sup> *Ibid.*, pp. 669-671.

<sup>98</sup> *Ibid.*, p. 674.

<sup>99</sup> *Ibid.*, p. 675.

**Table 2.3.4 - Old and new/network governance patterns**

	<i>Old governance</i>	<i>New/network governance</i>
<i>Basic characters</i>	“Hierarchical and vertical processes of command, control and steering by the state” <sup>100</sup>	“Horizontal coordination and cooperation, negotiated in decentralised settings between public and private actors” <sup>101</sup>
<i>Power relationship</i>	Highly asymmetrical (EU bargaining power is higher than with MS)	Rather symmetrical EU/MS bargaining power (reverse interdependency)
<i>Influence of the outsiders on the content and scope of the rules transferred</i>	Severely limited: - predetermined, non-negotiable, formalised rules to transfer; - only transitional periods available for negotiation	Possibility of norm uploading at EU level in order to avoid adjustment costs from mere norm downloading at MS level
<i>Types of actors involved in the process of rule transfer</i>	Bureaucratic intergovernmental bargaining	Transnational networks including societal actors (domestic empowerment effect)
<i>Context of relevance</i>	Acquis conditionality	- Democratic conditionality; - EU internal governance

To sum up, the main findings by Schimmelfennig and Sedelmeier include that: (a) the external incentives model has the main explanatory value for rule transfer in pre-accession countries; (b) the main sub-factors of such rule transfer model are the credibility of conditionality and the domestic costs of adoption; (c) rule transfer is dependent on the context of conditionality (democratic v. acquis conditionality) and on country-specific conditions, that influence the domestic costs.

### **2.3.5. Sub-factors of compliance in post-conflict situations**

Drawing from his previous work with Sedelmeier, Schimmelfennig proceeded in assessing the consistency and effectiveness of political accession conditionality towards

<sup>100</sup> *Ibid.*

<sup>101</sup> *Ibid.*

the new pre-accession countries after the 2004 enlargement. In the framework of the external incentives model, Schimmelfennig states that “the success of political conditionality depends on (i) the conditional offer of EU membership to the target government; (ii) the normative consistency of the EU’s enlargement decisions; and (iii) low political compliance costs of the target government”.<sup>102</sup> Schimmelfennig concludes that although a saturation effect over time lowers the number of countries eligible for integration in terms of Europeanness and democracy, the number of eligible countries in 2008 is slightly higher than that in 1990, thus allowing potential for further enlargement.<sup>103</sup> Secondly, through a baseline model for non-discriminatory enlargement decisions, Schimmelfennig suggests that SEE latecomers have been treated consistently with CEE frontrunners, since any positive or negative discrimination has stopped within five years. Given only temporary discriminations, he argues for the global normative consistency of the EU’s political accession conditionality.<sup>104</sup> Finally, Schimmelfennig faces recent problematic cases (Croatia, Serbia, Turkey) in the light of domestic compliance costs, which are found dependent on the presence of specific historic legacies of conflict with symbolic and identity values. Such elements represent, according to Schimmelfennig, a specific issue of SEE, not present in the CEE experience (if not in the case of minority protection in Estonia and Latvia), rather than a theoretical inconsistency. Three sub-factors are identified as influencing compliance in such a condition of legacies of conflicts: (a) an “endgame” situation, with short-term, certain and relevant prospects of reward and sanction; (b) non-prohibitive costs for the incumbent governments; (c) adequate levels of identification between the target government and society, and the EU.<sup>105</sup> Schimmelfennig introduces in the theoretical framework of the external incentives model of political conditionality some elements peculiar to the Western Balkans context, reminding that the specific historical legacies of conflict present in the region, linked to identity politics and endowed with mobilisation potential, bring additional political costs upon domestic governments, thus impinging on the cost/benefit analysis of eventual compliance.

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<sup>102</sup> Frank Schimmelfennig, *op. cit.*, p. 921.

<sup>103</sup> *Ibid.*, p. 921-924.

<sup>104</sup> *Ibid.*, p. 924-927.

<sup>105</sup> *Ibid.*, p. 927-932.

**Table 2.3.5 - Sub-factors of compliance in situations marked by legacies of conflict**

<i>Case studies</i> \ <i>Factors</i>	<i>Endgame situation</i>	<i>Non-prohibitive political costs</i>	<i>Identification</i>	<i>= Compliance</i>
Croatia 2005	☑	☑	☑	☑
Serbia 2007	☒	☑	☑	☑
Estonia/Latvia	☑	☒	☑	☑
	☑	☑	☒	?
	☑	☒	☒	?
	☒	☑	☒	?
Turkey 2006	☒	☒	☑	☒
Serbia 2006	☒	☒	☒	☒

Source: re-elaboration from Schimmelfennig, *op. cit.*, p. 932.

### 2.3.6. Reactivation of memory of conflict and adoption costs

The legacies of past conflicts, linked to identity politics, might constitute a potential for political mobilisation, capable to raise the costs of compliance for governments. It is useful to refer here to the latest sociological work on memory issues by Georges Mink and Pascal Bonnard, which introduces the concepts of dynamic memory (*mémoire réactive*), memory stocks (*gisement mémoriel*) and historicising strategies (*stratégies historicisantes*).<sup>106</sup> Mink considers 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.<sup>107</sup> The factors influencing the domestic cost of compliance in post-conflict situations may be summarised as 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.

<sup>106</sup> Georges Mink and Pascal Bonnard, *Le passé au Présent. Gisements Mémoires et Actions Publiques en Europe Centrale et Orientale*, Paris, Michel Houdiard, 2010. For further analyses on the role of memory in political action during and after the Yugoslav Wars, see Bett Denich, "Dismembering Yugoslavia: nationalist ideologies and the symbolic revival of genocide", *American Ethnologist*, Vol. 21, pp. 367-390, and Stef Jansen, "The Violence of Memories. Local narratives of the past after ethnic cleansing in Croatia", *Rethinking History*, Vol. 6, No. 1, 2002, pp. 77-94.

<sup>107</sup> Georges Mink and Pascal Bonnard, *op. cit.*, Conclusion paragraph of the Introduction chapter, p. 29.

### 2.3.7. Different agendas in EU political conditionality

Anastasakis further identifies some trends and contradictions concerning EU political conditionality in the context of the Western Balkans, underlining the risks in terms of erosion of credibility, clarity and consistency of the conditionality. Such concerns stem from the existence of different agendas, due to their normative, functional or realist background, which are perceived and played differently by the political actors in the EU and in the WB. The first, normative agenda of conditionality points to justice, democracy and human rights, legitimising itself by the universality of norms, but it is countered by the normative contradictions, divided memories and self-victimisation of the public opinion in the target countries (e.g. in the case of collaboration with the ICTY). The second, functional agenda focus on the creation of sustainable and viable norms, institutions and administrations, but clashes with the resistance of local habits, such as political patronage, and with the lack of established EU modes of state-level administration. Finally the third, realist agenda focus on the power asymmetries between member states, their national priorities, and their security concerns, while falling down on the reverse dependency of the EU from WB countries in security cooperation, and on the shopping for support by WB countries among EU member states with different priorities. According to Anastasakis, such agendas are deeply intertwined but remain inconsistent, thus emerging as complementary but also mutually competitive and sometimes exclusive.<sup>108</sup>

**Table 2.3.6 - Normative, functional and realist agendas of EU political conditionality**

	<i>EU keywords</i>	<i>EU focus</i>	<i>WB focus</i>
Normative	Norm, Universal, Legitimacy	Justice, democracy, human rights	Normative contradictions; divided memories; victimisations.
Functional	Sustainable, Viable	Rules & procedures; institutions, PA, state- and institution-building	Resistance of habits, lack of established EU models
Realist	Power, Interests, Security	Security concerns, MS priorities	Reverse interdependency in security issues; interest-shopping
Source: re-elaboration from Anastasakis, <i>op. cit.</i> , p. 370-372.			

<sup>108</sup> Othon Anastasakis, *op. cit.*, p. 370-372.

#### ***2.4. Conclusions: the IPA as an instrument of Europeanisation***

The IPA, as an instrument for the external action of the EU, is designed to have a permanent effect on the internal structures of pre-accession states, fostering a certain level of administrative capabilities as a minimally required condition for accession. As such, the IPA responds to the theoretical framework composed by Europeanisation and conditionality theory, as part of the neo-institutionalist strand of social theory and international relations. More in detail, the IPA is inscribed in the context of Europeanisation East, the strongly asymmetrical relation between the EU and the pre-accession countries, and it employs conditionality to foster rule transfer, following a model of external incentives, in a context of prevalent *acquis* conditionality. The credibility of conditionality and domestic political costs of compliance bear weight in this context as factors of success of rule transfer.

In the light of the peculiar experience of the Western Balkans, detailed in the first chapter, some sub-factors of compliance have been identified, involving an “endgame” situation, non-prohibitive political costs, and identification between the society and the EU. The legacies of conflict and the presence of symbolic and identity issues that can be reactivated by political entrepreneurs in the domestic arena constitutes an additional costs for domestic governments, thus impinging on their cost/benefit analysis of compliance options. Finally, an insight into the different agendas of political conditionality pointed to the cognitive misunderstandings between the EU and the WB target countries, once again affecting the likelihood of compliance.

### **3. Benchmarks for a mid-term review of the accomplishments of the IPA**

Several criteria may be taken in consideration in order to draw a preliminary assessment of the efficiency of the IPA funds. The analysis presented in this chapter will focus on the three elements of: (a) funds allocations, (b) funds absorption, and (c) development of administrative structures. A first indicator to take into consideration is the level of financial assistance per country. Such an element can be analysed both in absolute terms, and in relative terms, comparing per capita allocations for each country. A second indicator considers the absorption of funds in each country. Drawing from the Financial Transparency System of the European Commission, the current level of funds awarded to beneficiary countries will be presented 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. Finally, the third indicator taken into consideration will check the development of administrative capacities in target countries through the progress in establishing a Decentralised Implementation System (DIS). Such a system 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 and 2009, as well as of relevant news for the year 2010, it is possible to identify the main trends in the progress of DIS establishment.

#### ***3.1. Funds allocations, per country***

The allocation of funds for each component and 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. Given the delay in passing the IPA regulation and in reaching consensus on the 2007-2013 financial framework, the first MIFF only covered the 2008-2010 period. Allocation levels for the year 2007 had been approved according to the proposal of the Commission, aimed at ensuring the consistency with funding under Cards and Phare in 2006 (with a benchmark on the 2004-2006 period for Albania and

Bosnia and Herzegovina).<sup>109</sup> A second MIFF for the period 2010-2012 has been later approved on 5 November 2008; such a document identifies the allocations for the year 2008 on the basis of *per capita* past expenditures, with a minimal threshold of 23 € per person.<sup>110</sup>

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 CADDS. The share of funds dedicated to regional programmes reaches a level of 8%; thus doubling the allocations under the previous programmes, although remaining below the 10% target.

For what concerns their economic significance, the level of IPA funding is broadly comparable with that of pre-accession assistance for the CEE countries, as they amount to around 0,6% and 0,7% of the respective regional GDPs. Pre-accession training in fund management is even more necessary for the Western Balkan countries given the post-accession experience of the CEE countries, where funding increased up to the 3-4% of their GDP in the post-accession period.<sup>111</sup>

### 3.1.1. Absolute levels of assistance

A first indicator to consider is the absolute level of financial assistance per country, as reported in the MIFF 2008-2012.

