

UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**AN ANALYSIS OF THE FACTORS AFFECTING THE ABSORPTION
CAPACITY OF EU FUNDS IN NORTH MACEDONIA**

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BOSHKO GJEORGIEV

AUTHORSHIP STATEMENT

The undersigned Boshko Gjeorgiev, a student at the University of Ljubljana, School of Economics and Business, (hereafter: UL SEB), author of this written final work of studies with the title ANALYSIS OF THE FACTORS AFFECTING THE ABSORPTION CAPACITY OF EU FUNDS IN NORTH MACEDONIA, prepared in collaboration with mentor Tamara Pavasović Trošt, PhD.

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ABSTRACT

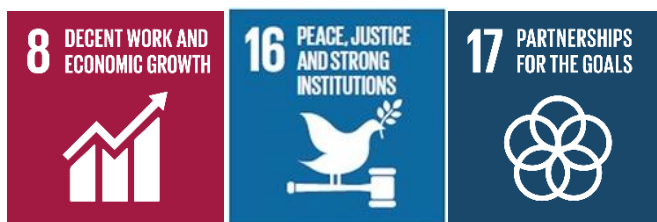
In this master's thesis, our research is focused on the key factors affecting the absorption capacity of European Union (EU) funds in North Macedonia. Absorption capacity is defined as the ability of a country to utilise allocated EU resources effectively and efficiently. Despite gradual progress under the Instrument for Pre-accession Assistance (IPA I and IPA II), North Macedonia continues to face persistent challenges, including project delays, staff turnover, politicisation, and recurring de-commitments, which limit its ability to fully benefit from EU pre-accession assistance.

In the research, we used a Factor Assessment Questionnaire, where thirty-one senior experts involved in EU funds management responded to fifty questions across five dimensions: institutional, administrative, financial, macroeconomic, and political. The findings indicate that administrative and political factors have the strongest influence on absorption, while the institutional, financial, and macroeconomic factors demonstrated moderate influence. Moreover, critical challenges were identified, including staff shortages, insufficient training, and politicised recruitment and appointments.

The research contributes to the academic debate by providing a country-specific empirical analysis of EU fund absorption in North Macedonia and offers practical recommendations for strengthening administrative capacity, enhancing political accountability, and improving institutional coordination. Enhancing absorption capacity is framed not only as an economic requirement but also as a strategic priority for EU accession, demonstrating readiness for the management of Structural and Cohesion Funds in the post-accession period.

KEY WORDS: European Union funds; absorption capacity; North Macedonia; administrative capacity; politicisation; institutional coordination; EU integration

SUSTAINABLE DEVELOPMENT GOALS



POVZETEK

V tej magistrski nalogi je raziskava usmerjena v ključne dejavnike, ki vplivajo na absorpcijsko sposobnost Severne Makedonije pri koriščenju sredstev Evropske unije (EU). Absorpcijska sposobnost je opredeljena kot zmožnost države, da dodeljena sredstva EU uporablja učinkovito in uspešno. Kljub postopnemu napredku v okviru Instrumenta za predpristopno pomoč (IPA I in IPA II) se Severna Makedonija še naprej sooča s številnimi izzivi, kot so zamude pri projektih, fluktuacija kadra, politizacija ter ponavljajoče se razveljavitve sredstev, kar omejuje njeno sposobnost, da v celoti izkoristi predpristopno pomoč EU.

V raziskavi smo uporabili vprašalnik za oceno dejavnikov, v okviru katerega je enaintrideset višjih strokovnjakov, vključenih v upravljanje sredstev EU, odgovorilo na petdeset vprašanj, razvrščenih v pet dimenzij: institucionalno, administrativno, finančno, makroekonomsko in politično. Ugotovitve kažejo, da imata administrativna in politična dimenzija najmočnejši vpliv na absorpcijsko sposobnost, medtem ko institucionalna, finančna in makroekonomska dimenzija izkazujejo zmeren vpliv. Poleg tega so bili opredeljeni ključni izzivi, med katerimi so pomanjkanje kadra, nezadostno usposabljanje ter politizirane zaposlitve in imenovanja.

Raziskava prispeva k znanstveni razpravi s tem, da zagotavlja državno-specifično empirično analizo absorpcije sredstev EU v Severni Makedoniji ter ponuja praktična priporočila za krepitev administrativnih zmogljivosti, izboljšanje politične odgovornosti in učinkovitejšo institucionalno koordinacijo. Krepitev absorpcijske sposobnosti je predstavljena ne le kot ekonomska zahteva, temveč tudi kot strateška prednostna naloga na poti do članstva v EU, kar odraža pripravljenost države za upravljanje strukturnih in kohezijskih skladov v obdobju po pristopu.

KLJUČNE BESEDE: Sredstva Evropske unije; absorpcijska sposobnost; S. Makedonija; administrativna sposobnost; politizacija; institucionalno usklajevanje; vključevanje v EU

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LIST OF ABBREVIATIONS

CARDS – Community Assistance for Reconstruction, Development and Stabilisation
CBC – Cross-Border Cooperation
CFCD – Central Financing and Contracting Department
DG NEAR – Directorate-General for Neighbourhood and Enlargement Negotiations
EC – European Commission
ECA – European Court of Auditors
EBRD – European Bank for Reconstruction and Development
EIB – European Investment Bank
ENP – European Neighbourhood Policy
EP – European Parliament
EPI – European Policy Institute
EU – European Union
GDP – Gross Domestic Product
GNI – Gross National Income
HRD – Human Resources Development
IFI – International Financial Institution
IMF – International Monetary Fund
IPA – Instrument for Pre-Accession Assistance
IPARD – Instrument for Pre-Accession Assistance for Rural Development
MFF – Multiannual Financial Framework
NAO/NF – National Authorising Officer / National Fund
NGO – Non-Governmental Organisation
NIPAC – National IPA Coordinator
OECD – Organisation for Economic Co-operation and Development
OLAF – European Anti-Fraud Office
PFM – Public Financial Management
SAA – Stabilisation and Association Agreement
SEA – Secretariat for European Affairs (North Macedonia)
SIGMA – Support for Improvement in Governance and Management
SME – Small and Medium-sized Enterprise
WB – World Bank
WBIF – Western Balkans Investment Framework

1 INTRODUCTION

Over the past two decades, the European Union (EU) has provided substantial financial support to North Macedonia to advance reforms, strengthen public institutions, and accelerate alignment with the EU acquis. Since 2007, this support has been delivered through the Instrument for Pre-Accession Assistance (IPA), which remains the EU's main tool for preparing candidate countries for membership. In the current programming cycle (2021–2027), the Western Balkan region and Turkey have access to €14.2 billion (European Union, 2021), placing renewed emphasis on the ability of beneficiary countries to absorb funds effectively. For a small, fiscally constrained, and institutionally constrained administration such as that of North Macedonia, effective absorption is essential for sustaining reforms, improving public services, and preparing for post-accession management of EU Structural and Cohesion Funds.

Recent European Commission assessments illustrate both progress and persistent weaknesses. In 2024, the Commission approved €58.6 million for North Macedonia, yet parallel evaluations highlight significant capacity gaps in public administration, delays in project preparation, and shortcomings in programme management (European Commission, 2024a; 2024c). These observations indicate that the key constraint lies in the ability of domestic institutions to translate EU resources into well-prepared projects and measurable results. Weak absorption slows reform processes, undermines service delivery, and raises concerns about the country's readiness to manage the substantially larger and more complex funds available after accession.

Absorption capacity is widely recognised as a multidimensional concept, incorporating administrative, institutional, financial, macroeconomic, and political aspects. It reflects a country's ability to use allocated EU funds fully, effectively, and efficiently (Mrak & Tilev, 2008). Previous studies consistently show that administrative capacity is among the most challenging dimensions of EU fund management (Katsarova, 2013). In IPA III, the concept is interpreted even more broadly, extending to policy coherence, strategic prioritisation, project maturity, and performance-based management (Tilev, 2021). This broader interpretation highlights that effective absorption depends not only on technical execution but also on governance quality, political stability, and institutional credibility.

From a practical perspective, this topic has clear societal relevance. Effective absorption affects the quality of public services available to citizens, including infrastructure, environmental protection, rural development, education, and employment measures. Higher absorption translates into better project implementation, fewer delays, and more visible benefits for households and businesses. For institutions, it serves as a benchmark of administrative professionalism, merit-based human resource management, and the long-term political commitment required to sustain reforms. Despite its importance, empirical country-specific analyses of absorption determinants in North Macedonia remain limited and often

embedded in broader regional assessments. This thesis, therefore, fills an important empirical gap by systematically assessing expert perceptions across key determinants of absorption capacity and by identifying the mechanisms through which administrative, institutional, financial, macroeconomic, and political factors influence performance.

Comparative research provides additional urgency. Evidence shows that transfers from Structural and Cohesion Funds may exceed 4% of gross national income (GNI) annually after accession (Rant et al., 2020, p. 432). For North Macedonia, such an increase in scale and complexity requires addressing longstanding bottlenecks such as weak project pipelines, procurement delays, staff shortages, and fragmented coordination. Although the concept of absorption has been widely examined in EU literature, the evolving architecture of IPA III and recent institutional developments in North Macedonia warrant a renewed, data-driven assessment.

