

EU FINANCIAL SUPPORT (IPA) FOR THE REPUBLIC OF KOSOVO

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Abstract

This study aims to investigate the financial impact of EU funds on the economic development of Kosovo, the advancement of financial policies and the achievement of conclusions for the improvement of financial policies, which will have in the future European Union funds – the Instruments for Pre-Accession (IPA) – as the main EU mechanism for increasing public, economic and social capacities for candidate and aspiring countries for EU membership.

The study of the IPA Program for Kosovo represents an original study and aims to provide serious scientific data. IPA is a financial instrument created by the EU with the sole aim of helping countries that wish to join the EU and to settle down. IPA started functioning in 2007 and will continue to function until the countries of the Western Balkans become part of the EU. Before the creation of IPA, the EU used several programmes, such as PHARE, ISPA, SAPARD and CARDS, to assist member states and candidate countries for EU membership, such as Kosovo and Macedonia, and several Balkan countries.

Keywords: Finance, IPA fund, Kosovo, financial policy, strategy.

JEL Classification: F35; F36; H77; O19; P27; R58.

INTRODUCTION AND THEORETICAL APPROACH

The Western Balkan countries, commonly known as the countries of Southeast Europe, are experiencing a transitional financial economy, characterized by similar economic and financial situations that depend on their respective political regimes. It is the similar political fates that are related to the common situations and histories of the Balkan countries. Studies in the field of finance suggest that, precisely the transition has been one of the first conditions that have the main impact on the economic and financial progress of the countries. The policies followed and the reforms undertaken mainly determine everything, depending on the time and maturity of the political and financial conditions and the financial recovery of the countries emerging from the wars.

This study aims to analyse several countries in the Western Balkans, initially focusing on Kosovo, based on shared political and economic characteristics.

The transformation of the countries of Southeastern Europe from states with centralized economies and central planning to market economies has been and remains a major challenge for policymakers in these countries that have just emerged from transition, as well as for the international community involved in financing and monitoring their economic programmes.

After reading the specialized literature in this field, we come to understand that our country Kosovo is also on the verge of membership, so such a study would be of particular research interest, a genuine financial and comparative analysis with surrounding countries that actually share a similar economic fate.

The issue of a country's ability to benefit from financial support from the European Union is an open issue not only for countries that are already members of the Union, but this is particularly important for countries that are candidates for membership in this European family. North Macedonia, as an EU candidate country in the past period, had access to European financial funds, but experience so far has shown that our country does not have sufficient absorption capacity to use them effectively.

The aim of this study is to examine the criteria and measures needed to enhance the Republic of Kosovo's capacity for effectively utilizing EU structural funds, identify the necessary skills required for accessing European funds, and explore the potential for establishing institutional mechanisms for financial management of IPA projects. Therefore, throughout the work and research, we will determine the real situation regarding the use of European aid as a pre-accession and pre-membership criterion for Kosovo.

MAIN EU PROGRAMMES IN KOSOVO

The political and economic relationship between the European Union (EU) and Kosovo developed in different historical periods. Different political developments reflect the embryonic phases of the relationship. The relationship can be traced back to the 1990s, after the fall of the Berlin Wall and the democratization of countries in Central and Eastern Europe.

The Ministry of Finance should link all priority sectoral strategies to the Medium-Term Expenditure Framework (MTEF) and oversee their financial implementation.

The Office of the Prime Minister should establish a strategy planning unit within the government.

All comments, analyses, including mainly those from the Kosovo administration itself, but also from EU Member States and civil society, have been fully taken into

account in the drafting of this MIPD. To restructure the efforts of North Macedonia and donors and thus improve the effectiveness and impact of programs in Kosovo, Albania, and Macedonia, the governments have decided to start a sector-based approach to the planning and implementation of assistance.

The Ministry of European Integration and donors have agreed to establish a mechanism, which structures the interaction within the Government of Kosovo, as well as in relation to donors. This mechanism has the following objectives:

- Creating a space where the Kosovo administration and donors can discuss important areas for support based on the European Partnership Action Plan (EPAP), the MTEF, and other important government plans;
- Improving support activities for Kosovo among the donor community to avoid overlap and duplication of activities;
- Enabling optimal use of scarce resources (human and financial) available in and for Kosovo. Kosovo has established a Platform for External Assistance Management, with the support of the donor community, in particular the European Commission and the US.

