



**CONDITIONALITY AND SOLIDARITY: FRONTLOADING  
COHESION INTO EU ENLARGEMENT TO SOUTHEAST EUROPE 6**

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## Background

Twenty years after the 1<sup>st</sup> Thessaloniki Summit, EU Enlargement in South East Europe is stuck. A process that lasts for 20 years, and still has no foreseeable completion date, needs to be radically assessed and reviewed. Many valuable proposals have come forward on how to deal with this situation.<sup>1</sup> Our contribution is built upon the concept of SEE6–EU convergence and the specifics of SEE6’s own development path.<sup>2</sup>

We need to start from the narrative. Talking about EU Enlargement in the Western Balkans would mean expanding the EU population by 4.0%, its territory by 4.9% and its GDP by 0.8%.<sup>3</sup> Geographically all Balkan countries’ external borders are with EU member states (MS) and *de-facto* the region’s economy is embedded in that of the EU.<sup>4</sup>

Second, EU assistance to the region needs reassessing. Instruments for pre-accession (IPA) funds are neither designed nor sufficient for spurring development dynamics in the SEE6 and producing convergence with EU Member States.

Amount-wise, EU grant transfers to Bulgaria are 10 times higher per capita than those earmarked for SEE6 citizens. This differential does not help the convergence requirements with EU member states.

Methodology-wise, the EU grant assistance targeting region’s development will be leveraged through Western Balkans Investment Framework loans and guarantee securities (aiming at up to EUR 30bn for 2021-27 period). This amount will be channeled through the Economic and Investment Plan (EIP), the Green Agenda and the Connectivity Agenda. Nevertheless, these funds are mobilized by an Enlargement-designed disbursement mechanism as their conception, design and delivery is top-down, inter-governmental and centralized.

Moreover, financing for the EIP, Green Agenda and Connectivity Agenda follows international financial institution (IFI) selection criteria concerning project maturity, financial efficiency, strategic priority and competition. The development criteria considered during project selection and financing, if any, are not visible. So, while earmarked for infrastructure investment, green transition and support to growth, neither the EU policy design, the available amounts nor the financing instruments respond to SEE6 convergence obligations and the region’s cohesion needs.<sup>5</sup>

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<sup>1</sup> See for example: “Avoid the Trap of Another Paper Exercise” by M. Bonomi, D. Reljic and A. Hackaj, IAI, 2020; “A Template for Staged Accession to the EU” by M. Emerson, M. Lazarevic, S. Blockmans and S. Subotic, European Policy Centre and CEPS, 2021; or ESI’s proposal for the SEE6 to gain full access to the EU single market

<sup>2</sup> Connectivity and Convergence in SEE6: A Blueprint for an EU Membership-Based Development Model, Tirana Connectivity Forum Report 2019, by Ardian Hackaj & Krisela Hackaj, CDI, 2020, at: <https://cdinstitute.eu/2021/05/10/connectivity-and-convergence-in-see6-a-blueprint-for-an-eu-membership-based-development-model/>

<sup>3</sup> <https://ec.europa.eu/eurostat/documents/4031688/14589427/KS-05-22-089-EN-N.pdf/35508d49-956b-9f20-2c47-1b38636e38b6?t=1651049579047>

<sup>4</sup> “Western Balkans ... economies are deeply integrated into the EU superstructure of the continent, more so than in the case of several EU Members”, Dusan Reljic, in “In Search of EU Strategic Autonomy: What Role for the Western Balkans”, Ed. Matteo Bonomi, IAI, 2022.

<sup>5</sup> In IPA III regulation, the “cohesion” concept figures in two out of six specific objectives: i) *to strengthen economic and social development and cohesion, with particular attention to youth, including through quality education and employment policies, through supporting investment and private sector development, with a focus on small and medium-sized enterprises (SMEs), as well as on agriculture and rural development, and;* ii) *support territorial cohesion and cross-border cooperation across land and maritime borders, including*

In EU member states, territorial development challenges and convergence objectives are addressed and supported through specially designed and funded EU Cohesion policies. To be covered by those policies SEE6 countries must become EU members. That means entering the EU institutional and power-sharing framework, a perspective that keeps receding in time.