Against this background, this thesis pursues the following objectives:

1. To provide a structured overview of the types of EU funds available to North Macedonia and the general absorption trends.
2. To identify and analyse the most significant factors affecting the absorption capacity, focusing on institutional, administrative, financial, macroeconomic, and political determinants.
3. To assess the main challenges and obstacles perceived by senior professionals and experts within the IPA administration in North Macedonia.
4. To provide recommendations and suggestions for improving the management and increasing the absorption of EU funds in North Macedonia.

This thesis contributes to the literature in two main ways. First, it offers a country-specific, empirical assessment of absorption determinants, supported by the primary data collected from senior public servants and experts. Second, it provides policy-relevant insights by identifying reforms such as merit-based recruitment, systematic training, improved coordination, and strengthened transparency that can support North Macedonia's performance under IPA III and enhance preparedness for managing Structural and Cohesion Funds after accession.

The thesis is structured as follows. Chapter 2 reviews the academic and policy literature. Chapter 3 outlines North Macedonia's EU integration path and key financial instruments. Chapter 4 presents the methodology. Chapter 5 reports the survey findings. Chapter 6 discusses their implications. Chapter 7 concludes the thesis.

2 EU FUNDS AND ABSORPTION CAPACITY

The question of how to effectively absorb European Union (EU) funds has been debated for many years. The effectiveness of European Union financial support depends on the size of allocations and the ability of recipient countries to transform those resources into meaningful reforms and projects. For candidate and member states alike, the concept of absorption capacity has therefore become a central benchmark of institutional preparedness, administrative quality, and political commitment. This chapter provides the theoretical framework for the thesis. It begins with a review of the conceptual foundations of absorption capacity, continues with an analysis of its determinants, enriched by the dimensions used in the empirical survey, and finishes with comparative experiences from European countries.

2.1 Conceptual foundations

Absorption capacity, at its core, refers to a country's capability to utilise EU funds in full, within the set timelines, and in accordance with agreed priorities. Katsarova (2013) described it as the extent to which a country is capable of making effective and efficient use of the allocated resources. Mrak and Tilev (2008) argued that absorption capacity is not only a financial but also an institutional and administrative issue.

The literature distinguishes between three broad dimensions affecting the absorption capacity. The macroeconomic dimension refers to the economy's overall capacity to absorb additional resources without creating imbalances. The financial dimension concerns the ability of the government to provide national co-financing and maintain sound financial management. The administrative–institutional dimension focuses on the capacity of public institutions to plan, manage, and implement projects effectively (Horvat, 2005).

Two conceptual distinctions are essential. The first one is between nominal absorption—the percentage of funds adequately and actually spent — and effective absorption, which explains whether the money was used for the right projects and produced results (Katsarova, 2013). The second one is between the supply side and the demand side of absorption. On the supply side, public authorities must have sufficient and the right procedures and staff. On the demand side, beneficiaries, such as municipalities, ministries, and public or private companies, must be able to prepare and implement projects. Weakness on either side reduces the actual absorption (Mrak & Tilev, 2008).

Evidence confirms that administrative and governance-related aspects are decisive. The European Court of Auditors (2016) noted that limited administrative capacity constrained outcomes in many Western Balkan states under IPA I. Milio (2007) showed in Italy that administrative quality, not allocation size, explained regional absorption variation. Surubaru (2017) further highlighted that politicisation undermines continuity, while professionalisation enhances the absorption.

In this context, several works stand out as key literature because they provide the most relevant conceptual foundations and comparative benchmarks for this study.

Bachtler et al. (2014) show how conditionality and Europeanisation shape administrative performance, while Bachtler and Ferry (2015) analyse how control mechanisms influence the performance of Structural Funds, both offering insights that are directly applicable to candidate countries such as North Macedonia. Bachtler and McMaster (2008) highlight the role of regions and multi-level governance, clarifying how institutional coordination affects absorption. Milio (2007) demonstrates that administrative quality is decisive for regional fund performance, and Milio (2008) shows how political stability underpins administrative effectiveness, which together justify the dual focus on administrative and political factors in this thesis. Incalțarau et al. (2020) provide cross-country evidence that absorption depends on the interaction between administrative capacity and governance quality, while Rant et al. (2020) place the Western Balkans within the broader EU budgetary perspective, underlining the strategic importance of pre-accession absorption. Finally, Surubaru (2017) argues that political governance explains divergent absorption outcomes across new member states, strengthening the relevance of political accountability in this study.

In summary, absorption capacity is a multidimensional concept that combines macroeconomic conditions, fiscal capacity, institutional and administrative quality, as well as political governance. The following sub-section reviews each determinant group in more detail, drawing on both the academic literature and the operational dimensions captured in the empirical survey.

2.2 Determinants of absorption capacity

Absorption capacity depends on several interrelated factors. The literature and policy practice identify five categories of key factors, including institutional, administrative, financial, macroeconomic, and political factors. These are also the five categories around which the survey used in this thesis was structured. Each category contains specific dimensions that explain the key factors and why some countries successfully utilise EU funds while others encounter persistent weaknesses. These same dimensions were also operationalised in the empirical survey of this thesis, ensuring consistency between the theoretical framework and the research design.

Institutional factors provide the framework for EU fund management. Strong institutions with clear mandates and stable organisational structures facilitate project pipelines and coordination, while fragmented responsibilities or frequent reorganisations reduce efficiency. Bachtler and McMaster (2008) emphasise that the clarity of institutional design shapes how effectively countries manage Structural Funds.

The preparedness of IPA institutions is therefore a central determinant. Where institutions are weakly prepared, delays accumulate and allocations remain underutilised. The efficiency of the institutional structure also matters. The European Court of Auditors (2016) found that fragmented systems often generate coordination gaps and delays.

Legal frameworks determine predictability. Efficient and harmonised regulations create certainty for beneficiaries, while unclear rules increase risks of errors and disputes. Kacarska and Jurukovski (2020) showed that frequent legal adjustments in the Western Balkans disrupted absorption.

Internal procedures and decision-making processes are further critical. Standardised and timely procedures enable smooth project cycles, whereas slow approvals create bottlenecks. Cooperation among institutions determines how well cross-sector projects are delivered. When ministries and agencies collaborate effectively, projects progress more easily. Bachtler and Ferry (2015) note that collaboration with non-governmental organisations and the private sector also broadens the project base and stimulates innovation.

Transparency is another key institutional dimension. Accessible and reliable information builds trust and encourages participation. The OECD (2020) stressed that transparent systems reduce suspicion of corruption and increase beneficiary confidence.

Administrative factors are widely considered the most decisive determinant of absorption capacity. Milio (2007) showed that administrative quality, rather than allocation size, explained regional variation in Italy.

The ability of the IPA administration to prepare mature projects on time determines whether funds are committed or lost. The European Commission (2023b) noted that delays in project preparation remain a weakness in candidate countries. Internal coordination is equally crucial. Incalțarau et al. (2020) found that poor coordination among departments reduces efficiency and creates duplication. Implementation irregularities are another factor. The European Court of Auditors (2016) reported that irregularities often result in financial corrections and delayed payments.

The motivation of administrative staff directly influences their performance. Milio (2008) argued that a motivated administration is more likely to deliver results, while demotivated employees reduce effectiveness. Professional training aligned with EU standards is also critical. Uzunov (2012) observed that insufficient training in North Macedonia weakened administrative performance during earlier programming cycles.

Staff sufficiency is another challenge. Many IPA units remain under-resourced, which slows absorption. The World Bank (2020) suggested that performance-based incentives could improve motivation and reduce turnover. Turnover itself is a persistent problem. Surubaru

(2017) showed that constant rotation of staff undermines institutional memory and slows project delivery.

Finally, preparedness for future EU Structural and Cohesion Funds is a forward-looking measure. Rant et al. (2020) emphasise that candidate states must demonstrate readiness to manage much larger allocations after accession. The European Commission (2024a) also assesses whether institutions are prepared for these demands.

Financial factors relate to the ability of governments to provide stable and predictable domestic contributions to the EU projects. Mrak and Tilev (2008) explained that insufficient co-financing repeatedly blocked projects in candidate countries.

The World Bank (2020) noted that municipalities often lacked sufficient liquidity to pre-finance activities, thereby preventing them from accessing funds. When co-financing is delayed, EU commitments remain unused. Effective budget planning ensures that resources are available when projects require them. Poor planning produces mismatches between EU disbursement schedules and national funding.

Expenditure structures are equally important. Mrak and Tilev (2008) noted that excessive non-productive spending reduces fiscal space for investment, including for EU projects. High public debt creates similar constraints by limiting fiscal flexibility.

Delays in releasing national funds disrupt implementation. Even well-prepared projects stall if disbursements are late. Financial reporting capacity aligned with EU standards ensures credibility and reduces the need for corrections. The European Commission (2024c) underlined that weak reporting has repeatedly slowed payments in enlargement countries.

