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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA)
MULTI-ANNUAL INDICATIVE FINANCIAL FRAMEWORK FOR 2010-2012**

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Introduction

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

The MIFF is based on a rolling three-year programming cycle. Under normal circumstances, a MIFF for years N, N+1 and N+2 will be presented in the last quarter of year N-2 as part of the enlargement package, representing a proposed financial translation of the political priorities set out within the package itself, taking into consideration the Financial Framework. This MIFF is for the years 2010-2012. It indicates the allocation of the envelope for pre-accession assistance by country and by component for these years, and also gives an indication of the multi-beneficiary programme envelope and support expenditure.

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

Strategic Financial Programming

1. Allocation of funds between countries

The starting point for allocations in 2007 was a commitment by the Commission to ensure that no beneficiary country would receive less in 2007 than they did in 2006 and furthermore that Bosnia and Herzegovina and Albania should receive no less than the annual average of the funding each received between 2004 and 2006. This latter point reflected the fact that the funding for these countries was frontloaded in 2004. In 2007 the implementation was close to a 100 % in commitment appropriations (including appropriations carried over to 2008 which were fully committed).

The figures for 2008 onwards have been calculated on the basis of per-capita allocations which have been quoted in the past as a proxy for needs and impact. Against this measure, the Western Balkans should improve their position during the course of the current financial framework to above the 2004-2006 per-capita average of 23 €(in 2004 prices) received under CARDS. According to the 2008-2010 MIFF, this should be reached for all countries in the Western Balkans by 2010 at the latest. The figures for the Western Balkans in 2011 and 2012 maintain such levels for each country. For Montenegro, the per capita levels of funding are

higher than for the other potential candidate countries, reflecting a minimum level of funding needed for adequate administrations, irrespective of the size of the country. The global breakdown of funds in between countries has been respected with the exception of Kosovo which received new funds increasing the IPA funding. In 2008 €60 million were granted by the budget authority as part of a wider mobilisation of new funds to support the stability and development of Kosovo. Further additional funds (€40 million) have been requested for 2009 by way of an Amending Letter to the Preliminary Draft Budget 2009, as a follow up of the Donor's conference which took place in July 2008.

For Croatia and the former Yugoslav Republic of Macedonia, as candidate countries, a level of over 30 € per capita (in 2004 prices) by 2008 is envisaged. This level is maintained in 2009-2012 for Croatia. For the former Yugoslav Republic of Macedonia, the funding in per capita terms continues to increase, reflecting a minimum level of funding needed for adequate administrations, irrespective of the size of the country.

For Turkey, taking into account the size and absorption capacity of the country, there is a gradual increase in per-capita levels of assistance over the period 2007-2012.

2. Allocations between components

IPA is delivered through the following five components: I – Transition and Institution Building; II – Cross-border cooperation; III – Regional Development; IV – Human Resources Development; and V – Rural Development.

Component I, Transition Assistance and Institution Building, covers all institution building actions and the investments related to the *acquis communautaire*; it helps beneficiary countries build up administrative and judicial capacity and addresses, according to priority, cooperation measures not expressly covered by other components.

Component II, Cross-Border Cooperation, supports cross-border activities among beneficiary countries and between beneficiary countries and Member States; it also covers the participation of IPA beneficiaries in ERDF trans-national and interregional co-operation programmes and in ENPI sea basins programmes, as appropriate.

Component III, Regional Development, is accessible to candidate countries and emulates, to the greatest extent possible, the ERDF and Cohesion Fund, thereby giving to the beneficiary countries the highest possible approximation to Structural Funds implementation under External Aid rules.

Component IV, Human Resources Development, accessible to candidate countries, prepares them for the programming, implementation and management of the European Social Fund, in the framework of the European Employment Strategy.

Component V, Rural Development, helps the candidate countries prepare for post-accession EU-funded rural development programmes by implementing pre-accession assistance through systems which are as similar as possible to those required post accession.