**Table 3.1.1 - Allocations per country over time, in mln €**

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

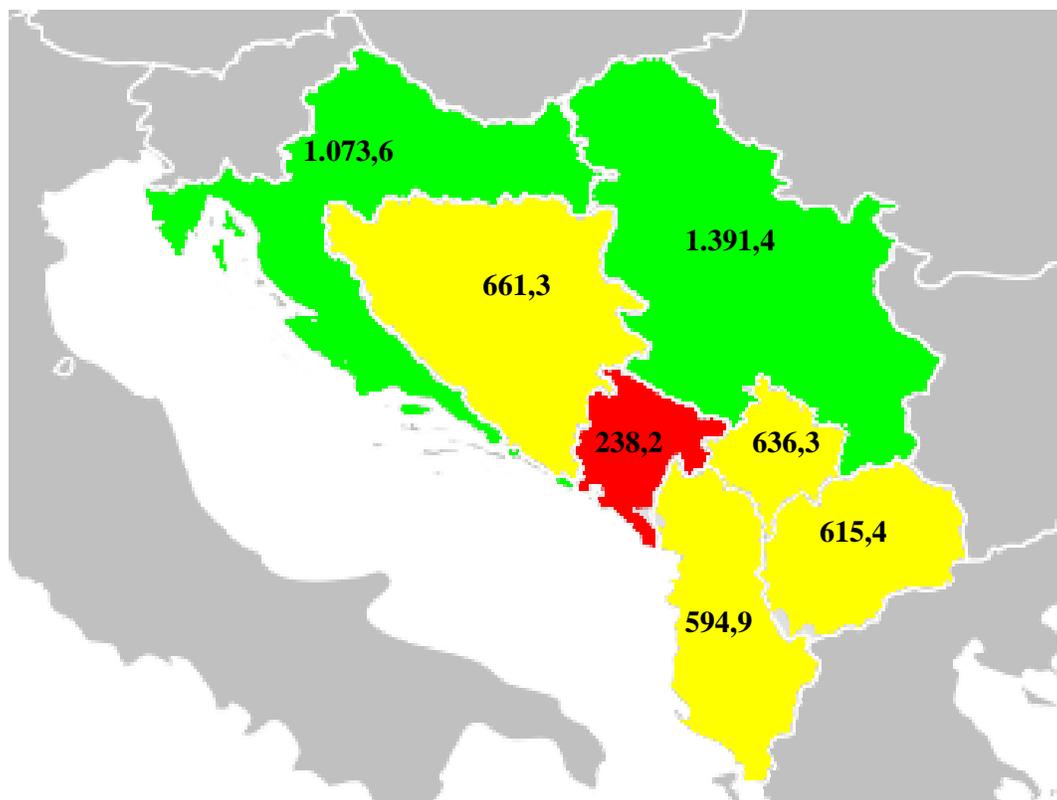
Sources: MIFF 2008-2010 and 2010-2012.

<sup>109</sup> 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], p. 7.

<sup>110</sup> 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].

<sup>111</sup> Robert Sierhej, “EU funds: what can the Western Balkans learn from the New Member States (NMS)?”, presentation, International Monetary Fund, Regional Office in Warsaw, October 2007.

**Map 3.1.1.1 - Total allocation per beneficiary countries, 2007-2013 (mln €)**



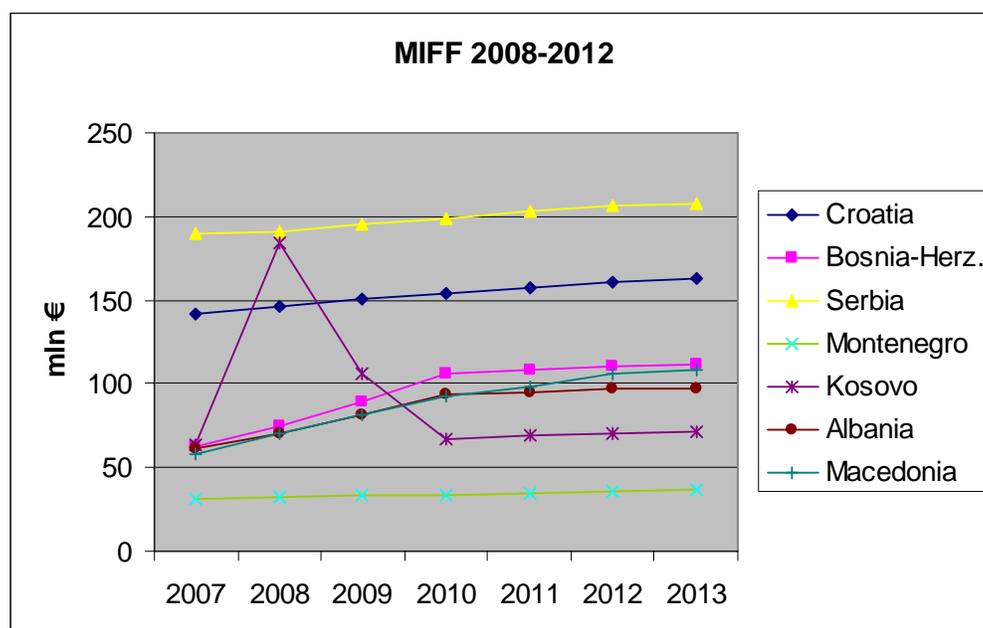
According to such data, three clusters of countries can be singled out:

Assistance levels	Countries
< 500 mln €	Montenegro
500-1.000 mln €	Albania, Bosnia and Herzegovina, Kosovo, Macedonia
> 1.000 mln €	Croatia, Serbia

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. It is more likely that the assistance levels are correlated to other factors, such as the population and the local needs. If taken in consideration in its development over time, the level of annual funding of each country shows a slightly positive trend, which reflects the expectations for enhancement of the administrative, management and absorption capacities during the IPA implementation period. The only territory to show an uneven trend is Kosovo, which triples its funding in 2008 compared to 2009, to come back to the previous level in two years. Such peak can be explained with the needs for supporting a newly-established institutional system after the 2008 unilateral declaration of independence.

It is also possible to see a convergence effect in the first three years of implementation, up to 2010, when the allocations for Bosnia and Herzegovina, Macedonia and Albania grow at a higher speed than those for Serbia, Croatia and Montenegro. To the contrary, in the second half of the IPA period, the allocations for Bosnia and Herzegovina, Albania and Kosovo slow down their incremental speed. The only exception remains Macedonia, whose allocations grow at a high pace also in the second period.

**Figure 3.1.1 - IPA allocations according to the MIFF 2008-2012**



### 3.1.2. Per capita levels of assistance

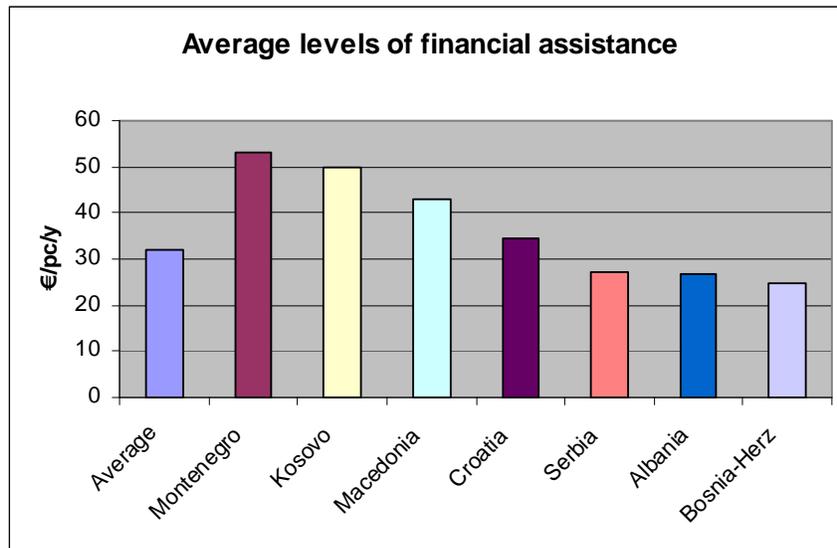
The levels of assistance can be better compared when equalised in terms of population.

**Table 3.1.2 - Average levels of financial assistance, in € per capita per year**

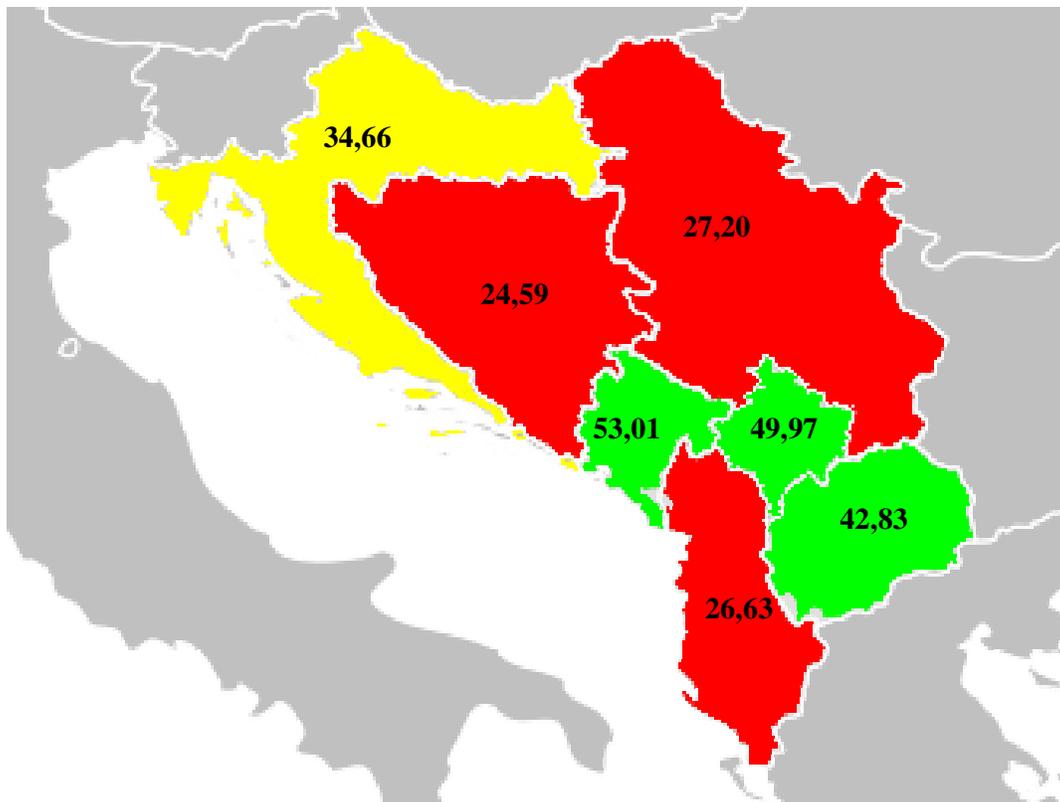
	Total (mln €)	Population <sup>112</sup>	Average (€/pc/y)
Montenegro	238,20	641.966	53,01
Kosovo	631,30	1.804.838	49,97
Macedonia	615,40	2.052.722	42,83
Croatia	1.073,63	4.425.747	34,66
Serbia	1.391,40	7.306.677	27,20
Albania	595,60	3.195.000	26,63
Bosnia-Herz.	661,50	3.843.126	24,59
Average	5.207,03	23.270.076	31,97

<sup>112</sup> Population data of 2010. See Appendix I for further details.