Internal financial controls and audit mechanisms safeguard credibility. Weak control systems increase risks of irregularities. The European Commission (2024a) also highlighted that overly rigid public financial management systems fail to adapt to EU rules and multi-annual planning, reducing absorption.

Macroeconomic factors shape the broader environment for absorption. Katsarova (2013) explained that strong economic growth, stability, and low inflation support absorption, while weak performance constrains both demand and supply.

The size of GDP determines the scale of inflows. Horvat (2005) argued that inflows above certain thresholds become difficult to absorb, particularly in small economies. Economic growth provides fiscal space for co-financing and increases demand for projects, while stagnation has the opposite effect.

Economic stability is equally important. Predictable budgets and policies encourage long-term planning. Inflation directly undermines projects by increasing costs and reducing the real value of allocations.

Alignment of national economic policies with EU standards facilitates project preparation and approval. Infrastructure readiness is also a decisive factor. OECD/SIGMA (2021) reported that weak infrastructure capacity slows project pipelines. Economic diversification broadens the base of beneficiaries, while regional disparities remain a barrier. The World Bank (2020) observed that less developed regions in the Western Balkans often lacked the resources to design and implement projects, leading to uneven absorption. Rant et al. (2020) also stress that macroeconomic preparedness determines whether large inflows of EU funds destabilise economies or strengthen growth trajectories.

Political factors influence every other category. Stable governments sustain long-term strategies, while instability disrupts the continuity. Horvat and Maier (2004) argued that politicisation weakens performance by interrupting administrative continuity.

Corruption is a direct barrier. Surubaru (2017) demonstrated that corruption and governance weaknesses explained divergent absorption results in Romania and Bulgaria. Transparency counteracts corruption by building trust and accountability. The European Commission (2024a) stressed that transparency remains a critical benchmark for candidate countries.

The government's commitment to EU fund management is very decisive. When governments treat absorption as a strategic priority, reforms and resources are mobilised. Milio (2008) explained that weak commitment translates into poor performance and missed opportunities. Sustained political will across electoral cycles is equally necessary. Frequent reshuffles and elections often result in delays.

Alignment with the EU *acquis* facilitates harmonisation of rules and procedures. Merit-based recruitment also strengthens the absorption capacity. The European Commission (2024a) noted that politicised appointments and a lack of meritocracy remain major obstacles in enlargement countries. Finally, political cycles—elections and coalition changes—are one of the most visible risks. They disrupt planning and delay decisions, undermining overall absorption performance.

Taken together, these determinants confirm that absorption is not a single-issue challenge but rather the outcome of complex and interdependent macroeconomic, financial, administrative, institutional, and political factors. Their relative weight varies across countries and programming periods, but the evidence consistently shows that administrative–institutional determinants, amplified by political stability or instability, are the most decisive for long-term outcomes.

The following subsection, therefore, turns to comparative experiences from selected Central and Eastern European countries, which illustrate how different constellations of these determinants have shaped countries' absorption performance. These experiences provide useful benchmarks for understanding North Macedonia's current position under IPA III.

2.3 Comparative experiences

Comparative research offers useful lessons for candidate countries. Experiences from new member states show that absorption capacity depends less on the amount of money available and more on how national systems and structures are organised and governed. Four country cases stand out: Slovenia, Croatia, Romania, and Bulgaria.

Slovenia is frequently cited as a relative success story in terms of absorbing EU funds. After joining the EU in 2004, it established a coherent institutional framework and integrated EU fund management into existing ministries. This avoided the creation of fragmented structures and helped keep responsibilities clear (World Bank, 2017, p. 45). By end-March 2016, payments for incurred expenditure under Slovenia's 2007–2013 ERDF and Cohesion Fund programmes had already exceeded 92% of the available allocation, implying full spending by end-2015 (European Commission, 2016, p. 13). Slovenia later confirmed 100% absorption at closure in 2018; like other Member States, standard closure tools such as overbooking were used to mitigate decommitment risk (Government Office for Development and European Cohesion Policy, 2018; European Commission, 2021, sec. 4.4). Stable public administration and merit-based staffing also reduced turnover, allowing expertise to build up over time (Bachtler & Ferry, 2015). Slovenia shows that even small states can achieve high absorption if administrative professionalism and political prioritisation are present and in place. For North Macedonia, Slovenia demonstrates the importance of continuity and early investment in structures, rather than repeated institutional reorganisations that reset learning processes.

Croatia's trajectory illustrates a different set of challenges. Despite significant pre-accession support, absorption in the early years of membership was hampered by weak administrative preparedness, complex procurement rules, and repeated institutional changes. Delays in project contracting and irregularities in procurement led to temporary suspensions of EU funds, undermining public trust and slowing implementation. Croatia's experience highlights the risks of entering the EU with insufficiently consolidated procedures and unstable administrative structures. For North Macedonia, which faces similar pressures of politicised staffing and frequent restructuring, Croatia serves as a cautionary example: without stabilising institutions before accession, even substantial EU allocations can translate into low effective absorption.

Romania and Bulgaria, both members since 2007, also struggled early on. Romania absorbed less than 30% of its allocations by the end of 2013, though late catch-up efforts under the

N+2 rule eventually pushed utilisation above 90% (European Commission, 2016). Bulgaria faced similar delays but improved through over-contracting and stronger monitoring, though absorption still varied across sectors (European Court of Auditors, 2016). The underlying causes in both countries involved frequent government reorganisations, the politicisation of managing authorities, and weak project pipelines. (Surubaru, 2017, pp. 846–848). Both were placed under the EU’s Task Force for Better Implementation in 2014, which provided technical assistance and closer monitoring.

Beyond these individual cases, comparative studies highlight broader patterns. Milio (2007) demonstrated that even within one Member State, administrative quality explained differences in regional performance. Surubaru (2017) confirmed that governance quality, rather than macroeconomic or financial constraints, accounted for divergent absorption outcomes in Romania and Bulgaria. The European Court of Auditors (2016) likewise concluded that the most common causes of underperformance across new Member States were weak project pipelines and unstable institutional arrangements. For North Macedonia, these insights underscore that technical reforms alone—such as improving procurement or financial reporting—will not be sufficient. Without systemic improvements in governance, institutional stability, and depoliticised staffing, the country risks repeating the difficulties observed in Croatia, Romania, and Bulgaria.

Taken together, these cases show that the decisive factor in absorption is not the size of a country or the scale of its allocations. Slovenia achieved full absorption despite being small, while Croatia underperformed despite having larger resources. Romania and Bulgaria confirm that favourable macroeconomic conditions cannot compensate for weak governance and unstable institutions. For the Western Balkans, including North Macedonia, the lesson is clear: stable institutions, professional administrations, and early preparation of mature projects are essential preconditions for maximising the benefits of EU financial assistance.

The literature reviewed in this chapter shows that absorption capacity is a multidimensional concept shaped by macroeconomic, financial, administrative, institutional, and political factors. Comparative evidence confirms that administrative quality, institutional stability, and political commitment are decisive, while financial and macroeconomic constraints are usually secondary. Experiences from Slovenia, Croatia, Romania, and Bulgaria demonstrate that success depends less on size or predefined allocation and more on governance and preparedness. These insights provide the theoretical background for examining North Macedonia’s own experience.

The next chapter shifts from a comparative perspective to a specific country case study of North Macedonia. It outlines the country’s EU integration path and its experience with EU pre-accession financial assistance, providing the necessary context for the empirical analysis of the key factors that follow.

3 NORTH MACEDONIA'S EU PATH AND FINANCIAL ASSISTANCE

North Macedonia's European path has unfolded alongside a steady stream of EU financial support. This chapter sets the stage for the empirical work by tracing institutional milestones, describing the architecture of EU pre-accession assistance, and highlighting the trends in absorption that are most relevant to the study. The focus is on how the accession track, the design of IPA instruments, and the country's administrative realities intersect to determine results. Where appropriate, North Macedonia's experience is placed in a regional perspective. The discussion also links EU fund absorption to fiscal policy, showing how grants can substitute for borrowing and reduce debt pressures (World Bank, 2024). In addition, assessments by international partners repeatedly emphasise that weaknesses in public administration constrain programme execution (OECD/SIGMA, 2021).

3.1 Historical overview of the EU integration path of North Macedonia

Since its independence in 1991, EU accession has been a central pillar of state policy, pursued in parallel with NATO integration. Diplomatic relations with the European Community were established in 1995, followed by a Cooperation Agreement in 1997, which opened preferential market access and facilitated structured policy dialogue (European Commission [EC], 2024a). The Stabilisation and Association Agreement (SAA), signed in 2001 and entering into force in 2004, created the legal basis for political dialogue, market integration, and financial cooperation (Council of the EU, 2001; EC, 2024a).

North Macedonia applied for membership in 2004 and was granted candidate status in 2005 (EC, 2024a). The European Commission first recommended opening negotiations in 2009, but the process stalled due to the name dispute with Greece. The Prespa Agreement in 2018 resolved that impasse and unblocked Euro-Atlantic progress. In 2020, the European Council decided to open accession talks, and in 2022, the first Intergovernmental Conference launched negotiations under the revised methodology (Council of the EU, 2022; EC, 2024a).