In determining the allocations between components, due account has been taken of the readiness of the decentralised management systems necessary for the implementation of components III, IV and V in the current candidate countries as well as the need for component II funding as it relates to cross-border cooperation with Member States to match that of the equivalent ERDF funding from heading 1b.

3. Other Allocations

Support expenditure

This envelope covers the administrative costs directly linked to the implementation of IPA. In 2007 and 2008 it also includes the administrative costs for the phasing out of previous pre-accession funding, including for Bulgaria and Romania.

Multi-beneficiary programme allocation

The multi-beneficiary programmes are designed to complement the National Programmes and to strengthen multi-lateral relations in the Western Balkans and Turkey. The strategy focuses on areas identified as crucial for European integration and stability in the region. Programmes with a regional impact, and / or those which can benefit from economies of scale or scope if implemented horizontally across a number of beneficiary countries, are funded under this envelope.

Programmes under this envelope support, among other things, the Regional School for Public Administration, the Central European Free Trade Agreement (CEFTA), the Regional Cooperation Council (RCC) and the new Civil Society Facility. Institution building is supported via the TAIEX instrument, and allocations are made for audits and evaluation of regional and national programmes, as well as for information and communication activities. Investment needs for SMEs, energy efficiency and infrastructure development, delivered in close collaboration with the European Investment Bank and other International Financial Institutions (IFIs), will continue to be supported with a substantial part of the regional and horizontal allocation. This support will be aligned with the discussions on the Infrastructure Initiative in the context of the new Western Balkan Investment Framework, which aims at enhancing the coordination and cooperation among the various initiatives sponsored by donors and IFIs actively engaged in the Western Balkans. Another priority is education, for which the allocation for scholarships will increase.

Presentation of the figures

The following table provides the above figures in *current prices* and in *euros*. It shows the allocations by country and by component, as well as for the multi-beneficiary programme and support expenditure. The final figures for 2007 and updated figures for 2008 and 2009 are included for ease of reference.

Multi-Annual Indicative Financial Framework: Breakdown of the Instrument for Pre-Accession Assistance envelope for 2010-2012 into allocations by country and component

<i>Component</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>CROATIA</i>						
Transition Assistance and Institution Building	49,611,775	45,374,274	45,601,430	39,483,458	39,959,128	40,872,310
Cross-border Co-operation	9,688,225	14,725,726	15,898,570	16,216,542	16,540,872	16,871,690
Regional Development	45,050,000	47,600,000	49,700,000	56,800,000	58,200,000	59,348,000
Human Resources Development	11,377,000	12,700,000	14,200,000	15,700,000	16,000,000	16,040,000
Rural Development	25,500,000	25,600,000	25,800,000	26,000,000	26,500,000	27,268,000
<i>TOTAL</i>	141,227,000	146,000,000	151,200,000	154,200,000	157,200,000	160,400,000
<i>fORMER YUGOSLAV REPUBLIC oF MACEDONIA</i>						
Transition Assistance and Institution Building	41,641,613	41,122,001	38,128,499	36,317,068	34,503,410	32,979,479
Cross-border Co-operation	4,158,387	4,077,999	5,571,501	5,682,932	5,796,590	5,912,521
Regional Development	7,400,000	12,300,000	20,800,000	29,400,000	35,000,000	39,400,000
Human Resources Development	3,200,000	6,000,000	7,100,000	8,400,000	9,400,000	10,580,000
Rural Development	2,100,000	6,700,000	10,200,000	12,500,000	14,000,000	16,928,000
<i>TOTAL</i>	58,500,000	70,200,000	81,800,000	92,300,000	98,700,000	105,800,000
<i>TURKEY</i>						
Transition Assistance and Institution Building	256,702,720	256,125,297	233,200,653	211,312,664	230,620,919	250,900,336
Cross-border Co-operation	2,097,280	2,874,703	9,399,347	9,587,336	9,779,081	9,974,664
Regional Development	167,500,000	173,800,000	182,700,000	238,100,000	291,400,000	350,805,000
Human Resources Development	50,200,000	52,900,000	55,600,000	63,400,000	77,600,000	89,930,000
Rural Development	20,700,000	53,000,000	85,500,000	131,300,000	172,500,000	197,890,000
<i>TOTAL</i>	497,200,000	538,700,000	566,400,000	653,700,000	781,900,000	899,500,000