Figure 3.1.2 - Average levels of IPA financial assistance



Map 3.1.2.1 - Average allocation per beneficiary countries, 2007-2013 (€ per capita)



Three different clusters can then be identified:

<i>Assistance levels (€/ per capita / year)</i>	<i>Countries</i>
€ 20,00 - 30,00	Bosnia-Herzegovina, Serbia, Albania
€ 30,01 - 40,00	Croatia
€ 40,01 - 50,00	Macedonia, Kosovo, Montenegro

Such levels do not appear to be correlated with the candidate status either. The levels of allocation show a high variance, as the amounts for Montenegro are more than double of those for Bosnia. This may be explained with the fixed costs of national administrations, especially of the establishment of brand new ones as in Kosovo and Montenegro, when faced with a limited population, as in Montenegro, as well as with the costs of consociational power-sharing political structures, such as those established following the Ohrid Agreement in Macedonia. Nevertheless, the particularly low levels of allocations for Bosnia and Herzegovina constitute a puzzle, as Bosnia would require the establishment of new state-level institutions, while already paying the costs of an hypertrophic governance structure; these levels may be linked to the unfeasibility of such reforms, and thus the lack of expenditure prospects, in the absence of a widespread consensus on constitutional reform among the political actors.

### ***3.2. Funds absorption, per country***

#### **3.2.1. Notion and factors of funds absorption**

In the framework of the EU's 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”.<sup>113</sup> 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.<sup>114</sup> Van Bork identifies some of the factors explaining absorption capacity: in parallel with the efficiency of administrative practices and macro-economic effectiveness, absorption capacity is

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<sup>113</sup> Mojmir Mrak and Dragan Tilev, *Absorption for EU pre-accession funds: concept and implications for Kosovo*, Pristina, Forumi2015-KCSF, April 2008, p.30.

<sup>114</sup> Gerbrand Van Bork, *Introduction to Cohesion Policy, IPA, and Project Cycle Management*, Ecorys PCM Training, Ankara, 1-11 February 2011.

dependent on capabilities of domestic co-financing, project pipeline, and administrative capacities.<sup>115</sup> This last factor is correlated with the availability of structures, systems and tools, and human resources.<sup>116</sup>

**Table 3.2.1 - Factors and elements of absorption performance**

<i>Factors of absorption performance</i>	<i>Main elements</i>
a. effectiveness; b. efficiency; c. absorption capacity: I. domestic co-financing; II. delivery (project pipeline) III. administrative capacity: 1. structures; 2. systems and tools; 3. human resources.	macroeconomics; administrative practices;  access to credit, investment decisions; supporting beneficiaries with applications;  designation of responsibilities, tasks and functions; availability of manuals and checklists; recruiting, training, and promotion.
Source: re-elaboration from Van Bork, <i>op. cit.</i>	

Only to focus on the sub-factors of administrative capacity: (a) *structures* refer to the precise designation of responsibilities, tasks and functions among the public administration bodies; (b) *human resources* refer to the timely recruiting, training, retaining (salary levels) and promotion (to ensure continuity) of skilled personnel in adequate levels of staffing; (c) *systems and tools* refer to the availability of manuals and checklists, including their availability in the local languages to ensure diffusion.<sup>117</sup>

As stated by Knezevic, “efficient absorption of structural funds depends largely on the success of reforms of administration at national level reflected in a strengthening of administration to define efficient frameworks for managing long-term sector policies, enhancing inter-ministerial coordination, qualitative defining of national development programmes and improving human resource capacities to implement them”.<sup>118</sup>

<sup>115</sup> Issues with co-financing, dealing with the bureaucratic burden of the EU application procedures, and the abuse of external consultants have been identified as factors hindering the participation of civil society organisations in the programme. European Movement Albania et al., “Accessing Integration. Problems and Solutions to Adapting IPA in Albania, Bosnia and Herzegovina, Montenegro and Macedonia”, *Open Society Institute paper*, Budapest, 2009.

<sup>116</sup> Van Bork, *op. cit.*

<sup>117</sup> *Ibid.*

<sup>118</sup> Ivan Knezevic, *Absorption Capacity of Serbia for Use of EU Funds: Practical Lessons from Slovakia*, Pontis Foundation - Center for Democracy, Belgrade, July 2010.

The main risks, as highlighted by Van Bork, concern the insufficient capacities, in terms of numbers, quality and continuity, of public administrations, that result from understaffing, discontinuity, and lack of experience. On the other hand, the applicants should be supported through the application process (Project Pipeline facility<sup>119</sup>) in order to overcome their own lack of experience and awareness, which may results in problems during the implementation phase. In the words of Van Bork, the “absorption capacity is determined by the weakest link” among all actors of project cycle management.<sup>120</sup>

**Table 3.2.2 - Key risks for absorption capacity**

<i>On the side of managing administrations</i>	<i>On the side of applicants (NGO, local auth.)</i>
insufficient administrative capacities - understaffing; - discontinuity; - lack of experience;	insufficient managing capacities - lack of awareness; - bureaucratic burden of EU forms; - lack of experience; - implementation problems;
Source: elaboration from Van Bork, <i>op. cit.</i>	

A clear set of data on the absorption levels of IPA funds in the Western Balkan countries is still missing. Nevertheless, some data can be extracted from the Financial Transparency System (FTS) database of the European Commission,<sup>121</sup> in order to draft a preliminary evaluation of the absorption levels. Such data can be extracted: (a) per country/territory (based on the address given by the beneficiary in the identification documents submitted to the Commission); (b) per geographical zone (for development aid grants paid by EuropeAid, this refers to the location of the action financed by the grant); (c) per both criteria at the same time. In all the previous cases, the amount corresponds to the total awarded to carry out the contracted activities, and not to the actual payments for the year.<sup>122</sup>

<sup>119</sup> The necessity of strengthening the project pipeline in order to spread awareness of the IPA standards in project writing and to increase the quality of the projects presented for evaluation is highlighted in Mirjana Kranjac, Rado Maksimović, Uroš Sikimić, “A Model of using IPA Funds For Project Realization In Pre-Accession Countries: The Case of Serbia”, *Ekonomika*, Vol. 89, No. 2, 2010.

<sup>120</sup> Gerbrand Van Bork, *op. cit.*

<sup>121</sup> Europa.eu, *Financial Transparency System*, [http://ec.europa.eu/beneficiaries/fts/index\\_en.htm](http://ec.europa.eu/beneficiaries/fts/index_en.htm). The data have been extracted in March 2011 and updated until 4 May 2011.

<sup>122</sup> *Ibid.*

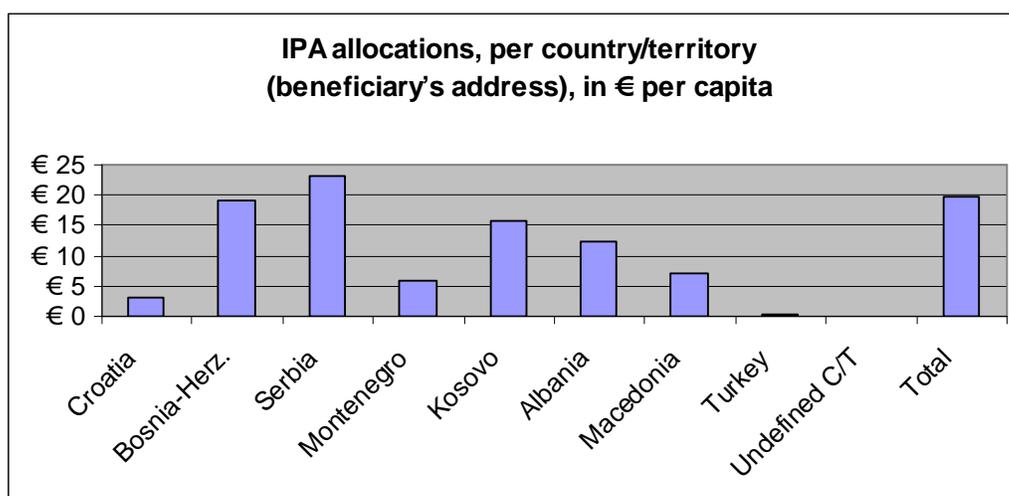
### 3.2.2. Awarded funds, per country/territory (beneficiary's address)

Table 3.2.3 - IPA allocations, per country/territory (beneficiary's address)

	2007	2008	2009	Total	Population	Total per capita
<i>Croatia</i>	4.253.389,69	2.915.682,84	6.430.524,87	13.599.597,40	4.425.747	€ 3,07
<i>Bosnia-Herz.</i>	16.927.026,66	35.700.941,18	21.075.618,67	73.703.586,51	3.843.126	€ 19,18
<i>Serbia</i>	945.654,73	49.822.418,40	118.034.231,28	168.802.304,41	7.306.677	€ 23,10
<i>Montenegro</i>	0,00	661.424,15	3.022.616,09	3.684.040,24	641.966	€ 5,74
<i>Kosovo</i>	0,00	16.456.254,83	11.870.755,17	28.327.010,00	1.804.838	€ 15,70
<i>Albania</i>	17.489.516,86	10.223.045,08	11.707.153,25	39.419.715,19	3.195.000	€ 12,34
<i>Macedonia</i>	670.628,25	6.789.569,06	7.273.794,72	14.733.992,03	2.052.722	€ 7,18
<i>Turkey</i>	9.203.358,12	3.655.182,78	3.077.322,00	15.935.862,90	73.722.988	€ 0,22
<i>Undefined C/T</i>	392.374.403,29	556.650.490,26	680.273.530,05	1.629.298.423,60		
<b>Total</b>	441.863.977,60	682.875.008,58	862.765.546,10	1.987.504.532,28	100.188.064	€ 19,84

When analysed in relation to the address of the implementing agency, the data show a prevalence of expenditures per capita in Serbia (23,10 €) and Bosnia-Herzegovina (19,18 €). All the amounts are anyway lower than the minimum threshold identified in 23 € per capita per year. The important amounts listed under the category of “undefined country/territory” relate to the high relevance of foreign consultancies operating in the region; the total sums awarded to foreign consultancies amounts to a level that is more than fourfold higher than the aggregate amount of implementing agencies based in the region.

Figure 3.2.1 - IPA allocations, per country/territory (beneficiary's address)



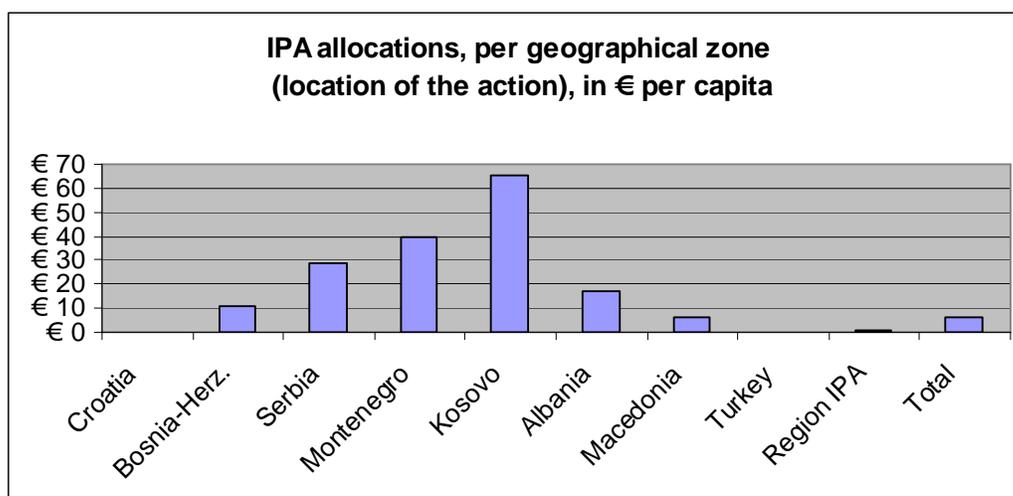
### 3.2.3. Awarded funds, per geographical zone (location of the action)

Table 3.2.4 - IPA allocations, per geographical zone (location of the action)