Throughout this period, EU assistance supported the alignment with the EU acquis and institution-building in areas central to accession. Enlargement reports consistently highlighted absorption capacity as a benchmark of preparedness for membership. The 2024 report again underlined weaknesses in administrative capacity, merit-based staffing, and project management as critical challenges (EC, 2024a). Thus, the EU path has been closely tied to the effectiveness of financial assistance, with institutional reforms both driving and reflecting progress in absorption.

3.2 EU financial assistance instruments

Before 2007, EU assistance was delivered mainly through CARDS, complemented in earlier years by PHARE, ISPA, and SAPARD. CARDS channelled resources into institution-building and post-conflict priorities, familiarising the administration with EU procedures and laying the ground for a unified instrument (EC, 2008).

The turning point came with IPA I (2007–2013). Council Regulation (EC) No. 1085/2006 consolidated support into five components and encouraged a gradual shift to decentralised management, conditional on credible systems of management and control (Council Regulation (EC) No. 1085/2006, 2006; European Court of Auditors [ECA], 2016). In practice, eligibility was necessary but not sufficient. Absorption depended on how quickly operating structures could accredit systems, assemble mature project pipelines, and run timely procurements.

The IPA I organised the EU assistance into five components. Each addressed a specific dimension of pre-accession readiness, and together they offered both resources and a structured framework for testing absorption capacity.

1. Transition Assistance and Institution Building (Component I). This component financed acquis-related reforms and strengthened the operating structures for EU funds, such as the NIPAC, NAO/NF, and CFCD. Typical actions included financial-control reforms, procurement training, and project-cycle management (EC, 2012, pp. 5–6; ECA, 2016, pp. 7–9).

2. Cross-Border Cooperation (Component II). CBC supported joint projects with neighbouring countries, mainly Bulgaria and Greece. Interreg-style operations targeted border infrastructure, environment, and SME networking, later adding climate-resilience themes (EC, n.d.-a). CBC tested coordination across administrations and synchronised implementation calendars.

3. Regional Development (Component III). Mirroring the Cohesion Policy logic, this component financed projects related to transport and the environment. The Demir Kapija–Smokvica motorway (Corridor X), co-financed by IPA, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD), is a flagship case that also exposed bottlenecks later seen under IPA II: weak pipelines, slow procurement, and inter-institutional frictions (EC, 2024a, p. 87; EIB, n.d.).

4. Human Resources Development (Component IV). HRD followed European Social Fund principles, supporting employment measures, VET and higher-education reforms, and social inclusion (EC, 2007). The component helped administrations and beneficiaries learn calls, appraisal, and monitoring procedures typical of Cohesion funds.

5. Rural Development—IPARD (Component V). IPARD financed farm modernisation and rural diversification. Despite a slow start, contracting and payments were generally steadier than in multi-sector infrastructure programmes, largely due to a dedicated paying-agency model and a well-defined beneficiary pipeline (EC, 2024a, pp. 83–84).

Under IPA II (2014–2020), Regulation (EU) No. 231/2014 introduced a sector-based approach and multiannual programming aligned with national strategies. The revised Indicative Strategy Paper (2018) allocated €608.7 million and emphasised results frameworks (EC, 2018, Annex 1; EC, n.d.-b). Despite improved design, performance remained uneven. The 2024 Enlargement Report notes de-commitments exceeding €79 million from multiannual programmes in the environment and transport sectors, underscoring persistent bottlenecks in project maturity and procurement (EC, 2024a, p. 87). Independent evaluations also highlight political instability and limited administrative capacity as significant obstacles (Kacarska & Jurukovski, 2020).

IPA III (2021–2027), established by Regulation (EU) 2021/1529, introduced a performance-based framework organised around thematic windows (European Union, 2021, arts. 3–6; EC, 2021). North Macedonia is expected to receive up to €2 billion, depending on the progress of reforms and its absorption capacity (EC, 2024a). Early implementation has been difficult. By the end of 2023, only €109 million had been contracted out of €302 million available, and €79 million was lost through de-commitments in 2022 and 2023 (Ministry for European Affairs, 2024a, 2024b). In response, the Commission shifted several programmes to direct management or management with international organisations (EC, 2022).

Complementary instruments amplify the effect of the IPA. The Western Balkans Investment Framework (WBIF) blends grants and IFI loans for infrastructure; North Macedonia has attracted over €1 billion for energy, wastewater, and transport corridors (WBIF, 2024). The EIB and EBRD provide major co-financing, while participation in EU programmes such as Horizon Europe, Erasmus+, and Creative Europe broadens institutional exposure to more funds, just at smaller volumes. These instruments highlight that absorption capacity involves not only national structures but also the ability to engage with multi-level governance and financing platforms.

3.3 Trends in the absorption of EU funds in North Macedonia

Absorption has followed a pattern of a gradual learning curve. Under IPA I, €622 million was allocated, but only about €427 million was absorbed by closure, with large amounts de-committed (EC, 2014). Structural causes included limited pipelines, slow procurement, and high staff turnover (ECA, 2016).

IPA II brought improvements. Institutions such as the CFCD were strengthened, and contracting rates rose. Nevertheless, weaknesses persisted. The 2024 country report recorded

decommitments of more than €79 million, primarily in the transport and environment sectors (EC, 2024a, p. 87). By contrast, agriculture and rural development performed better: IPARD II disbursed about €42 million by 2022 and committed most of its budget by 2024 (EC, 2022, p. 75; IPARD Agency, 2025). This contrast shows that specialised agencies with stable beneficiary bases can absorb funds more effectively than multi-sector programmes.

Regional comparisons confirm that absorption problems are not unique to North Macedonia. Commission reports for Serbia highlight contracting delays, weak pipelines, and administrative bottlenecks (EC, 2024b). Commission findings for Albania also emphasise similar issues (EC, 2024c). The lesson is consistent: once macro-fiscal stability and co-financing are ensured, absorption hinges on administrative execution. SIGMA's monitoring report reinforces this view, documenting weaknesses in strategic planning, merit-based HRM, and implementation controls (OECD/SIGMA, 2021).

The fiscal dimension reinforces the urgency. Public debt rose from about 20% of GDP in 2008 to more than 60% by 2023 (EC, 2024a). The Ministry of Finance reported debt at 53.8% of GDP at the end of 2024 (Ministry of Finance, 2024). The World Bank (2024) emphasises the need to rebuild fiscal buffers. Every €100 million of absorbed EU grants reduces the need for borrowing, supporting both reforms and debt sustainability. Post-accession, EU transfers often exceed 4% of GNI, underscoring the scale of future demand (Rant et al., 2020).

The evolution of IPA in North Macedonia points to a clear conclusion. Eligibility and legal frameworks matter, but results depend on administrative execution: preparing mature projects, running clean and timely procurements, and retaining skilled staff. Comparative evidence from peers, the Commission's monitoring, and SIGMA's diagnostics all point in the same direction (OECD/SIGMA, 2021). The fiscal argument adds weight: every euro of well-used EU grants reduces borrowing needs and strengthens sustainability (World Bank, 2024). These insights provide the backdrop for the empirical analysis that follows and inform recommendations for strengthening North Macedonia's absorption capacity.

Overall, North Macedonia's EU path demonstrates that financial support and accession progress are tightly connected. Funds from CARDS, IPA I–II, and now IPA III have supported reforms and institution-building; however, weak administration, staff shortages, and inconsistent political commitment have slowed down the results. Absorption reflects not only technical capacity but also governance quality and institutional credibility. For North Macedonia, strengthening institutions, ensuring merit-based recruitment, and stabilising structures are essential. Ultimately, absorption is less about the size of EU allocations and more about the country's ability to transform them into tangible results and projects.

The next section, therefore, presents the methodology used to examine these issues in a structured and empirical way.

4 METHODOLOGY

The methodology chapter outlines the research design, data collection, and analysis procedures employed to assess the factors affecting the absorption capacity of EU funds in North Macedonia. Its purpose is to justify the empirical approach in line with the research objectives. The study is based on a structured survey of experts directly involved in EU funds management, enabling systematic assessment of institutional, administrative, financial, macroeconomic, and political determinants.

4.1 Research design

The study employed a cross-sectional survey design, collecting primary data at a single point in time to capture expert perceptions of absorption capacity. A structured questionnaire was used, consisting of 46 closed-ended and 4 open-ended questions. This design provided standardized quantitative data while also allowing respondents to elaborate on challenges and provide some recommendations. Surveys are particularly effective when the goal is to gather comparable insights from a defined group of practitioners (Saunders et al., 2016, pp. 172–173, 200). This research adopted an exploratory approach, utilizing a quantitative survey supplemented by qualitative responses (mixed-methods design) to gain both breadth and depth of insight (Saunders et al., 2016).