<i>Component</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
ALBANIA						
Transition Assistance and Institution Building	54,318,790	62,117,756	70,917,079	82,711,421	84,301,650	85,987,683
Cross-border Co-operation	6,681,210	8,582,244	10,282,921	10,488,579	10,698,350	10,912,317
TOTAL	61,000,000	70,700,000	81,200,000	93,200,000	95,000,000	96,900,000
BOSNIA & HERZEGOVINA						
Transition Assistance and Institution Building	58,136,394	69,854,783	83,892,254	100,688,099	102,681,861	104,700,000
Cross-border Co-operation	3,963,606	4,945,217	5,207,746	5,311,901	5,418,139	5,526,501
TOTAL	62,100,000	74,800,000	89,100,000	106,000,000	108,100,000	110,200,000
MONTENEGRO						
Transition Assistance and Institution Building	27,490,504	28,112,552	28,632,179	29,238,823	29,843,599	30,446,471
Cross-border Co-operation	3,909,496	4,487,448	4,667,821	4,761,177	4,856,401	4,953,529
TOTAL	31,400,000	32,600,000	33,300,000	34,000,000	34,700,000	35,400,000
SERBIA						
Transition Assistance and Institution Building	181,496,352	179,441,314	182,551,643	186,206,679	189,956,810	193,801,948
Cross-border Co-operation	8,203,648	11,458,686	12,248,357	12,493,321	12,743,190	12,998,052
TOTAL	189,700,000	190,900,000	194,800,000	198,700,000	202,700,000	206,800,000

<i>KOSOVO¹</i>						
Transition Assistance and Institution Building ²	68,300,000	184,700,000	103,339,798	64,484,594	65,828,286	67,070,852
Cross-border Co-operation	0	0	2,760,202	2,815,406	2,871,714	2,929,148
TOTAL	68,300,000	184,700,000	106,100,000	67,300,000	68,700,000	70,000,000
<i>TOTAL COUNTRY PROGRAMMES</i>						
	1,109,427,000	1,308,600,000	1,303,900,000	1,399,400,000	1,547,000,000	1,685,000,000

	2007	2008	2009	2010	2011	2012
<i>TOTAL COUNTRY PROGRAMMES</i>						
	1,109,427,000	1,308,600,000	1,303,900,000	1,399,400,000	1,547,000,000	1,685,000,000
<i>REGIONAL AND HORIZONTAL PROGRAMMES</i>						
	108,980,000	135,700,000	160,000,000	157,700,000	160,800,000	164,200,000
<i>SUPPORT EXPENDITURE</i>						
	44,793,000	54,000,000	56,500,000	64,600,000	75,000,000	80,500,000
<i>GRAND TOTAL</i>						
	1,263,200,000	1,498,300,000	1,520,400,000	1,621,700,000	1,782,800,000	1,929,700,000

Figures are in euros, current prices

¹ Under UNSCR 1244

² In its Amending Letter No 1 to the Preliminary Draft Budget 2009, the Commission has proposed as part of a wider mobilisation of new funds to support the stability and development of Kosovo, to increase the IPA funding for Kosovo by €40 million in 2009. Furthermore, the Commission plans to transfer €60 million from chapter 1 of the budget, originally intended for macro financial assistance in Kosovo, to chapter 22, to be implemented under IPA. Both amounts are provisionally included in the relevant component I allocations for Kosovo in this table.