This initiative will improve aid management and coordination to facilitate the linkage between donor assistance and the European Partnership Action Plan (EPAP), to improve the alignment of the EPAP with the Medium Term Expenditure Framework (MTEF), to reduce transaction costs in collecting and reporting on donor assistance, to improve the alignment of donor assistance with the government's sector strategies, and to provide up-to-date and publicly available information on planned and ongoing aid activities. The European Commission's Declaration on the Enlargement Strategy and Main Challenges 2007-2008 and the relevant strategic documents (2008, 2009, 2010, 2011, 2012) have stressed the importance of enabling civil society to play its role in a participatory democracy.

The "Civil Society Facility" (CSF), financed by both the IPA multi-beneficiary and the IPA annual programmes, has been established as a means to financially support the development of civil society. The CSF includes actions to strengthen freedom of expression, as this is a fundamental prerequisite for a functioning democracy. An appropriate legal framework should be put in place to enable the media to operate freely. A network of technical assistance desks (TACSO) has been established in the Western Balkans. This network became operational in autumn 2009. We have also established Local Advisory Groups, comprising representatives from EU delegations, governments, civil society, and other donors.

The fight against corruption, money laundering, and organized crime requires tangible results. Kosovo also needs to strengthen its capacity, independence, and professionalism in public administration and improve its business environment. All of

these priorities have also been identified as priority sectors for IPA funding. According to the European Commission, Kosovo needs to establish a sustainable macroeconomic and fiscal policy. Substantial reforms and investments need to be pursued to enable it to cope with competitive pressure and market forces within the EU in the long term. Progress in approximating Kosovo's legislation and policies with European standards is mixed.

The legal framework has been further developed in some areas, but in others it is still at an early stage. Implementation of European standards remains limited. The Commission Communication, "Kosovo - fulfilling its European perspective" highlights the priorities for Kosovo to ensure progress on its European reform agenda and identifies measures that the EU can take to help achieve this. The Commission has proposed a number of measures to advance EU-Kosovo relations.

It is proposed to move forward with a structured approach towards visa liberalization, to extend the Autonomous Trade Measures and to propose negotiating directives for a trade agreement once Kosovo has fulfilled the relevant requirements, to examine the possibility of Kosovo participating in the EU programmes for 'Culture and Europe for Citizens', and to link to EU initiatives in areas such as employment, education, entrepreneurship and youth. It is also proposed to advance the political dialogue with Kosovo and expand the scope of financial assistance for Kosovo to be included under the second component of IPA – cross-border cooperation. The EU Council has taken into account.

CONCLUSION

In this study, we focused on the effects of EU assistance, on examining the ability of the Republic of Macedonia to effectively and efficiently use the financial support from the European Union, that is, on testing the absorption capacity to use European Funds. In this regard, a great scientific effort was made to link the scientific theory of cohesion policy with the practical implementation of modern principles of European fund management in local governments in the Republic of Kosovo.

The conclusions that emerge from this study are several: In terms of the three countries, the main objectives of IPA do not differ much from one country to another. First of all, as in Kosovo, the objectives of IPA are:

- Strengthening democratic institutions,
- Intensifying administrative and economic reforms,
- Promoting and protecting human rights and fundamental freedoms,
- Improving respect for minority rights and

- Developing civil society.

We emphasized in detail that the components of IPA are:

- Transition assistance and institution building,
- Cross-border cooperation,
- Regional development,
- Human resources development and
- Rural development.

There is a total of 8 countries in which IPA is applied: they are: Kosovo, Albania, Croatia, Macedonia, Turkey, Bosnia and Herzegovina, Montenegro and Serbia. This is the common fate of these countries in terms of receiving financial assistance.

We can conclude that the European Union attaches great importance to environmental protection; therefore, in accordance with the Europe 2025 Strategy, Kosovo must also ensure that the challenges related to climate change are addressed, in particular by reducing the intensity of the release of polluting gases during its economic development. Albania and Macedonia must clean up the judiciary and thus the network of corruption often associated with the misuse of European funds. These two countries receive a negative grade precisely because of the network of corruption and mismanagement.

We note with deep conviction that the goals related to the reduction of pollution and the reduction of emissions of polluting gases will be taken into account in all relevant sectors, in particular in the sectors of transport, energy, environment and agriculture. Furthermore, all financial assistance must be in line with the principle of sustainable development and meet the requirements of the relevant EU legislation (acquis) in the field of environment and climate.

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