4.2 Questionnaire design

The questionnaire was designed to capture expert perceptions across the five key determinants of absorption capacity identified in the literature: institutional, administrative, financial, macroeconomic, and political factors. It consisted of 46 closed-ended statements and 4 open-ended questions, structured into five thematic blocks corresponding to these factors. Respondents evaluated each statement using a five-point Likert scale (1 = very low, 5 = very high), enabling the assessment of perceived strengths, weaknesses, and variability within the IPA management system. Likert scales are widely used in survey research to measure perceptions systematically (Saunders et al., 2016, p. 457).

The first section of the questionnaire collected demographic information, including gender, institution of employment, and years of experience, allowing for contextual interpretation of the responses. The questionnaire also included four open-ended questions designed to obtain expert reflections on: (i) key challenges hindering absorption, (ii) measures for improving management and absorption, (iii) relevant best practices from other countries, and (iv) additional recommendations for strengthening North Macedonia's absorption capacity. The open-ended items captured broader insights and concrete examples that complement the quantitative assessments.

The questionnaire was developed based on the conceptual framework derived from the literature review and adapted to the IPA context of North Macedonia. This ensured that the survey items reflected both the multidimensional nature of absorption capacity established in previous research and the operational realities faced by institutions involved in managing EU funds. The formulation of the questions drew on established determinants discussed in studies by Milio (2007), Katsarova (2013), Surubaru (2017), and other key authors, while the structure of the instrument mirrored the factor categorisation widely used in empirical assessments of EU fund absorption.

Before full deployment, the questionnaire was pilot-tested with three senior experts from the Ministry of European Affairs in Skopje. Pilot testing is recommended to ensure clarity, logical sequencing, and consistent interpretation (Saunders et al., 2016, pp. 473–474). Minor adjustments were made to the wording of several items based on the feedback received. This process strengthened the internal validity and practical relevance of the final instrument.

4.3 Data collection

To complement secondary sources, the research incorporated primary quantitative data collected through an online structured questionnaire. A purposive expert sampling strategy was used, targeting civil servants directly engaged in the programming, management, implementation, monitoring, or auditing of EU-funded projects under the Instrument for Pre-Accession Assistance (IPA). Such purposive sampling is appropriate when the aim is to obtain informed assessments from knowledgeable practitioners rather than broad statistical representativeness (Saunders et al., 2016, pp. 301–302).

A total of 33 experts from EU-IPA-implementing ministries were invited to participate. These experts represented units responsible for planning, financial management, procurement, monitoring, evaluation, and horizontal coordination of EU funds. Out of the 33 invited experts, 31 completed the questionnaire, resulting in a response rate of 93.9%. Two invitees did not respond within the data-collection period. This high level of participation reflects strong engagement among practitioners and provides a reliable basis for analysis.

The questionnaire was administered electronically between April and September 2024 via an online structured survey platform. Participation was voluntary and anonymous. Respondents received an explanatory note outlining the purpose of the study, confidentiality of responses, and data protection conditions. Names and surnames were optional; only three demographic variables were collected: gender, institution of employment, and years of work experience in EU funds.

4.4 Sample description

The study employed purposive (judgmental) sampling, focusing on senior public employees and experts directly involved in programming, implementing, and monitoring EU pre-accession funds. This approach is appropriate when the aim is to gather informed perspectives from highly experienced participants rather than to achieve broad statistical representativeness (Saunders et al., 2016, pp. 301–302).

The final sample consisted of 31 experts from central government institutions, including the Ministry of European Affairs, the Ministry of Finance, the Ministry of Local Self-Government, the Ministry of Environment, the Ministry of Transport, the Ministry of Agriculture, the Ministry of Internal Affairs, and other IPA-relevant ministries. Most respondents had more than ten years of professional experience in EU funds management, ensuring that the findings reflect well-informed professional judgments.

Table 1: Gender distribution of respondents

Gender	Frequency	Percentage
Female	18	58.1%
Male	13	41.9%
Total	31	100%

Source: Own work

Table 1 also reflects a relatively balanced gender distribution. Out of 31 respondents, 18 were female (58.1%) and 13 were male (41.9%). This reflects the gender composition in North Macedonia's public administration, where women are strongly represented in EU-related departments. Institutional affiliation demonstrates broad coverage across line ministries directly responsible for programming, managing, and coordinating the EU funds in North Macedonia.

As Table 2 shows, the largest group of respondents came from the Ministry of Agriculture, Forestry, and Water Economy (4 respondents), while other core institutions such as the Ministry of European Affairs, Finance, Economy, Justice, Internal Affairs, Environment, Transport, Health, Local Self-Government, and Education were also represented, each of it by 2 to 3 respondents as a senior experts and public servants.

Table 2: Distribution of respondents by institution

Institution	Frequency
Ministry of Agriculture, Forestry, and Water Economy	4
Ministry of European Affairs	3
Ministry of Finance	3
Ministry of Economy	3
Ministry of Justice	3
Ministry of Internal Affairs	3
Ministry of Environment and Physical Planning	3
Ministry of Transport and Communications	3
Ministry of Health	2
Ministry of Local Self-Government	2
Ministry of Education and Science	2
Total	31

Source: Own work

Professional experience further demonstrates the credibility of the sample. As per Table 3, nearly half of the respondents (48.4%) reported more than 15 years of professional experience, and 74.2% had more than 10 years. This suggests that the findings are based on the views of highly experienced professionals.

Table 3: Distribution of respondents by years of experience

Years of experience	Frequency	Percentage
5-10 years	8	25.8%
10-15 years	8	25.8%
15-20 years	9	29%
20+ years	6	19.4%
Total	31	100%

Source: Own work

The combination of gender balance, institutional diversity, and depth of professional experience provides a robust foundation for interpreting the survey results.

4.5 Data analysis

Quantitative data from the closed-ended questions were exported to Microsoft Excel for processing. Given the ordinal nature of the Likert scale and the objectives of the study, the analysis applied a set of descriptive statistical measures, including mean, median, standard deviation, and range. Means were used to assess general perceived importance, medians to examine distributional symmetry, standard deviations to evaluate consensus or divergence among respondents, and ranges to capture the spread of responses for each item.

All responses were complete and no missing values were identified. After computing descriptive statistics for each question, the results were aggregated within the five factor groups—institutional, administrative, financial, macroeconomic, and political in order to produce an overall profile for each determinant. This approach aligns with best practices in expert-based survey analysis, where descriptive statistics are used to identify salient patterns and systemic strengths or weaknesses (Saunders et al., 2016; Bachtler & McMaster, 2008).

Qualitative responses to the four open-ended questions were analysed using thematic analysis. This involved systematically coding individual responses, identifying recurring ideas, and grouping them into broader themes and sub-themes. The qualitative findings complement and contextualise the quantitative results presented in the next chapter. Thematic analysis is widely recommended for identifying patterns in qualitative data (Saunders et al., 2016, pp. 579–584).

4.6 Ethical considerations and limitations

The study complied with the ethical standards of the University of Ljubljana, School of Economics and Business. Respondents were informed of the study's purpose, the voluntary nature of participation, and the guarantee of anonymity. No personal identifiers were required, and only minimal demographic data were collected. All responses were stored securely and used exclusively for academic purposes.

In accordance with UL SEB Technical Guidelines (2024), the use of generative AI tools is declared transparently. AI assistance was restricted to language refinement and formatting; all research design, data collection, and analysis were conducted independently by the researcher.

As with all expert surveys, certain limitations apply. The purposive sampling and relatively small sample size ($n = 31$) limit the generalisability of the findings. Moreover, the results are based on self-reported perceptions, which may be subject to bias. Nevertheless, the high level of expertise among respondents increases the credibility and relevance of the results. As Saunders et al. (2016, pp. 301–302) emphasize, purposive expert samples are particularly valuable when the aim is to capture informed perspectives in exploratory research.

5 FINDINGS AND RESULTS

This part presents the empirical results of the Factor Assessment Questionnaire administered to 31 experts from the Macedonian public administration (April–September 2024). The survey assessed expert perceptions of five categories of determinants of EU fund absorption in North Macedonia: institutional, administrative, financial, macroeconomic, and political factors. Results are organized as follows: a comparative overview across factor groups; factor-specific analyses; and thematic insights from four open-ended questions (Q47–Q50).

Respondents evaluated the significance of the five factor groups and their sub-dimensions using a 5-point Likert-type scale. For each factor group, mean scores summarize the perceived significance and performance of key sub-dimensions. The integration of descriptive statistics (means) and thematic analysis of open-ended responses facilitates triangulation. Numerical patterns show relative strengths and weaknesses, while qualitative insights provide understanding of the underlying mechanisms.

5.1 Comparative significance of factor groups

The comparative picture is clear. As Table 4 shows, the administrative factors were rated as the most significant determinant of absorption capacity (mean = 4.78), followed by political factors (mean = 4.28). Financial and macroeconomic factors were each assessed as moderately significant (mean = 3.00), while institutional factors received the lowest mean (2.72).