In this report we build on the current Enlargement debate, and explore innovative ways to adapt Enlargement to the situation and needs of the SEE6. Our goal is to use the existing EU-established and functioning mechanisms - without changing the Treaties - to help EU Enlargement gain traction in the South East Europe 6.

## I. Conditionality for and Solidarity with the SEE6

Surrounded by EU member states SEE6 respond to the definition of an under-developed European region. For its under-developed regions, the Union has designed on-purpose policies. Those policies are supported by specific budgetary lines completed with the appropriate disbursement mechanism known as Cohesion and Structural Funds. Underlying this approach is the concept of “solidarity”.

We posit that solidarity is what SEE6 region and its citizen need today. The “solidarity” principle must be embedded in an updated and adapted EU Enlargement to SEE6, complementing the overarching principle of “conditionality”.

The benefits of current candidate status and of Enlargement financial compensations (i.e. the Instrument for Pre-accession Assistance, or IPA) are not designed to speed up convergence of the region with the EU.<sup>6</sup> Nor do they deal with potential SEE6 development risk resulting from region’s markets opening to the EU without accompanying measures.<sup>7</sup> Already, the visa liberalization and facilitation of employment arrangements by EU member states have been contributing factors to a surge in outward SEE6 migration to the EU, and the resulting brain drain.

In the past, during the relatively peaceful times of post-communist consolidation in Europe, the Enlargement approach with its intergovernmental, top-down, linear timeline, based on conditionality and with no third-party threats, has proven successful.

In 2023 the Western Balkan countries face different threats and opportunities from those that initially defined the Enlargement process. These include frequent shocks, climate change, stagnation of the Enlargement process and of its transformative power, war at Europe’s borders, or interference by third actors.

Today, the Enlargement “carrot and stick” conditionality tools are both insignificant and irrelevant for SEE6 political and business elites. IPA funds are too small for SEE6 development needs while the leveraged EIP financial firepower based on IPA project selection and funding mechanism is not adapted to SEE6 development needs.

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*transnational and interregional cooperation.* But the amounts and the governance of the delivery mechanism remain under the Enlargement logic of conditionality and project-based support.

<sup>6</sup> “Avoid the Trap of Another Paper Exercise” by M. Bononi, D. Reljic and A. Hackaj, IAI, 2020.

<sup>7</sup> Padoa-Schiopa underlined the same risk for the new EU members already in 1988 in his report “Efficiency, Stability and Equity: A Strategy for the Evolution of the Economic System of the European Community”, Report of a study group appointed by the Commission of the European Communities and presided by T. Padoa-Schoppa, April 1987.

Our proposal is to upgrade the Cohesion dimension of EU policy towards the region as well as its delivery mechanisms, making solidarity an equal principle to conditionality. In practical terms, we want SEE6 accession to the EU to allow for SEE6 territory and its citizen to be covered by EU Cohesion policy. This will be a new intermediary Enlargement step.

## II. EU Cohesion Policy is Built on Solidarity, as EU Enlargement should be

EU Cohesion policy is built on solidarity.

From the beginning the EU founders thought it would be good to help the struggling regions. Consequently, during the 1970s the focus of Cohesion policy was mainly on developing infrastructure in mountainous regions. With Enlargement it also became a way to compensate the new member states for opening their markets to more competitive industries from the west.

The EU Cohesion budget has grown over the years, from ECU 68 bn in 1988 to EUR 351 bn for the period 2021–2027.<sup>8</sup> This amount was earmarked to fund the investment in infrastructure, education, administration and social services, or to promote innovation in less-developed EU regions.