	2007	2008	2009	Total	Population	Total per capita
<i>Croatia</i>	0,00	0,00	1.086.781,00	1.086.781,00	4.425.747	€ 0,25
<i>Bosnia-Herz.</i>	0,00	0,00	42.409.555,95	42.409.555,95	3.843.126	€ 11,04
<i>Serbia</i>	0,00	0,00	209.253.191,71	209.253.191,71	7.306.677	€ 28,64
<i>Montenegro</i>	0,00	0,00	25.645.689,15	25.645.689,15	641.966	€ 39,95
<i>Kosovo</i>	0,00	0,00	117.282.070,47	117.282.070,47	1.804.838	€ 64,98
<i>Albania</i>	0,00	0,00	54.557.117,34	54.557.117,34	3.195.000	€ 17,08
<i>Macedonia</i>	0,00	0,00	13.065.997,47	13.065.997,47	2.052.722	€ 6,37
<i>Turkey</i>	0,00	0,00	670.457,40	670.457,40	73.722.988	€ 0,01
<i>Region IPA</i>	0,00	0,00	111.314.837,96	111.314.837,96	96.993.064	€ 1,15
<i>Total</i>	0,00	0,00	575.285.698,45	575.285.698,45	96.993.064	€ 5,93

Data available in relation to the location of the contracted activities show higher absolute values, with a total of 575 mln € instead of the 358 mln € expressed with the previous criteria. The difference of 217 mln € maybe explained as the amount awarded to non-WB implementing parties (EU- or 3<sup>rd</sup> country- based consultancies) for the enactment of activities in the Western Balkan region. Amounts per capita show a peak in the case of Kosovo (64,98 €), followed by Montenegro, Serbia and Albania. Kosovo and Montenegro's high amounts may be linked to the costs relative to the setup of national administration in these two countries. Croatia and Turkey's values, close to zero, likely point out to the lack of complete data made public through the EC FTS database.

Figure 3.2.2 - IPA allocations, per geographical zone (location of the action)



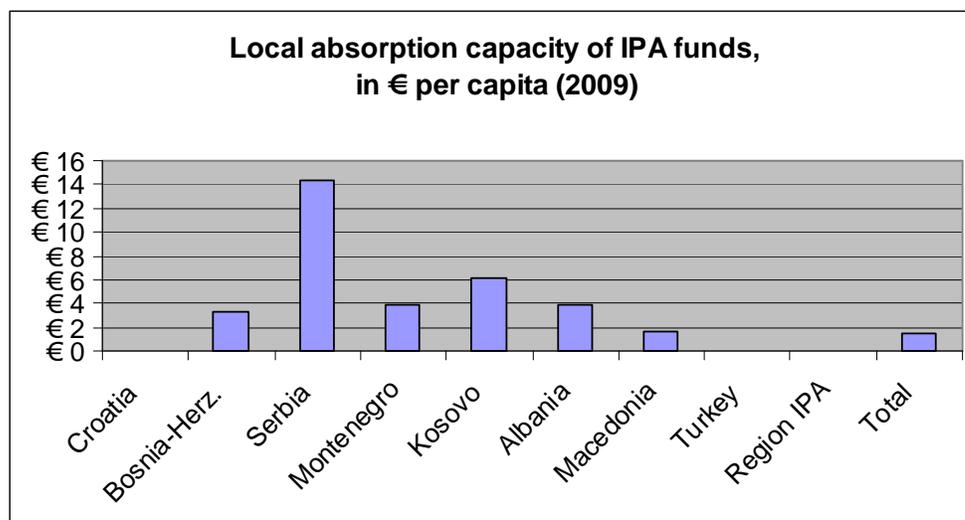
### 3.2.4. Awarded funds, per location of the action and beneficiary's address

Table 3.2.5 - IPA allocations, per location of the action and beneficiary's address

	2007	2008	2009	Total	Population	Total per capita
<i>Croatia</i>	0,00	0,00	57.799,00	57.799,00	4.486.881	€ 0,01
<i>Bosnia-Herz.</i>	0,00	0,00	12.355.352,51	12.355.352,51	3.842.566	€ 3,22
<i>Serbia</i>	0,00	0,00	105.285.307,49	105.285.307,49	7.306.677	€ 14,41
<i>Montenegro</i>	0,00	0,00	2.607.774,10	2.607.774,10	666.730	€ 3,91
<i>Kosovo</i>	0,00	0,00	11.144.039,20	11.144.039,20	1.804.838	€ 6,17
<i>Albania</i>	0,00	0,00	11.424.329,52	11.424.329,52	2.986.952	€ 3,82
<i>Macedonia</i>	0,00	0,00	3.498.757,62	3.498.757,62	2.114.550	€ 1,65
<i>Turkey</i>	0,00	0,00	0,00	0,00	77.804.122	€ 0,00
<i>Region IPA</i>	0,00	0,00	3.887.247,50	3.887.247,50	101.013.316	€ 0,04
<i>Total</i>	0,00	0,00	150.262.615,94	150.262.615,94	101.331.768	€ 1,48

When the two criteria exposed above are applied together, the data extracted show a much lower absolute value (150 mln €, around 10% 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 value is expressed by Serbia, eventually linked to the capacities of its administration and to the presence of adequate local implementing partners. On the other hand, the data for Croatia and Turkey are missing, therefore the findings cannot be considered definitive. It is also not apparent the shadow of the EAR: the territories where funds were managed by the EAR have no additional burden in absorbing funds through the new methods.

Figure 3.2.3 - IPA allocations, per location of the action and beneficiary's address



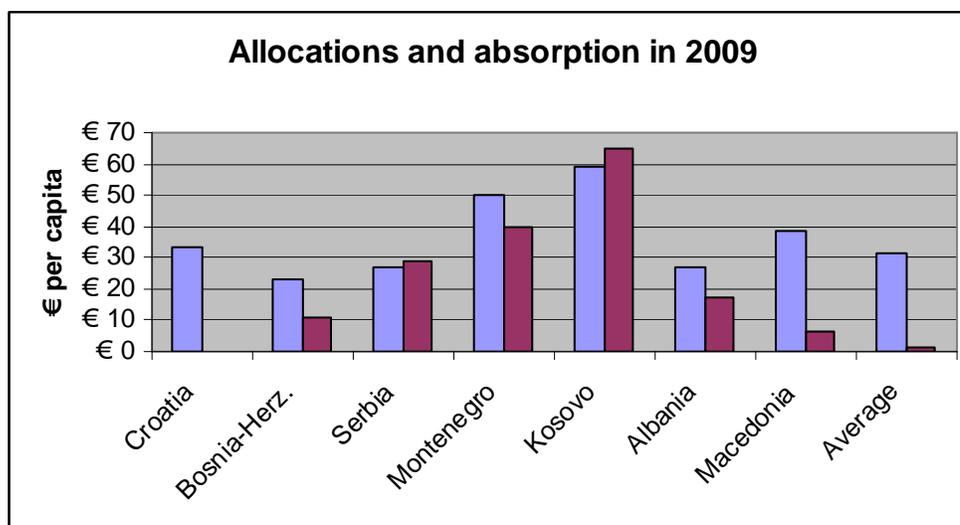
### 3.2.5. Levels of absorption in 2009

Taking into consideration the allocations for 2009 and the levels of absorption, per location of the action, resulting from the FTS, it is possible to note the levels of absorption in the different territories in that year. The picture is once again much differentiated; some territories (Kosovo and Serbia) have a percentage of absorption higher than 100%, which means that the funds disbursed during the year for actions located on their territory are more than the funds allocated for the same year.<sup>123</sup> The absorption levels then decrease steeply in the other countries, down to the 16,45% of Macedonia. The levels of Croatia, close to zero, should be referred to the lack of data.

**Table 3.2.6 - Levels of absorption of IPA funds in 2009**

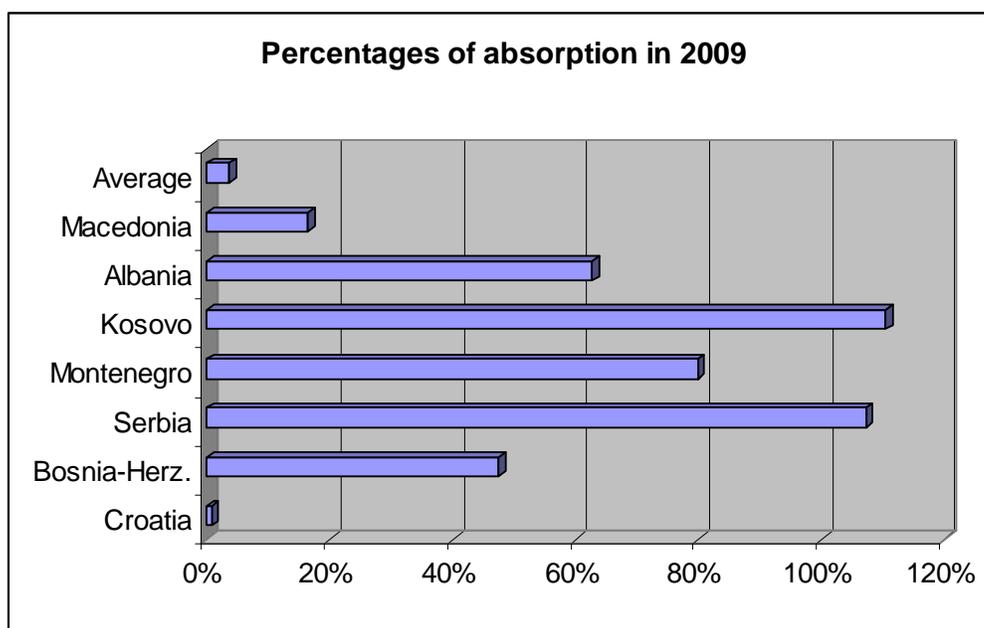
	<i>Allocation 2009 mln €</i>	<i>Population</i>	<i>Allocation 2009 per capita</i>	<i>Absorption 2009</i>	<i>% Absorption 2009</i>
<i>Croatia</i>	151,20	4.486.881	€ 33,70	€ 0,25	0,73%
<i>Bosnia-Herz.</i>	89,10	3.842.566	€ 23,19	€ 11,04	47,59%
<i>Serbia</i>	194,80	7.306.677	€ 26,66	€ 28,64	107,42%
<i>Montenegro</i>	33,30	666.730	€ 49,95	€ 39,95	79,98%
<i>Kosovo</i>	106,10	1.804.838	€ 58,79	€ 64,98	110,54%
<i>Albania</i>	81,20	2.986.952	€ 27,18	€ 17,08	62,81%
<i>Macedonia</i>	81,80	2.114.550	€ 38,68	€ 6,37	16,45%
<i>Average</i>	737,50	23.209.194	€ 31,78	€ 1,15	3,61%

**Figure 3.2.4 - Allocations and absorption of IPA funds in 2009**



<sup>123</sup> The IPA works on a n+5 base, so that funds allocated for 2007 may be used up to 2012 for project contracting, implementation and final payment. Percentages higher than 100% are possible because, by 2009, three allocation years should already be considered. Analytica, *Macedonia's Lagging Behind in Efficient Usage of EU Funds (IPA, Framework, Programmes)*, Report no. 34, Skopje, 2009, n.11, p.7.

Figure 3.2.5 - Percentages of absorption of IPA funds in 2009



### ***3.3. Management decentralisation, per country***

#### **3.3.1. A roadmap towards decentralised management**

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 government 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. The key actors involved in managing and implementing the IPA funds, as foreseen in the DIS, 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).<sup>124</sup>

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 listed above, 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; (d) obtain the accreditation from the European Commission, and (e) submit itself to the final verification audit.