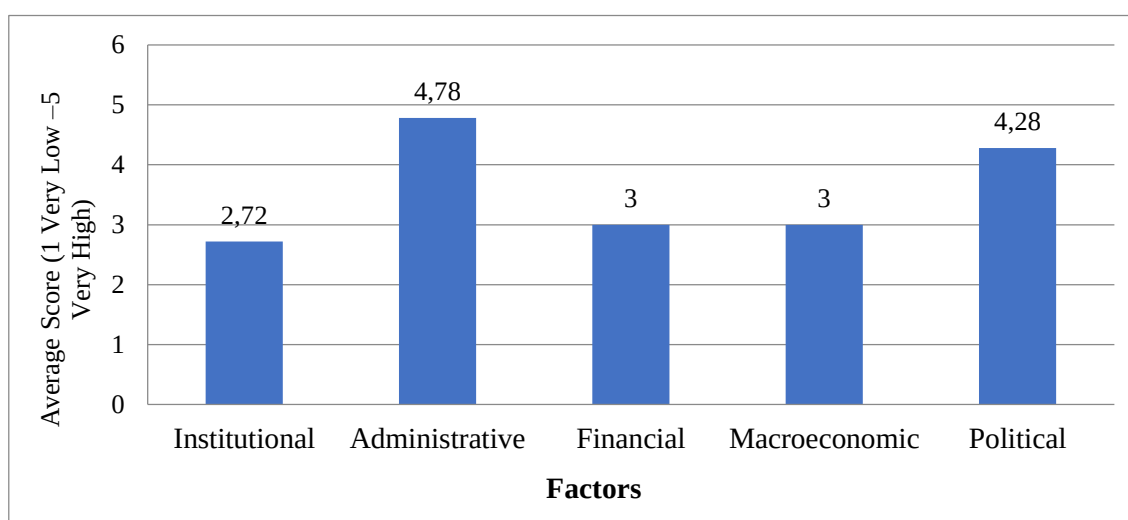
Table 4: Mean scores of key factors affecting absorption capacity

Factor category	Mean score	Interpretation
Institutional	2.72	Moderate significance
Administrative	4.78	Very high significance
Financial	3.00	Moderate significance
Macroeconomic	3.00	Moderate significance
Political	4.28	High significance

Source: Own work

Figure 1 below also shows the average scores of the key factors, graphically presented.

Figure 1: Average scores of key factors affecting absorption capacity



Source: Own work

In substantive terms, experts view human resources, management practices, and governance dynamics as the primary constraints on absorption, with broader fiscal and macro conditions seen as enabling but not decisive. This ranking serves as a framework for the factor-level analyses that follow.

5.2 Institutional factors

Institutional factors are a foundational component of a country's absorption capacity. They include the preparedness of IPA structures, coherence of institutional arrangements, adequacy of legal frameworks, and effectiveness of coordination and stakeholder engagement mechanisms.

Table 5: Institutional factor dimensions – summary of average scores

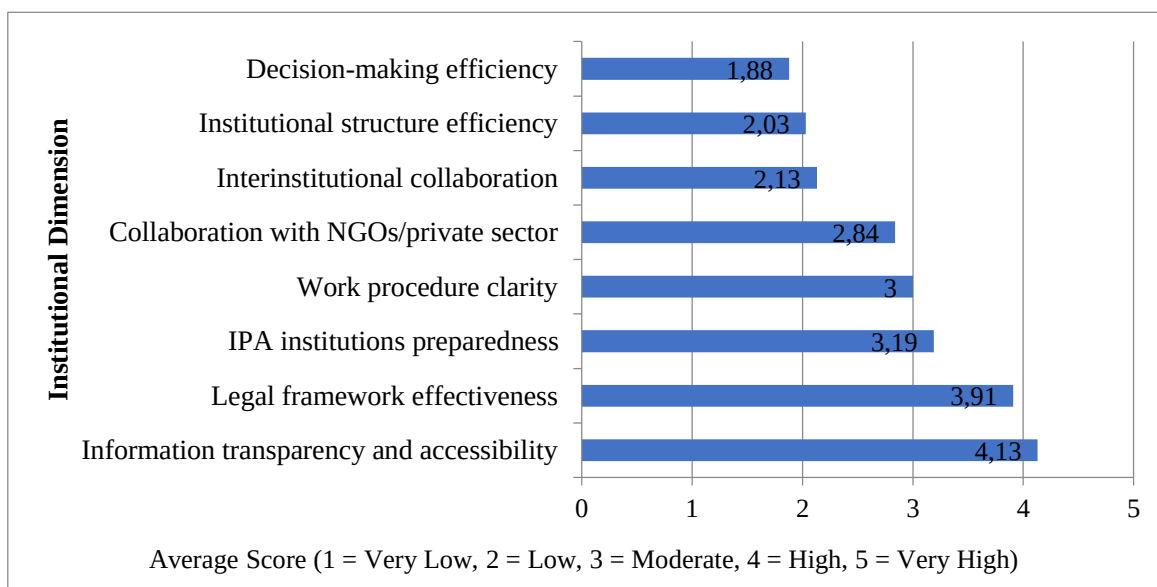
Institutional Dimension	Average Score	Interpretation
Preparedness of IPA institutions	3.19	Moderate
Efficiency of institutional structure	2.03	Low
Legal framework effectiveness	3.91	High
Clarity of internal work procedures	2.84	Moderate
Timeliness of decision-making	1.88	Low
Effectiveness of interinstitutional cooperation	2.13	Low
Collaboration with NGOs/private sector	3.00	Moderate
Transparency of information on EU funds	4.13	High
Overall significance of institutional factors	2.72	Moderate

Source: Own work

Table 5 summarizes the average scores for institutional sub-dimensions affecting EU fund absorption. These results highlight the perceived strengths and weaknesses in the structural setup of IPA institutions involved in fund coordination and management.

Figure 2 graphically presents these average scores, highlighting variations across the institutional dimensions.

Figure 2: Institutional factor dimensions by average score



Source: Own work

The results reveal both strengths and weaknesses. The highest-scoring dimension was transparency of information (mean = 4.13), suggesting that communication on EU funds is relatively accessible and clear. This aligns with broader findings that transparent procedures strengthen stakeholder participation and accountability (OECD, 2020). Similarly, the legal framework (mean = 3.91) was viewed positively, showing that the normative environment is largely supportive, though respondents emphasized the need for further simplification and alignment with the EU acquis (European Commission, 2023).

By contrast, the lowest-rated dimensions were timeliness of decision-making (1.88) and institutional structure efficiency (2.03), reflecting delays, overlapping responsibilities, and unclear accountability. These issues are also noted in the European Commission's annual reports on North Macedonia (European Commission, 2024a). Weak interinstitutional coordination (2.13) further illustrates difficulties in cooperation across ministries and agencies, a challenge also recognized in other Western Balkan contexts (Surubaru, 2017).

Moderate scores on preparedness, procedural clarity, and NGO collaboration indicate that while frameworks exist, their application remains inconsistent. Respondents also mentioned

problems with continuity, weak institutional memory, and insufficient incentives for cross-sectoral cooperation.

Taken together, the results show that institutional factors only partly support effective absorption. While the legal framework and transparency provide a sound foundation, fragmented structures, slow procedures, and weak coordination undermine performance. These findings align with EU assessments that emphasize the need for clearer institutional mandates and expedited decision-making in North Macedonia's public administration.

To assess the consistency of these findings, we examine measures of central tendency and dispersion, including medians (Md), standard deviations (SD), and response ranges.

Institutional items show relatively consistent dispersion patterns, with standard deviation values tightly clustered between 0.75 and 0.87 and a uniform response range of 2 across all sub-dimensions. This indicates that respondents share broadly similar perceptions of institutional performance - neither highly polarized nor random.

Notably, the legal framework (Q3, M = 3.91; Md = 4.00; SD = 0.82) and transparency of information (Q8, M = 4.13; Md = 4.00; SD = 0.79) reflect strong central tendency values, confirming that the formal normative environment and availability of information are considered key strengths. By contrast, timeliness of decision-making (Q5, M = 1.88; Md = 2.00; SD = 0.75), efficiency of the institutional structure (Q2, M = 2.03; Md = 2.00; SD = 0.78), and interinstitutional cooperation (Q6, M = 2.13; Md = 2.00; SD = 0.87) all show low mean and median values, suggesting consistent agreement that the practical functioning of institutions remains weak.

The overall significance of institutional factors (Q9, M = 2.72; Md = 2.50; SD = 0.81) is therefore perceived as moderate. However, the contrast between strong formal frameworks and weak operational capacity highlights the need for reforms that focus less on legislation and more on procedural clarity, coordination, and decisional efficiency.

In summary, institutional weaknesses are concentrated around decision-making delays, fragmented structures, and insufficient coordination. These issues pose structural barriers to improving IPA performance. On the other hand, strong legal frameworks and transparent information systems provide an institutional foundation that can be built upon. Bridging this gap will require translating formal adequacy into practical efficiency through targeted procedural reforms and cross-institutional cooperation.

5.3 Administrative factors

Administrative factors relate to the human resource capacity, skills, motivation, and stability of the IPA administration, as well as workload distribution and internal coordination. The data highlight persistent structural weaknesses that limit North Macedonia's capacity to fully

utilize EU assistance. Table 6 summarizes the average scores of the administrative sub-dimensions.