The EU solidarity principle is best observed in the way these funds are distributed – the main criteria being country wealth. Only EU regions which are relatively poorer (below 80% of average EU GDP) receive Cohesion funds at all. The distribution modalities are a mix of the criteria below:

- The European Regional Development Fund is distributed through the so-called "Berlin Formula". Devised in 1999, the Berlin Formula allocates Cohesion funds based on regional and national indicators for prosperity and unemployment.
- The funds for Interreg (territorial cooperation) are divided according to the number of inhabitants living in target border areas.
- Allocation is also a matter of political bargaining between the Commission and the member states. In the period 2014–2020, a total of EUR 9.9 billion was distributed to specific EU regions as part of negotiations between member states and the EC.

By design Cohesion works bottom-up, encourages participation and EU Commission partnership with local governments, directly impacts citizens and the regions in need, and its implementation relies incomparably less than IPA on technical assistance provided by business consulting companies.

Another advantage of the Cohesion logic is that it works independently from bilateral disputes. Differently from Enlargement where progress on bilateral disputes conditions the country's progress towards EU membership and has its own special negotiation chapter, participation in Cohesion-supported programmes and access to EU development funding bypasses the bilateral conflicts and political squabbles.

Can a Cohesion approach be better adapted to SEE6 needs? Can the Solidarity-based approach when added to conditionality reverse the migration flux, and the increasing inequalities between the SEE6 and member states? Should Cohesion be frontloaded and embedded in Enlargement strategy? Is it cheaper to do this before or after their EU membership? And, is it more efficient before or after?

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<sup>8</sup> Money-wise, cohesion policy draws its financial muscle from the Cohesion Fund (36 billion), ERDF (226 billion), European Social Fund (99 billion), European Territorial Cooperation – Interreg (9 billion). The SEE6 already use IPA funding to be part of Interreg, the Just Transition Fund (17.5 billion) and other EU funds.

We maintain that a conditionality-based Enlargement should be complemented by a major review of EU engagement in the SEE6 based on the solidarity principle.

A new EU Cohesion and Enlargement policy for SEE6 will focus on the long-term performance growth of the region by targeting its assistance to local development factors. In practical terms, it will continue to channel the EU financial support to the Common SEE6 Regional Market advancement, to Connectivity Infrastructure projects, to Green Transition, and finally bring SEE6 human capital development into focus. But due to the “size effect” of Cohesion funds (as compared with IPA grants), the above Enlargement instruments will transmute into development – hence convergence – instruments.

More importantly, the impact on the ground will go well beyond an increased EU financial injection. It is the engagement of EU institutions and SEE6 actors in every level of policy-making that will make the difference through Cohesion’s good governance dividend.<sup>9</sup>

An additional benefit will be a change in the “Balkans narrative”. Cohesion policy targets are the problems that EU regional development policy was developed to deal with. As such they resonate with EU politicians as well as with their voters. Recognizing that the SEE6 have precisely these kinds of challenges takes away the stigma and normalizes the image of the Balkans in the eyes of the EU electorate.

### **III. No need to change the EU treaties: SEE6 accession without membership**

For the SEE6 countries to access EU Cohesion budget lines without being an EU member, the relationship can be qualified as *de-facto* EU accession without membership.

This stage does not interfere with the EU internal reforms (no effect on the current EU decision-making procedure in the Council); does not interfere with the full application of the Enlargement Conditionality principle; and allows for the Chapter-based methodology to continue as planned.

By allowing full access to Cohesion funds (we suggest this for the upcoming Financial Framework 2028–2035) the size of the “financial carrot” grows exponentially (i.e., Cohesion funds as compared with IPA funds).

Lastly, through Cohesion’s multilayered governance and impact-focused delivery mechanism, the agency of Balkans political and economic elites shifts towards other stakeholders such as SEE6 Local Government Units, Civil Society Organizations and Small Businesses.

On the EU side, the member states will trade a very affordable slice of their Cohesion funds for the ability to retain exclusivity of voting in the Council. We estimate that this is a win-win situation.

The outcome will be the introduction of the missing Enlargement “intermediate stage”.