**Table 3.3.1 - Roadmap for DIS accreditation**

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

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.

### **3.3.2. 2008 status of DIS**

The first IPA Annual Report of the EC, published in 2009, notes the progress in the establishment of DIS in the year 2008. A highly differentiated picture of implementation appears, as shown in the tables and figures below. Having already

<sup>124</sup> Mojmir Mrak and Dragan Tilev, *op. cit.*, pp. 21-22. *IPA structures in Serbia*, available at [http://www.ipa2007ppf.org/eng/ipa\\_serbia.htm](http://www.ipa2007ppf.org/eng/ipa_serbia.htm) (consulted on 16.04.2011).

worked towards decentralised implementation under the EDIS target of CARDS, Croatia was the leading country in the region, at stage 5 in four components out of five. Macedonia, thanks to its candidacy status, had a road open towards decentralised management in all the five IPA components, although the general progress was limited to stage 2 of the DIS roadmap. For what concerns the potential candidate countries, Serbia was the leading one, having produced a Gap Assessment for both I and II components. On the other hand Albania, Bosnia and Herzegovina, Kosovo and Montenegro were at the first step of the DIS roadmap, with the establishment of institutions and key actors. Kosovo was a special case as, building up its administration from scratch, it was already drafting a roadmap for the fulfilment of DIS criteria without the need of a previous gap assessment of the levels of compliance of the administrative procedure.

**Table 3.3.2 - Progress in implementation of DIS in candidate countries, 2008**

<b>components / candidates</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<i>Croatia</i>	National accreditation of operating structures (April 2008); conferral of decentralised management powers to Croatia (6 EC decisions)				Preparation for only <i>ex post</i> control by 2010
<i>Bosnia-Herzegovina</i>	Centralised management; continued preparation for decentralisation		N/A	N/A	N/A
<i>Serbia</i>	Decentralised management system roadmap (Jan 2008); strategy for the preparation of accreditation (April 2008); appointment of key stakeholders		N/A	N/A	N/A
<i>Montenegro</i>	Set up of institutions, nomination of key actors		N/A	N/A	N/A
<i>Kosovo</i>	Centralised management; very early stage of decentralisation (establishment of a roadmap)		N/A	N/A	N/A
<i>Macedonia</i>	Centralised management; continued preparation for decentralisation (art.21 IPA)				
<i>Albania</i>	Centralised management; continued preparation for decentralisation		N/A	N/A	N/A

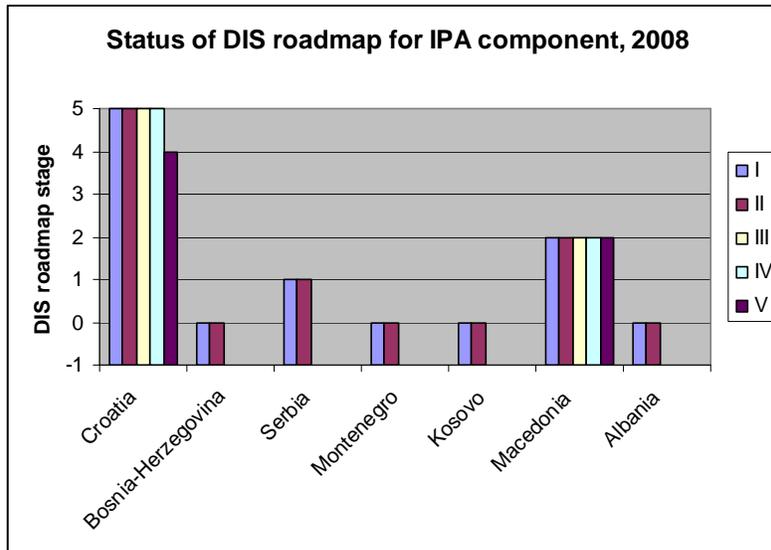
Source: European Commission, 2008 IPA Annual Report [COM(2009) 699], *op. cit.*, p. 14-15.

**Table 3.3.3 - Implementation of DIS for IPA components, 2008 status**

	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<i>Croatia</i>	stage 5	stage 5	stage 5	stage 5	stage 4
<i>Bosnia-Herz.</i>	stage 0	stage 0	N/A	N/A	N/A
<i>Serbia</i>	stage 1	stage 1	N/A	N/A	N/A
<i>Montenegro</i>	stage 0	stage 0	N/A	N/A	N/A
<i>Kosovo</i>	stage 0	stage 0	N/A	N/A	N/A
<i>Macedonia</i>	stage 2	stage 2	stage 2	stage 2	stage 2
<i>Albania</i>	stage 0	stage 0	N/A	N/A	N/A

Source: European Commission, 2008 IPA Annual Report [COM(2009) 699], *op. cit.*, p. 14-15.

Figure 3.3.1 - Status of DIS roadmap for IPA component, 2008



### 3.3.3. 2009 status of DIS

According to the second IPA Annual Report of the EC, published in 2010, it is possible to trace the progress of DIS establishment in the year 2009 and compare it with the situation in 2008. Croatia remained the clear leader in the fulfilment of DIS criteria, with the preparation of an additional roadmap for the lifting of *ex ante* controls for components I to IV, in parallel with the same request for accreditation for component V, of which two measures out of seven were accredited during the year. Nevertheless, no breakthrough was recorded and stage 5 for component V (the most demanding one) remained to be attained.

Macedonia is the country which scored the biggest progresses in 2009, with the accreditation of components III to V with *ex ante* control, and a request for accreditation without *ex ante* control for component III. On the other hand, Macedonia saw its accreditation for component I delayed by the Commission, due to the high risks identified in the national system, and it did not submit request for accreditation for component II. Montenegro made a leap too, with the opening of components III to V thanks to the new status of candidate. Gap assessment missions were undertaken for components I and II, while the Commission found that the same step had yet to be thoroughly conducted for components III to V after the appointment of the competent administrations. Among potential candidate countries, Serbia advanced with an update of the national roadmap and the appointment of key actors, although the levels of staffing were still found inadequate. Albania was found in compliance with nomination

and staffing of competent authorities under component I, and with the establishment of a roadmap for component V, while still lagging behind for components II to V.<sup>125</sup> Kosovo, along with Bosnia and Herzegovina, did not show any substantial progress in 2009, remaining at a very early stage of DIS implementation.

**Table 3.3.4 - Progress in implementation of DIS in candidate countries, 2009**

Components / candidates	I	II	III	IV	V
<i>Croatia</i>	Strengthening of an accredited system; Roadmaps for lifting <i>ex-ante</i> controls				2 out of 7 measures accredited
<i>Bosnia-Herzegovina</i>	Little progress; lack of full nomination and staffing of authorities		N/A	N/A	N/A
<i>Serbia</i>	Roadmap updated and key actors appointed; lack of adequate staffing		N/A	N/A	N/A
<i>Montenegro</i>	Some improvement ('gap assessment' mission)	Lack of follow-up to identification of the main implementing bodies, e.g. roadmaps definition			
<i>Kosovo</i>	Very early stage : preparation of a roadmap for decentralised management				
<i>Macedonia</i>	High risks; accreditation delayed	no request for accreditation in 2009	Accreditation in 2009; roadmap towards decentralised management without ex-ante controls for component III was submitted to the Commission		
<i>Albania</i>	Solid progress (nomination and staffing)	Early stage	Early stage	Early stage	Promising progress (roadmap)

Source: European Commission, 2009 IPA Annual Report [COM(2010) 1430 final], *op. cit.*, p. 10-11.

**Table 3.3.5 - Implementation of DIS for IPA components, 2009 status**

	I	II	III	IV	V
<i>Croatia</i>	stage 5	stage 5	stage 5	stage 5	stage 4
<i>Bosnia-Herz.</i>	stage 0	stage 0	N/A	N/A	N/A
<i>Serbia</i>	stage 2	stage 2	N/A	N/A	N/A
<i>Montenegro</i>	stage 2	stage 2	stage 1	stage 1	stage 1
<i>Kosovo</i>	stage 0	stage 0	N/A	N/A	N/A
<i>Macedonia</i>	stage 3	stage 3	stage 5	stage 4	stage 4
<i>Albania</i>	stage 1	stage 0	N/A	N/A	N/A

Source: European Commission, 2009 IPA Annual Report [COM(2010) 1430 final], *op. cit.*, p. 10-11.

<sup>125</sup> Although not a candidate country, the report highlights the situation of Albania for all the five IPA components. European Commission, 2009 IPA Annual Report [COM(2010) 1430 final], *op. cit.*, p. 9.

Figure 3.3.2 - Status of DIS roadmap for IPA component, 2009

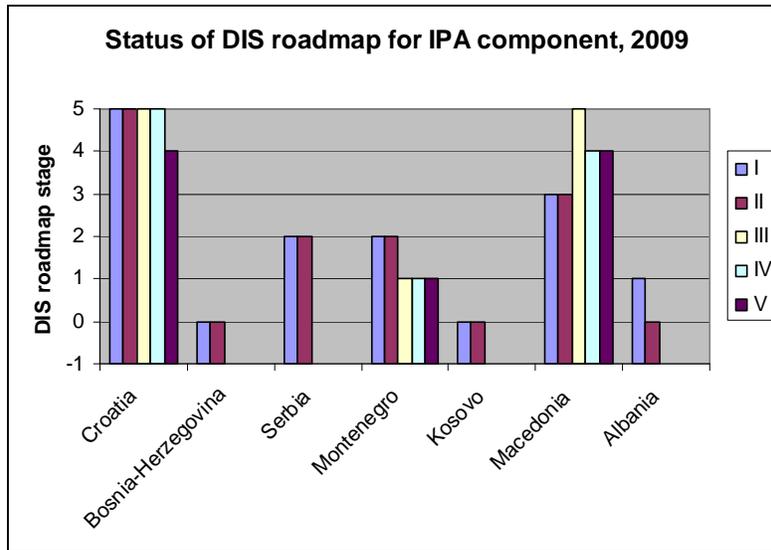
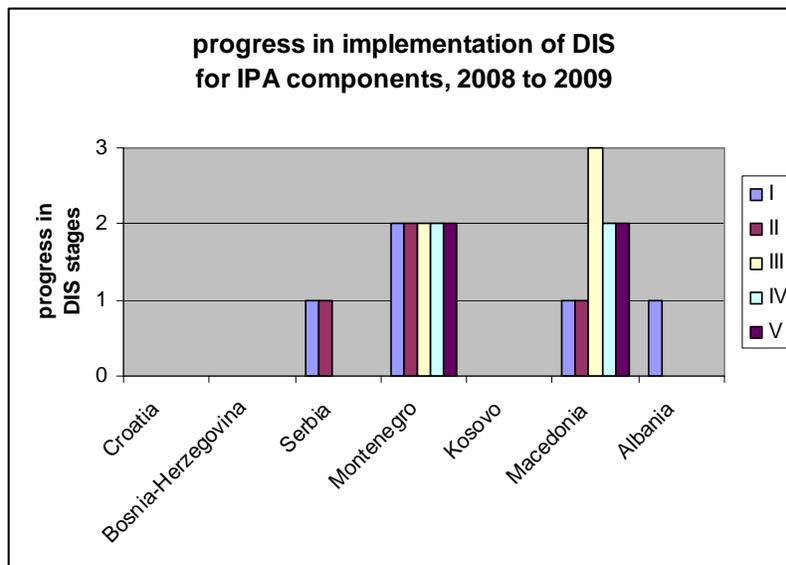


Figure 3.3.3 - Progress of DIS for IPA component, 2008 to 2009



### 3.3.4. 2010 status of DIS

The third IPA Annual Report of the EC will be published only in late 2011. Nevertheless, it is possible to trace at least some of the progress in the establishment of the DIS during the year 2010.