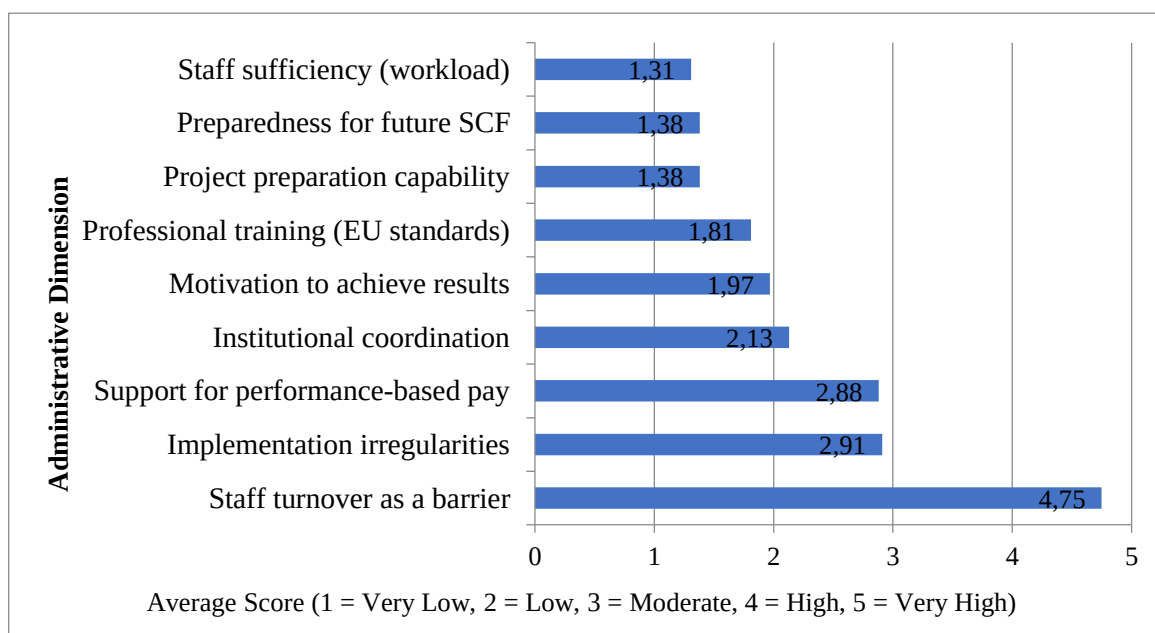
Table 6: Administrative factor dimensions – summary of average scores

Administrative Dimension	Average Score	Interpretation
Staff turnover as a barrier to efficient absorption	4.75	Very High
Performance-based compensation will improve absorption	2.88	Moderate
Implementation irregularities	2.91	Moderate
Preparation of mature projects on time	1.38	Very Low
Management of future EU Structural and Cohesion Funds	1.38	Very Low
Motivation to achieve results	1.97	Low
Professional training to meet EU standards	1.81	Low
Sufficiency of staff to meet workload demands	1.31	Very Low
Institutional coordination effectiveness	2.13	Low
Overall significance of administrative factors	4.78	Very High

Source: Own work

Figure 3 visualizes these results, illustrating the stark contrasts across different administrative sub-dimensions.

Figure 3: Administrative factor dimensions by average score



Source: Own work

Administrative factors emerged as the most significant determinant of absorption capacity (overall mean = 4.78). The results, however, show a paradox: while respondents overwhelmingly agree that administrative dimensions are critical, most sub-dimensions received low or very low scores. This indicates that administration is both the most important and the most problematic factor.

The highest-rated dimension is staff turnover as a barrier (mean = 4.75). Respondents stressed that frequent staff changes erode institutional memory, reduce efficiency, and delay implementation. This aligns with EU progress reports that identify discontinuity as a major weakness of the Macedonian public administration.

By contrast, several sub-dimensions scored extremely low. These include staff sufficiency (1.31), preparedness for managing future Structural and Cohesion Funds (1.38), structured training and capacity building (1.81), and motivation (1.97). Such results highlight systemic human resource deficiencies ranging from understaffing and skills gaps to weak professional incentives. Moderate results were recorded for implementation irregularities (2.91) and support for performance-based compensation (2.88). Respondents agreed that merit-based reward systems could improve performance, but noted these practices are largely absent.

Overall, the findings show that administrative capacity is the most significant yet weakest factor shaping EU fund absorption. Strengthening staff retention, providing professional training, and achieving a balanced workload will be essential for improving performance under IPA III and preparing for the management of post-accession Structural and Cohesion Funds.

Beyond these average scores, the descriptive statistics provide a deeper insight into the magnitude of administrative weaknesses and the degree of consensus among respondents. Administrative items show relatively low dispersion overall, with standard deviations typically ranging from 0.47 to 0.86 and response ranges of only 1 or 2 across all sub-dimensions. This pattern indicates that respondents across different ministries and institutional levels broadly share the same perceptions regarding administrative performance, reinforcing that the identified weaknesses are systemic rather than isolated.

The lowest-rated sub-dimensions also exhibit very low median values, confirming shared judgments regarding insufficient staffing (Q15, M = 1.31; Md = 1.00; SD = 0.47), limited preparedness for managing future Structural and Cohesion Funds (Q18, M = 1.38; Md = 1.00; SD = 0.49), and inadequate project preparation capacity (Q10, M = 1.38; Md = 1.00; SD = 0.49). The combination of very low means and medians with low standard deviations signals an almost unanimous agreement on these shortcomings. Results for motivation (Q13, M = 1.97; Md = 2.00; SD = 0.78) and training aligned with EU standards (Q14, M = 1.81; Md = 2.00; SD = 0.86) further confirm that the administrative workforce lacks incentives and sufficient professional development.

High mean values for staff turnover (Q17, M = 4.75; Md = 5.00; SD = 0.44) and the overall significance of administrative factors (Q19, M = 4.78; Md = 5.00; SD = 0.42) are accompanied by the lowest dispersion in the dataset. These results reflect an exceptionally strong consensus among respondents that turnover, instability, and human resource fragmentation are among the most critical barriers to effective EU fund management. The simultaneous presence of very high means and very low standard deviations indicates that this is not merely a dominant view but a near-universal one among IPA experts.

Taken together, the descriptive statistics substantiate the conclusion that administrative capacity represents the central bottleneck in North Macedonia's absorption capacity. The alignment of low central tendency values, low medians, and narrow dispersion across most administrative sub-dimensions demonstrates that these weaknesses are widely recognized, structurally embedded, and consistently observed across institutions. This reinforces the need for comprehensive administrative reforms focused on staffing, retention, training, and motivation as prerequisites for improving absorption under IPA III and for preparing the country for post-accession management responsibilities.

5.4 Financial factors

Financial factors concern the national fiscal framework, budget planning, and the capacity of the public financial management (PFM) system to align with EU regulations. Respondents evaluated the financial dimensions, summarized in Table 7 and also visualized at Figure 4.

Table 7: Financial factor dimensions – summary of average scores

Financial Dimension	Average Score	Interpretation
Non-productive expenditures burden	4.75	Very High
Government budget planning	4.25	High
Public financial management (PFM) system flexibility	3.88	High
Public debt impact	3.06	Moderate
Delays in national fund disbursement	3.03	Moderate
Internal financial controls and audit mechanisms	2.69	Moderate
Financial reporting alignment with EU standards	1.84	Low
Timely co-financing through the national budget	2.94	Moderate
Overall significance of financial factors	3.00	Moderate

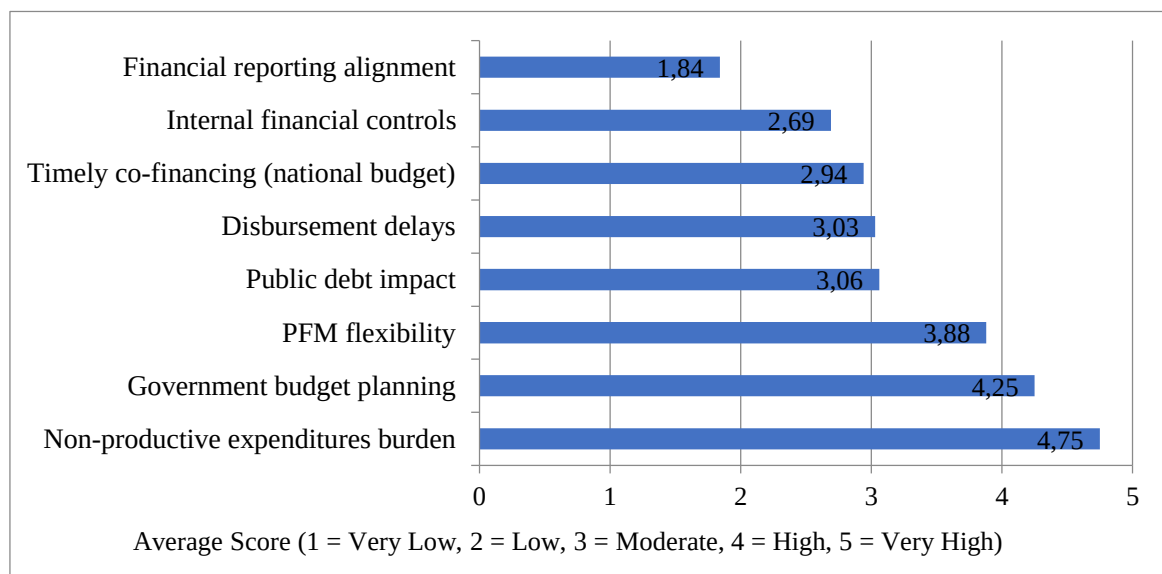
Source: Own work

Financial factors are perceived as moderately significant overall (mean = 3.00), but the scores show strong internal variation. Non-productive expenditures (4.75) are seen as reducing the fiscal space available for co-financing EU projects. Government budget planning (4.25) and the flexibility of the PFM system (3.88) were also rated positively, suggesting that fiscal planning and adaptability are relatively well-developed. Financial

reporting (1.84) and internal controls/audits (2.69) were judged insufficient, raising concerns about monitoring and credibility. Timely co-financing (2.94) and disbursement delays (3.03) indicate problems with budget execution and cash flow management.