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<sup>9</sup> In short, as they work now, before Cohesion funds are allocated to EU member states, the MS need to submit National Strategic Plans (NSPs). Moreover, the EU regions need to develop Operational Programmes (OPs) where stakeholders such as LGU and CSO must participate. Both NSPs and OPs must include an analysis of strengths, weaknesses and priorities. This approach reinforces capacity of regional authorities in policymaking as well as contributing to stronger relations between the national and regional level.

Legally, in the hierarchy of normative changes as presented by Emmerson et al.,<sup>10</sup> this intermediate step will not require neither a Treaty of Accession, nor changes to EU basic treaties.

Financially, even if the SEE6 countries would be able to draw all the amounts available to them as per Cohesion policy standards, the cost to the EU budget would be “*between 0.014% and 0.026% of their respective gross national income, which would amount annually to a sum between 1.6 and 10.8 euro / capita*”.<sup>11</sup> But while the SEE6 countries build up their absorption and management capacity the real amounts will be sensibly lower. Notwithstanding, due to good governance dividend the SEE6 access to Cohesion funds will be far more relevant than the actual Cohesion amounts that the SEE6 would be able to draw.

Politically, a Cohesion strategy applied to the SEE6 will:

- Incentivize the EU to address the structural economic challenges common to the region as part of its own EU policy-making cycle. To give an example, in the current situation a logical move would be to include the SEE6 region in the EU New Green Industrial Deal for a Net Zero Age, or participation of SEE6 in the EU Recovery Plan. This will motivate regional actors to extend production chains beyond national borders and the EU businesses to consider the region as one market;
- Maintain and complement the Enlargement conditionality principle applied to Full Membership based on the individual SEE6 country progress. To benefit from Cohesion funds, SEE6 administrations will need to continue the reform processes and improve their governance capacity to EU standards.

Geopolitically, in a fractured and unstable world, waiting until the EU has reformed itself to allow the SEE6 to gain access to necessary funds for their convergence with the Union is risky.

Finally, EU’s own credibility of commitment in the SEE6 will be a great beneficiary of including the region in the EU own cohesion policy.

To help the SEE6 catch up with Western Europe in terms of economic productivity and living standards, it is time to start including Cohesion in debates about the future of Enlargement.

#### **IV. Planning for the 2028–2034 EU Multiannual Financial Framework**

In December 2021, the EU Commission published a planning methodology for the Trans-European Transport Network (TEN-T), reviewing and updating the 2013 and 2016 texts.<sup>12</sup> The novelty concerning the Enlargement is the addition of a new TEN-T corridor combining rail and road: called the Western Balkans European Transport Corridor. After being adapted to reflect Russia’s aggression against Ukraine, the new Union guidelines for the development of the TEN-T were approved in the Council of the EU in December 2022.

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<sup>10</sup> “A Template for Staged Accession to the EU”, by M. Emerson, M. Lazarevic, S. Blockmans and S. Subotic, European Policy Centre and CEPS, 2021, p. 6.

<sup>11</sup> “The Western Balkans and the EU Budget: The Effects of Enlargement”, by V. Rant, M. Mrak and M. Marinc, in *South East European and Black Sea Studies*, Vol. 20, No. 3 (2020).

<sup>12</sup> Commission Staff Working Document, on the Planning Methodology for the Trans-European Transport Network (TEN-T), European Commission, Strasbourg, 14.12.2021 SWD(2021) 471 final.

But there is more. Going beyond inclusion of the SEE6 in EU policy planning, in July 2021 the Regulation 2021/1153 established the Connecting Europe Facility (CEF) for the period 2021–2027<sup>13</sup>. This development gives the SEE6 conditional access to its overall budget of €33.71 billion in the areas of transport, digital and energy infrastructure, the same as EU member states (Article 5). While CEF is not a proper Cohesion instrument, it shows that inclusion of the SEE6 in EU policy planning and funding (with instruments other than IPA) is being done already even if conditional.

Over the past three years, Cohesion funds have regularly been used beyond their designed purpose, to address crises such as the COVID-19 pandemic<sup>14</sup>; to help with the uptake of refugees from Ukraine<sup>15</sup>, and to face the energy crisis<sup>16</sup>.