**Table 3.3.6 - Progress of DIS in candidate countries, 2010**

Components / candidates	I	II	III	IV	V
Croatia	Strengthening of an accredited system; Roadmaps for lifting <i>ex-ante</i> controls				Working towards <i>ex post</i> accreditation
Bosnia-Herzegovina	Completion of Establishment of Structures		N/A	N/A	N/A
Serbia	Completion of Gap Assessment; and Gap Plugging; Compliance Assessment Report (Dec 2010)		N/A	N/A	N/A
Montenegro	Completion of Gap Assessment; beginning of Gap Plugging		Definition of a Roadmap		Gap Assessment
Kosovo	Very early stage				
Macedonia	No news				
Albania	Scheduled Gap Plugging, Compliance Assessment and Accreditation	Scheduled Gap Assessment and Plugging	N/A	N/A	N/A

Sources: see chapter's bibliography.

**Table 3.3.7 - Status of DIS for IPA components, 2010 status**

	I	II	III	IV	V
Croatia	stage 5	stage 5	stage 5	stage 5	stage 4
Bosnia-Herz.	stage 1	stage 1	N/A	N/A	N/A
Serbia	stage 4	stage 4	N/A	N/A	N/A
Montenegro	stage 2	stage 2	stage 1	stage 1	stage 1
Kosovo	stage 0	stage 0	N/A	N/A	N/A
Macedonia	stage 3	stage 3	stage 5	stage 4	stage 4
Albania	stage 4	stage 2	N/A	N/A	N/A

Source: see chapter's bibliography.

Croatia is standing still at the lead of the group, working towards accreditation without *ex ante* control by the EC, a last step that will allow it to independently manage funds under IPA component V, while having to prove an even higher level of accountability.<sup>126</sup> No news is reported for Macedonia, while Montenegro has proceeded with the gap assessment, conducted by the consultancy KPMG in November 2009 - February 2010. The gap plugging period was foreseen for April - September 2010.<sup>127</sup> A

<sup>126</sup> European Commission, "Republic of Croatia", *Instrument for Pre-Accession Assistance (IPA) Multi-annual Indicative Planning Document (MIPD) 2009-2011*, pp. 8-9, available at [http://ec.europa.eu/enlargement/pdf/mipd\\_croatia\\_2009\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_croatia_2009_2011_en.pdf) (consulted on 02.04.2011).

<sup>127</sup> Ministry of Finance of Montenegro, "Report on Evaluation of Deficiencies in DIS Institutions as the Initiation of the Decentralized Implementation System Stage (Second Stage of the Road Map)", available at <http://www.mf.gov.me/ResourceManager/FileDownload.aspx?rid=64514&rType=2;> (consulted on 02.04.2011).

Ministry of Finance of Montenegro, "GAP Assessment in the process of the establishment [*sic*] of the Decentralized Implementation System for the Management of the Pre-Accession Funds, Montenegro", 15

National Road Map for DIS for the IPA Components III and IV was drafted in July 2010 by UNDP as partner of the Montenegrin government, while the Audit Authority is being set up as a subsidiary of the Supreme Audit Institution following a January 2010 agreement with the government.<sup>128</sup>

Concerning potential candidate countries, the preparation and accreditation of DIS in Serbia is being funded by a 6 mln € EU project implemented by the consultancies GIZ, MWH and Particip along with Baines Babis Ltd (Belgrade), envisaging the completion of stage 3, with the submission of a Compliance Assessment Report by December 2010, after effective gap assessment and gap plugging all along the year. Further progress is foreseen by 2011, with the national accreditation and verification audit to be completed by December 2011.<sup>129</sup> An assessment on Serbian preparations for management of IPA funds under DIS, drafted by the joint EU-OECD initiative “Support for Improvement in Governance and Management” (SIGMA), found that the progresses have broadly followed the foreseen timetables. A critical point noted by SIGMA concerns the establishment of an Audit Authority, which has not yet taken place and for which a strong lack of ownership was reported among the Serbian authorities.<sup>130</sup> A further 2 mln € project to support DIS implementation in 2010-12 has been signed between the EC and the EPTISA consultancy,<sup>131</sup> in order to support Serbia in achieving accreditation for

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February 2010, )”, available at <http://www.mf.gov.me/en/organization/sector-for-contracting-eu-assistance-funds/87758/179828.html> (consulted on 02.04.2011).

<sup>128</sup> Ministry of Finance of Montenegro, “Signed Agreement on the Establishment of the Audit Authority within the Decentralized Implementation System of the Instrument for Pre – accession Assistance (IPA)”, Montenegro, 13 January 2010, available at <http://www.mf.gov.me/en/organization/sector-for-contracting-eu-assistance-funds/96592/Signed-Agreement-on-the-Establishment-of-the-Audit-Authority-within-the-Decentralized-Implementation-System-of-the-Instrument-fo.html> (consulted on 02.04.2011). Ministry of Finance of Montenegro, “The Importance of Establishing the Audit Authority within the Decentralized Management of Pre-Accession Funds in Montenegro”, 15 February 2010, available at <http://www.mf.gov.me/en/organization/sector-for-contracting-eu-assistance-funds/87762/179830.html> (consulted on 02.04.2011).

<sup>129</sup> Project Preparation and Technical Assistance Facility to Reinforce Administrative Capacity in Serbia, available at <http://www.ipa2007ppf.org/index.html> (consulted on 02.04.2011).

<sup>130</sup> UE-OECD, *Assessment Serbia 2010*, SIGMA Support for Improvement in Governance and Management initiative, p. 15, available at <http://www.sigmaxweb.org/dataoecd/28/43/46402069.pdf> (consulted on 02.04.2011).

<sup>131</sup> EPTISA, “EPTISA to support the efforts of the Government of Serbia to take over the direct management of all the EU Pre-Accession Funds”, 16 August 2010, available at [http://www.eptisasee.com/en/news.php?subaction=showfull&id=1281974367&archive=&start\\_from=&ucat=3&](http://www.eptisasee.com/en/news.php?subaction=showfull&id=1281974367&archive=&start_from=&ucat=3&) (consulted on 02.04.2011). EPTISA, “Projects Serbia”, available at [http://www.eptisasee.com/en/fullprojects.php?subaction=showfull&id=1282822814&archive=&start\\_from=&ucat=7&](http://www.eptisasee.com/en/fullprojects.php?subaction=showfull&id=1282822814&archive=&start_from=&ucat=7&) (consulted on 02.04.2011).

the III and IV components of IPA,<sup>132</sup> after the country will have achieved formal EU candidate status, expected by late 2011.

In the summer of 2010, the EC recruited consultants to assist Albania in the stage 3 (Compliance Assessment) of the DIS roadmap for IPA component I.<sup>133</sup> A 1,5 mln € project is in place since 2009 to offer technical assistance to the Albanian government in order to prepare it for applying for decentralised management (DIS stages 0 to 2) for EU financial assistance, especially concerning IPA components II, III, IV, and V. The project foresees a gap assessment by early 2010 and a compliance assessment by the end of the action in 2011. The application for accreditation for component I is scheduled for the third quarter of 2010.<sup>134</sup> No news has appeared since then to confirm the respect of such deadlines. The Audit Authority is to be established in Albania under the framework of the State Supreme Authority.<sup>135</sup>

In Bosnia and Herzegovina, a 1,8 mln € EU-funded project for stage 0 of DIS roadmap<sup>136</sup> has been closed in February 2010. Its results included the establishment of new structures - the National Fund and the Central Financing and Contracting Unit, which will be within the Ministry of Finance and Treasury.<sup>137</sup> With such a step, Bosnia and Herzegovina would have finally reached stage 1 of the DIS roadmap. The next step for Bosnia should be the gap assessment of DIS structures, a task entrusted to the Dutch consultancy Ecorys since 2008.<sup>138</sup> Finally, no news concerning progress in DIS roadmap has appeared during 2010 for Kosovo, which remains the laggard of the process.

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<sup>132</sup> European Commission, “Standard Project Fiche : Further Support for Implementation of DIS”, available at [http://ec.europa.eu/enlargement/pdf/serbia/ipa/2008/35-dis\\_en.pdf](http://ec.europa.eu/enlargement/pdf/serbia/ipa/2008/35-dis_en.pdf) (consulted on 02.04.2011).

<sup>133</sup> Devex, “Integrated Planning System (IPS) in Albania: Consulting Services for Strengthening Capacities for DIS management Compliance Assessment Audit”, available at <http://www.devex.com/en/projects/integrated-planning-system-ips-in-albania> (consulted on 02.04.2011).

<sup>134</sup> European Commission, “IPA 2009 National Programme for Albania, Project Fiche N°5, Improvement of the Albanian's preparedness for Decentralised Management”, available at [http://ec.europa.eu/enlargement/pdf/albania/ipa/2009/pf\\_5\\_dis\\_en.pdf](http://ec.europa.eu/enlargement/pdf/albania/ipa/2009/pf_5_dis_en.pdf) (consulted on 02.04.2011).

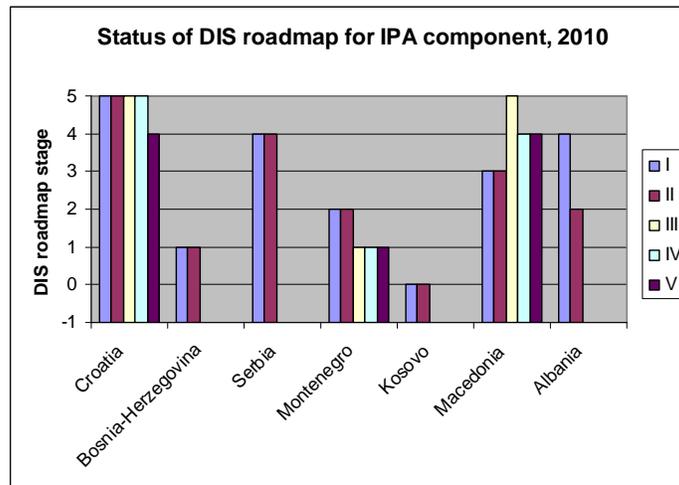
<sup>135</sup> *Ibid.*, p.4.

<sup>136</sup> European Commission, “IPA National Programme 2008 Part II – Bosnia and Herzegovina, Fiche 3: Further Support to the Decentralised Implementation System (DIS)”, [http://ec.europa.eu/enlargement/pdf/bosnia\\_and\\_herzegovina/ipa/2008/ipa\\_2008\\_part\\_ii\\_03\\_decentralised\\_implementation\\_system\\_en.pdf](http://ec.europa.eu/enlargement/pdf/bosnia_and_herzegovina/ipa/2008/ipa_2008_part_ii_03_decentralised_implementation_system_en.pdf).

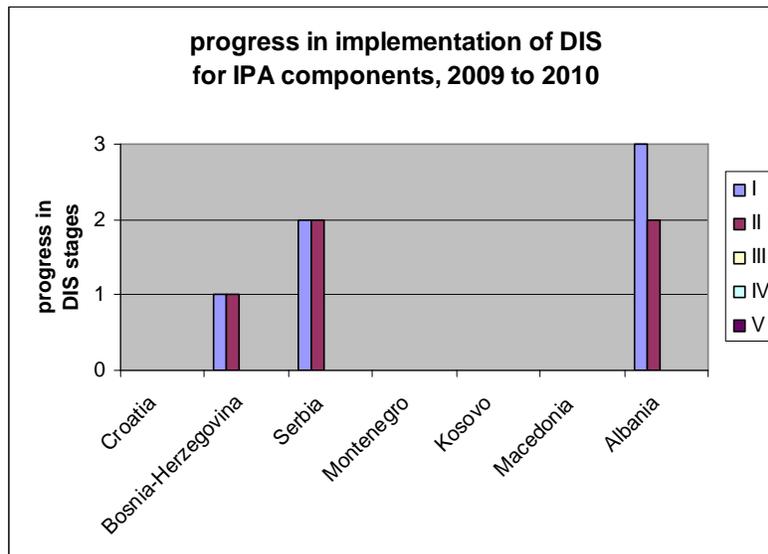
<sup>137</sup> Ministry of Finance of Bosnia and Herzegovina, Central Contracting and Financing Unit, “The European Union implemented CFCU and NF capacity building project”, 17 February 2010, <http://www.cfcu.gov.ba/index.php/Latest/The-European-Union-implemented-a-project-worth-1.8-million-euros.html>.

<sup>138</sup> European Commission, *Annual list of contractors 2008*, p. 23, [http://ec.europa.eu/enlargement/pdf/how\\_does\\_it\\_work/grants\\_tenders/list\\_of\\_contractors/annual\\_list\\_of\\_contractors\\_2008\\_en.pdf](http://ec.europa.eu/enlargement/pdf/how_does_it_work/grants_tenders/list_of_contractors/annual_list_of_contractors_2008_en.pdf).

**Figure 3.3.4 - Status of DIS roadmap for IPA component, 2010**



**Figure 3.3.5 - Progress in DIS for IPA component, 2009 to 2010**



If the progresses reported for the year 2010 are confirmed, Albania would be the fastest progressing country, followed by Serbia, while also Bosnia and Herzegovina would have finally achieved a minimal stage of progress. On the other hand, Croatia seems to face difficulties in accomplishing the final step, Montenegro and Macedonia remain at half way through, and Kosovo is stuck at the very beginning of the process.

### **3.3.5. The progress in management decentralisation, 2008-2010**

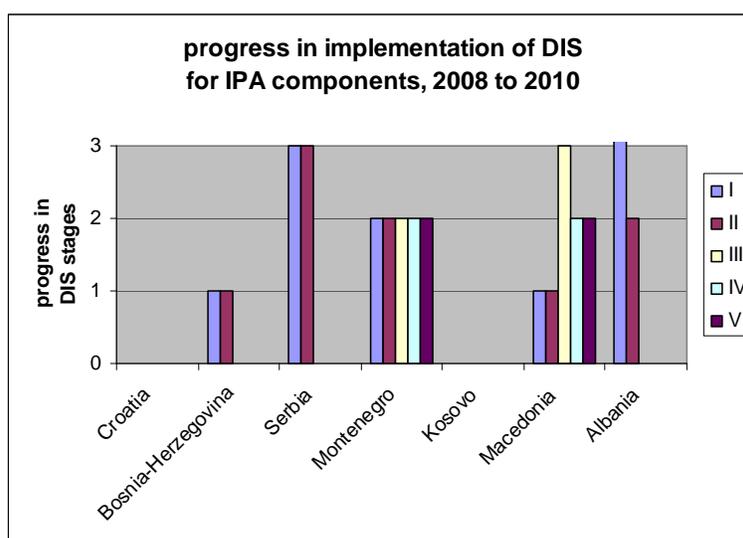
The progress of the different Western Balkan countries on the roadmap towards decentralised management of the IPA funds may provide us with a measure of mid-term performance of the IPA in its objective of fostering reform and strengthening administrative capacities in pre-accession countries. The presence of clear benchmarks, defined by the formalised stages of the DIS roadmap, allows us to draw some

conclusions based on quantitative data. When taking a look at the picture of the progress in the decentralisation of management of IPA funds in the 2008-2010 period, it is possible to underline some trends.

**Table 3.3.8 - Progress in DIS for IPA components, 2008 to 2010**

	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>
<i>Croatia</i>	0	0	0	0	0
<i>Bosnia-Herz.</i>	1	1	0	0	0
<i>Serbia</i>	3	3	0	0	0
<i>Montenegro</i>	2	2	2	2	2
<i>Kosovo</i>	0	0	0	0	0
<i>Macedonia</i>	1	1	3	2	2
<i>Albania</i>	4	2	0	0	0

**Figure 3.3.6 - Progress in DIS for IPA component, 2008 to 2010**

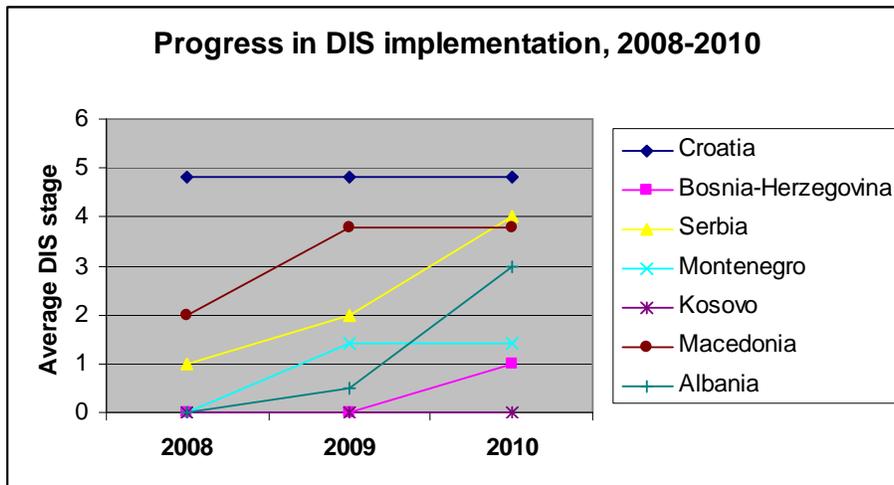


**Table 3.3.9 - Average stage of DIS implementation**

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

*For candidate countries: components I to V are considered;  
for potential candidate countries: components I to II.*

Figure 3.3.7 - Average progress of DIS for countries, 2008 to 2010



While up to 2009 Macedonia and Montenegro were the frontrunners, in the whole 2008-2010 period the fastest progressing countries appear to be Serbia and Albania. Nevertheless, such leap is mainly present in the 2010 data, yet to be confirmed. Croatia remains the highest scoring country in DIS roadmap throughout the period, already starting from a very good position, but it has not been able to produce a breakthrough by achieving stage 5 also for the component V. In the lowest cluster, Bosnia and Herzegovina finally reaches stage 1 in 2010, while Kosovo marks no substantial progress in two years.

Progresses have been faster in territories subject to a moderate pressure rather than to high or low one, thus seeming to confirm the hypothesis of Radaelli and of Schimmelfennig and Sedelmeier on the curvilinear relation between change and institutional fit, delineated in the chapters 2.2. and 2.3.2. The territories subject to an average adaptation pressure are those that have scored the stronger results (Serbia, Macedonia, Montenegro, and Albania). On the other hand the IPA has not been able to foster change in Croatia, which started already from a strong position, where the adaptation pressure is low. Nor it has fostered change in Kosovo and in Bosnia and Herzegovina, which confirmed they lowest-score position all through the period in analysis; such effect may be linked to: (i) the uncertain political situations on the field, lacking a consensual solution for constitutional reform in Bosnia and for the status of Kosovo, making the situation more close to democratic conditionality than to acquis conditionality, and thus weakening the effect of external incentives; and (ii) the higher domestic costs of compliance for governments, due to ongoing political polarisation and

the presence of dynamic memories subject to reactivation, that makes a response through retrenchment, inertia or fake compliance more likely.

These progresses, moreover, do not take the candidacy status into account, as Serbia and Albania present good patterns of DIS progress even in absence of a status upgrade. This may be linked to: (a) the capacities of national administrations, especially in the case of Serbia; (b) the role of external aid in the form of EU-funded capacity-building projects implemented by foreign consultancies; and (c) the technicality of the issue, which depoliticises the matter and allows for progress even in presence of strong political polarisation as in Albania. The status of candidate may have a positive effect on the progresses on the DIS roadmap, as both Croatia and Macedonia hold good levels in the scoreboard. Such effects are nevertheless not immediate, as it may take some time for a candidate country, especially in case of small administrations, to set up the competent structures for the new components III to V. This seems to be the case of Montenegro, where the acquisition of candidate status in 2009 did not bring to apparent DIS progresses in 2010; a positive effect in DIS progress may be expected for 2011.

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. Progress has proven particularly difficult in those territories which are lagging behind in the EU integration process (Bosnia and Herzegovina, and Kosovo), thus highlighting that in such cases the IPA lacks enough force to constitute an incentive to deep internal reform. By the end of 2010, three territories out of seven should have reached stage 3 in the DIS roadmap. The challenge for the second half of the IPA period will be to foster decentralised management in the laggard territories too, in order to foster capacity-building of national administration by 2013. Likely, additional incentives will be needed for this scope.<sup>139</sup>

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<sup>139</sup> Blockmans (*op. cit.*, pp. 313-316) 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.

### ***3.4. Conclusions on IPA accomplishments***

Throughout the present chapter, 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.

The allocation levels have been found consistent with the previous financial instruments and not correlated with the status of candidate country. The fixed costs of national administration in small countries and of power-sharing institutions may be a factor for the high levels of allocations for Montenegro, Kosovo and Macedonia. Bosnia and Herzegovina represents a puzzle since, albeit a small country with a hypertrophic administration and a low level of development, it receives a low amount of allocations; this may be linked to the lack of institutional reform at state level, which renders unfeasible for the moment a strong expenditure for pre-accession projects. 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. Such system, although endowed with a great potential, appears not to contain all the necessary and up-to-date data, thus making any conclusion on absorption levels only provisional. Nevertheless, the lack of data for Croatia and Turkey should not impinge on the evaluation of the data for the other countries of the region. In the first year of disbursement of IPA funds, in 2009, 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. Although the data for Croatia are not available, those for Macedonia remain in line with the ones of the other countries of the region, allowing us to conclude for a lack of correlation with the candidate status. Rather, we may conclude that the high levels of funds absorption in Serbia, especially by local agencies, is a by-product of the good administrative capacities of the national administration and of the good managing capacities of the local authorities and non governmental agencies tasked with implementing such projects.

Finally, the progresses in management decentralisation up to 2010 confirm once again the lack of a direct correlation with candidate status. The good progress of countries such as Serbia and Macedonia, and eventually Albania, may be linked with political will

and strength of administrations. At the top and at the bottom of the scoreboard, progress has proceeded only slowly.

**Table 3.4.1 - Summary of progress in IPA features in WB territories, 2008-2010**

	<i>HZ</i>	<i>BiH</i>	<i>SR</i>	<i>Mon</i>	<i>Kos</i>	<i>Mak</i>	<i>Alb</i>
<i>Allocations</i>	(=)	(-)	(-)	(+)	(+)	(+)	(-)
<i>Absorption</i>	N/A	(-)	(+)	(-)	(+)	(-)	(-)
<i>Decentralised management</i>	(=)	(-)	(+)	(-)	(-)	(+)	(+)

By confronting the three benchmarks of the IPA, it appears that such an instrument is delivering adequate results in the case of Serbia, even with lower allocations, while the picture is more blurred in most of the other cases. The IPA has not been able yet to push Croatia towards a final breakthrough in decentralised management structures, and it has had particularly limited effects in Bosnia and Herzegovina, where allocations were also smaller, and in Kosovo.

It is therefore possible to see how the process of “member-state building” proceeds at different speeds: the effectiveness of the IPA as an instrument to foster change is limited by the constraints of allocations, absorption, and administrative capacities. The reasons of this should be looked for in appropriateness of the instrument of the IPA to those peculiar conditions of the Western Balkans region that the EU pre-accession strategy might not have yet taken into consideration including the additional factors of the political costs faced by national governments in complying with EU conditionality.