If cohesion policy can change so much for COVID-19, for Ukraine or for the energy crisis, why not for the SEE6?

In a world where negative shocks are becoming the norm and mega-trends such as climate change or digitalization are accelerating, their impact on SEE6 disparity with EU and on Balkan states fragility is likely to be massive. Increasing disparities, permanent crisis and heightened uncertainty must not be allowed to harm SEE6 states' development, delay or derail their EU accession progress, nor weaken Europe's security on its southern flank. Consequently, European vision, policy instruments towards the region and their delivery mechanisms must evolve and adapt accordingly. In this regard, the social, economic, territorial and institutional cohesion are a logical complement of EU's Enlargement policy for the SEE6 region.

We are still three years away from presentation of the proposal on the post-27 Cohesion policy. To start the planning process, the existing SEE6 Cross-Border Cooperation and EU INTERREG programmes can be used as pilots. Cross Border areas/programmes can be used as a transitional step towards full coverage from EU Cohesion funds for the SEE6 territory. Innovative elements can be introduced such as use of Cohesion elements to tackle Belt and Road Initiative competition, to encourage near-shoring, to support smart specialization, etc.

The Cohesion funds allocation formula can be reviewed to give specific weight to proper SEE6 indicators aligned with the Enlargement reforms, Regional Cooperation targets, the Economic and Investment Plan and Energy Transition.

Finally, it is worthy to bring up the fact that the biggest net contributing Member States to the EU budget – ergo Cohesion Funds) are the same that participate in the Berlin Process – i.e. Germany, France, Italy and Austria.

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<sup>13</sup> Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014.

<sup>14</sup> In total, €13.2 billion from the 2014–2020 Cohesion Policy total funds, about 3–4% of the total, was used for the Coronavirus Response Investment Initiative packages (CRII and CRII+).

<sup>15</sup> Around €17 billion to €20 billion was made available for Cohesion's Action for Refugees in Europe (CARE) for health, education, employment and social inclusion and improving reception centres.

<sup>16</sup> To help households and SMEs cope with high gas prices the Commission proposed [redirecting unused 2014–2020 cohesion funds to cushion the blow](#). Called [SAFE \(Supporting Affordable Energy\)](#), this initiative enables member states to use up to 12.5% of Cohesion funds to expand renewables, strengthen grids, and electrify heating and industry.

## CONCLUSIONS

SEE6 accession to the European Union differs from the former Enlargement waves in that the current candidates are less developed than most former candidates were, given their unstable history of democratic institutions, and with the region being directly affected by developments on Europe's borders.

While the principle of conditionality is necessary to encourage the SEE6 countries to carry out the required political and economic reforms before joining the EU, the solidarity principle is needed to solidify the foundations of the SEE6 development path and secure the resilience of engaged normative and institutional reforms.

To unlock the Cohesion funds necessary for convergence with EU member states, SEE6 countries must be EU members. But to fulfil the EU membership criteria, they must make huge investments to speed up their convergence. This Catch22 must be dealt with.

But the current Enlargement methodology is a simple binary in-or-out process, resulting in waiting rooms that for the SEE6 have become permanent "parking" stations.

Moreover, SEE6 accession is facing the limits of EU absorption capacity and the precondition of EU internal reform.

In 2003, just before the Thessaloniki Summit, the Greek Presidency of the EU Council initiated reflection on embedding economic and social cohesion into the EU policy towards the Western Balkans. Two decades later, we believe that this reflection is more needed than ever.

In this paper we have supported the need to frontload Cohesion policy into Enlargement. Our goal is to: i) argue on how gradual inclusion of SEE6 countries into the EU Cohesion policy complements the new Enlargement methodology by providing a "missing intermediary stage"; ii) show why this is possible and does not depend on EU Treaty revision; iii) underline its advantages vs. costs for both the SEE6 and Europe; and iv) start discussing the timeframe and actions needed.

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