## Conclusions

*The newcomers were never at peace; and they allowed no one else to live in peace.* It seemed that they were resolved *with their impalpable yet ever more noticeable web of laws, regulations and orders* to embrace all forms of life, men, beasts and things, and to change and alter everything, both the outward appearance of the town and the custom and habits of men from the cradle to the grave.<sup>140</sup> [...] This continual need of the newcomers to build and rebuild, to dig and to put back again, to put up and to modify, this eternal desire of theirs to foresee the action of natural forces, to avoid or surmount them, *no one either understood or appreciated.*<sup>141</sup> [...] Such were those three decades of relative prosperity and apparent peace in the Franz-Josef manner, when *many Europeans thought that there was an infallible formula for the realization of a centuries-old dream of full and happy development of individuality in freedom and progress* [...]. The people found order, work and security. That was enough to ensure that here too life, outward life at least, set out *on the road of perfection and progress.* The new authorities, after the first misunderstandings and clashes, left among the townspeople a definite impression of firmness and of permanence [...]. They were impersonal and indirect and for that reason more easily bearable than the former Turkish rulers.<sup>142</sup>

In his masterpiece “The Bridge over the Drina”, Ivo Andrić revisits the thirty years of Austro-Hungarian rule on Bosnia and Herzegovina, underlining the character of restlessness, positivism, and benevolent external imposition of the foreign administration. Clemens Ruthner, while researching the Austrian and German narratives on Bosnia and Herzegovina in the same historic period, highlights a view that resembles to an internal or micro-colonialism: Bosnia is regarded as “the extreme case of a periphery, which is in need of a new centre”.<sup>143</sup>

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<sup>140</sup> Ivo Andrić, *The Bridge over the Drina*, trans. by Lovett F. Edwards, London, Harvill, 1994, p. 135. Emphasis added.

<sup>141</sup> *Ibid.*, p. 139.

<sup>142</sup> *Ibid.*, p. 173.

<sup>143</sup> Clemens Ruthner, “Habsburg's Little Orient. A Post/Colonial Reading of Austrian and German Cultural Narratives on Bosnia-Herzegovina, 1878-1918”, in: Clemens Ruthner et al. (eds.), *Wechsel-Wirkungen. The Political, Social and Cultural Impact of the Austro-Hungarian Occupation of Bosnia-Herzegovina, 1878-1918*, New York, Peter Lang, 2008, p. 10

In fact, colonial rule has been the original and primary source of rule transfer and Europeanisation for most of the non-European world.<sup>144</sup> Today's Europe, an international community of values and interests vested mainly in the forms of the European Union, has to be wary of this risks. The external action of the EU, including the assistance funds made available for pre-accession, might end up in the line of the historical continuity of centre-periphery patterns. The benevolent drive for development and rapprochement may result in a restless effort that "no one either understood or appreciated".

The present research has provided some highlights on the features, both theoretical and empirical, of the action of the EU towards pre-accession countries through the instrument of financial assistance. The Western Balkans are today a region on the path of European integration. Nevertheless it is necessary to understand and take into consideration some characteristics that distinguish such countries from the broader Central and South East Europe, and that influence the performance of the EU's instruments for pre-accession. Such features include the delayed development of nation-states, the historical legacies of their economic peripheral position, the history of endogenous communism, the legacies of conflictual state/citizen relations and of the memories of recent wars, and finally the delayed democratic transition.

The approach of the EU to the region has evolved over time, from a focus on reconstruction to stabilisation and development, up to the present pre-accession strategy, opened by the political decision of the Council in Helsinki in 1999. The enlargement method used by the EU in the case of the Western Balkans stems directly from the instruments used to prepare for the 2004-2007 eastern enlargement, with a degree of adaptation and learning. The EU has shown in this aspect a "high degree of institutional conservatism" and "reliance on past policies", in the words of Tatham.<sup>145</sup>

The IPA is an instrument designed to have a permanent effect on the internal structures of pre-accession states, resulting in the enhancement of administrative capacities in the target countries, to prepare them for the post-accession tasks in decision making and funds management. For this reasons, the IPA responds to the theoretical framework composed by Europeanisation and conditionality theory, as part of the neo-institutionalist strand of social theory and international relations. The mechanisms of the IPA follow the features of the Europeanisation East model, the strongly asymmetrical

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<sup>144</sup> András Inotai, *op. cit.*, p. 282.

<sup>145</sup> Allan F. Tatham, *op. cit.*, p. 326.

relation between the EU and the pre-accession countries. Its effects of rule transfer develop, in a context of *acquis* conditionality, mainly through external incentives, whose success depends on the credibility of conditionality and on the domestic political costs of compliance. The legacies of the recent conflicts, which constitute a peculiarity of the region, affect this relation by providing symbolic and identity issues that can be exploited in the domestic arena, raising the costs of compliance for the domestic governments. Some mitigating factors include the presence of a strong identification between the target societies and the EU, and of an “endgame” situation helping to clarify the political opportunity costs of non-compliance. Nevertheless, the relation between the EU and the Western Balkan countries is also marred by cognitive misunderstandings on the agendas of conditionality.

An empirical analysis of the available data concerning the IPA allocations, absorption levels, and management decentralisation help to shed some light on the effective mid-term performance of the IPA, and to answer to some of the *ex ante* criticisms. Notwithstanding the differentiation between candidate and potential candidate countries in the access to the five IPA components, the allocation levels defined by the MIFF have been found not correlated to the candidacy status, but eventually to the populations, the level of development, and to the costs of national administration and of power-sharing institutions in small countries. The data on absorption, extracted from the Financial Transparency System database of the Commission, albeit incomplete, present a much differentiated picture. The absorption levels for 2009 are very high in some territories, while remaining limited in others; once again, they do not appear to be correlated with candidacy status. Finally, the analysis of the progress in management decentralisation confirmed once again the lack of a direct correlation with the candidacy status.

As a mid-term review, it is possible to say that the performance of the IPA in relation to the expected results (funds absorption and management decentralisation) is mixed, and mostly linked to the fit between the structure of the financial assistance and the domestic conditions of interventions. Progresses have been faster in territories subject to moderate rather than to high or low pressure, thus confirming the hypotheses of Radaelli and of Schimmelfennig and Sedelmeier on the curvilinear relation between change and institutional fit. The results of the empirical analysis are thus in line with the theoretical framework recalled. The IPA works under the same conditions highlighted by the studies of Europeanisation and conditionality. It has not been able yet to push

Croatia towards a final breakthrough, and it has had particularly limited effects in Bosnia and Herzegovina, where allocations were also smaller, and in Kosovo. The reasons for this should be looked for in the appropriateness of the IPA tool to those peculiar conditions of the Western Balkans territories that the EU pre-accession strategy might not have yet taken into consideration due to its policy-transfer approach from the CEE experience, including the additional factors of domestic political costs of compliance, linked to post-conflict memories.

A final lack of performance of the IPA would imply the risk of a loss of influence of the EU in the area, while accession perspectives remain blurred. Such a lack of performance will need to be redressed in the post-2013 framework, to avoid further delays in the estimated EU accession timeline of the countries of the region.

To avoid such risk, a continuous and ongoing involvement of the beneficiaries following a needs-based approach is necessary also in pre-accession assistance. The debate should move from the conditionality/compliance paradigm to a needs-based approach, in order to discuss the appropriateness and complementariness of donors' policies with beneficiaries' needs and priorities. As recognised by the Commission, "*an approach in programming assistance based on the beneficiary's needs and strategies could contribute to the advancement of the efficiency of pre-accession aid*".<sup>146</sup>

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<sup>146</sup> European Commission, *2009 Annual Report on the Implementation of the Instrument For Pre-Accession Assistance (IPA)*, SEC(2010) 1430, COM(2010) 687 final, Brussels, 25 November 2010, p.3.

## **List of abbreviations**

CARDS	Community Assistance for Reconstruction, Development and Stabilization
CEE	Central and Eastern Europe
CSP	Country Strategic Paper
DG	Directorate General
DIS	Decentralised Implementation System
EC	European Community
ECJ	Court of Justice of the European Union
EDIS	Extended Decentralised Implementation System
EP	European Parliament
EAR	European Agency for Reconstruction
EU	European Union
FYROM	Former Yugoslav Republic of Macedonia
FRY	Federal Republic of Yugoslavia
FTS	Financial Transparency System
GDP	Gross Domestic Product
HR	Human Rights
ICTY	International Criminal Tribunal for the former Yugoslavia
IPA	Instrument for Pre-Accession Assistance
ISPA	Instrument for Structural Policies for Pre-Accession
MIFF	Multiannual Indicative Financial Framework
MoF	Minister of Finance
MS	Member State
OECD	Organisation for Economic Cooperation and Development
NATO	North Atlantic Treaty Organisation
PA	Public Administration
PHARE	Poland and Hungary: Assistance for Restructuring their Economies
RSP	Regional Strategic Paper
SAP	Stabilization and Association Process
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEE	South East Europe
SP	Stability Pact for Southern Europe
WB	Western Balkans

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## Appendix I - Population data

The population data referring to the years 2001-2003, when the first official post-war censuses have been carried out, has been used to weight the value of financial assistance in the 1991-2000 period.

The population data referring to the year 2010 has been used to weight the value of financial assistance in the 2000-2013 period.

	<i>Population 2001 / 2003</i>	<i>Source</i>	<i>Population 2010</i>	<i>Source</i>
<i>Croatia</i>	4.437.460	2001 census <sup>147</sup>	4.425.747	148
<i>Bosnia-Herz.</i>	3.922.205	2002 estimates <sup>149</sup>	3.843.126	150
<i>Serbia</i>	7.498.001	2001 census <sup>151</sup>	7.306.677	152
<i>Montenegro</i>	620.145	2003 census <sup>153</sup>	641.966	154
<i>Kosovo</i>	1.804.838	2010 estimates <sup>155</sup>	1.804.838	156
<i>Albania</i>	3.069.275	2001 census <sup>157</sup>	3.195.000	158
<i>Macedonia</i>	2.022.547	2002 census <sup>159</sup>	2.052.722	160
<i>Turkey</i>			73.722.988	161

<sup>147</sup> Croatian Bureau of Statistics, <http://www.dzs.hr/Eng/censuses/Census2001/census.htm> (retrieved on 02.05.2011)

<sup>148</sup> Eurostat, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1> (retrieved on 02.05.2011)

<sup>149</sup> ILO BiH, <http://www.ilo.org/public/english/region/europro/budapest/info/country/bih.htm> (retrieved on 02.05.2011)

<sup>150</sup> Bosnia and Herzegovina, Agency for Statistics, <http://www.bhas.ba/> (retrieved on 02.05.2011)

<sup>151</sup> Republic of Serbia, Statistical Office, <http://www.stat.gov.rs/zip/esn31.pdf>

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<sup>153</sup> MonStat, <http://www.monstat.org/cg/page.php?id=57&pageid=57> (retrieved on 02.05.2011)

<sup>154</sup> MonStat, <http://www.monstat.org/cg/page.php?id=54&pageid=54> (retrieved on 02.05.2011)

<sup>155</sup> UNMIK, <http://enrin.grida.no/htmls/kosovo/SoE/popullat.htm> (retrieved on 02.05.2011)

<sup>156</sup> *Ibid.*

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<sup>160</sup> Eurostat, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tps00001&tableSelection=1&footnotes=yes&labeling=labels&plugin=1> (retrieved on 02.05.2011)

<sup>161</sup> Turkstat, <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=8428> (retrieved on 02.05.2011)