These findings are consistent with broader research that emphasizes the importance of effective absorption, which depends not only on fiscal capacity but also on credible accountability mechanisms (Surubaru, 2017).

Figure 4: Financial factor dimensions by average score



Source: Own work

Beyond the average scores, the descriptive statistics provide further insight into the internal variation and the degree of consensus regarding financial determinants. The financial factors exhibit a wider spread of perceptions compared to institutional, administrative, and political factors. While several items show strong agreement, such as non-productive expenditures (Q22, M = 4.75; Md = 5.00; SD = 0.44) and government budget planning (Q21, M = 4.25; Md = 4.50; SD = 0.84), others display much greater variability. This uneven dispersion suggests that respondents broadly agree on the relevance of fiscal space and budget planning, but they differ more substantially in their experiences with the implementation of financial procedures inside institutions.

Financial reporting aligned with EU standards (Q25) stands out as the most problematic sub-dimension, combining a low mean with one of the highest standard deviations (M = 1.84; Md = 1.50; SD = 0.92). This indicates poor performance as well as significant inconsistency across institutions. Some appear to meet EU requirements reasonably well, while others lag substantially behind. Such disparities can lead to delays in payment claims, audit corrections, and credibility risks vis-à-vis the European Commission, highlighting the need for more uniform internal financial capacities across the IPA administration.

Moderate-scoring items such as public debt impact (Q23, M = 3.06; Md = 3.00; SD = 0.80), delays in national fund disbursement (Q24, M = 3.03; Md = 3.00; SD = 0.78), and adequacy of internal controls (Q26, M = 2.69; Md = 3.00; SD = 0.69) show standard deviations between 0.69 and 0.86, indicating that perceptions of these financial constraints vary but remain relatively clustered. These patterns suggest that broader macro-fiscal conditions and cash-flow issues affect institutions in similar ways, while internal control and audit mechanisms show more heterogeneous performance.

The flexibility of the PFM system (Q27, M = 3.88; Md = 4.00; SD = 0.75) and the national budget's ability to ensure timely and stable co-financing (Q20, M = 2.94; Md = 3.00; SD = 0.76) also show moderate dispersion, reinforcing the interpretation that while the overarching PFM framework is generally perceived as functional, bottlenecks in execution and cash-flow predictability persist. The overall significance of financial factors (Q28, M = 3.00; Md = 3.00; SD = 0.84) further confirms that, although important, financial constraints are not seen as the primary barrier to absorption. This variability across financial sub-dimensions supports the conclusion that financial determinants do not represent a uniform constraint; instead, they operate through a combination of systemic fiscal limitations and institution-specific vulnerabilities, particularly in financial reporting and internal control.

Taken together, the descriptive statistics reveal that financial factors play an important but secondary role in shaping absorption capacity. Their influence is neither negligible nor dominant: high scores and low dispersion on fiscal-space items signal widely shared concerns about budget structure, while high dispersion and low means on financial reporting and internal control indicate capacity gaps that vary significantly across institutions. This dual structure confirms that financial weaknesses tend to amplify administrative and governance shortcomings, rather than independently determining absorption outcomes.

5.5 Macroeconomic factors

Macroeconomic factors reflect the broader economic environment that indirectly affects the absorption capacity, including GDP size, economic growth, fiscal stability, inflation, infrastructure, and regional disparities. Table 8 summarizes the average scores of the macroeconomic sub-dimensions, which are also presented in Figure 5.

Table 8: Macroeconomic factor dimensions – summary of average scores

Macroeconomic Dimension	Average Score	Interpretation
Infrastructure development	4.22	High
Regional disparities	4.00	High
Economic stability	4.00	High
Economic growth	3.81	High
Alignment with EU standards	3.81	High
Inflation	3.72	High

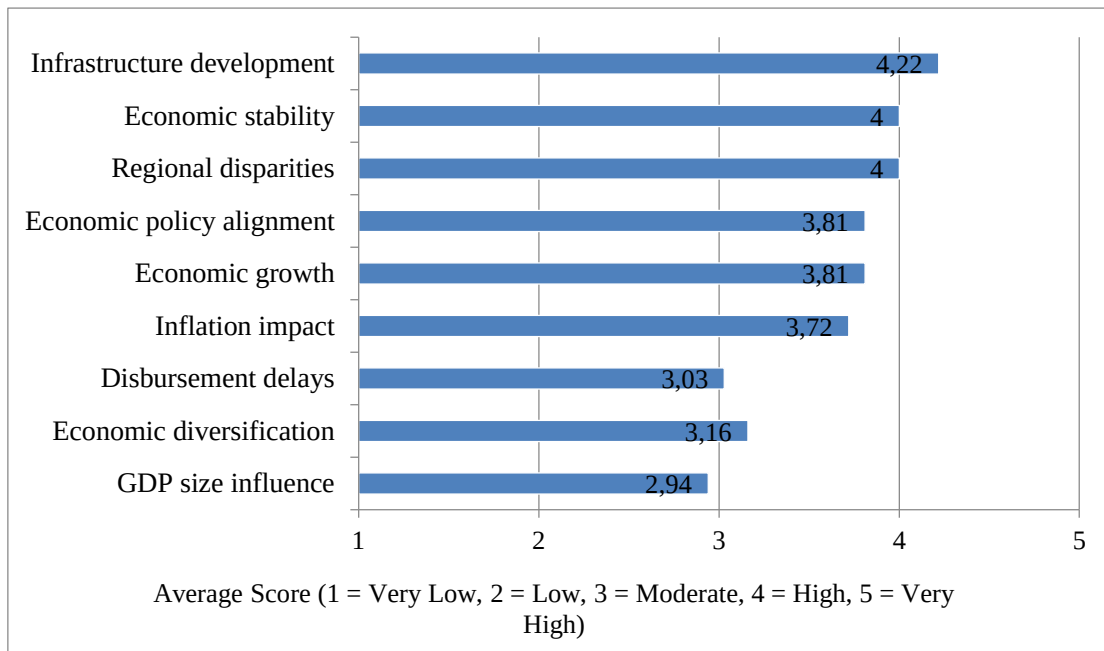
Economic diversification	3.16	Moderate
North Macedonia's GDP size	2.94	Moderate
Overall significance of macroeconomic factors	3.00	Moderate

Source: Own work

The results show that macroeconomic factors were rated as moderately significant overall (mean = 3.00), although several individual sub-dimensions were evaluated as highly significant. The highest scores were given to infrastructure development (mean = 4.22), economic stability (mean = 4.00), and regional disparities (mean = 4.00), which underscores the view that structural development and balanced regional growth are essential for maximizing EU fund absorption. Respondents also considered economic growth (mean = 3.81) and policy alignment with the EU acquis (mean = 3.81) as important, reflecting the need for sustained growth and harmonized frameworks. Inflation (mean = 3.72) was highlighted as a relevant concern, indicating that macroeconomic volatility can disrupt project financing and implementation.

By contrast, GDP size (mean = 2.94) and economic diversification (mean = 3.16) were evaluated as only moderately significant, suggesting that while relevant, they are not perceived as the most immediate constraints compared to infrastructure and stability.

Figure 5: Macroeconomic factor dimensions by average score



Source: Own work

Overall, the findings indicate that macroeconomic conditions provide an enabling environment, but they are not regarded as the primary determinants of absorption capacity

when compared to administrative and political dimensions. Nevertheless, infrastructure development, stable economic growth, and cohesive regional policies remain key complementary drivers of absorptive performance. These conclusions are consistent with studies emphasizing that sound macroeconomic fundamentals serve as an essential precondition for effective EU fund absorption (Bachtler & McMaster, 2008).

Beyond these average scores, the descriptive statistics provide additional insights into the distribution and consistency of respondents' assessments of macroeconomic conditions. Compared to financial and institutional factors, macroeconomic factors exhibit moderate and relatively uniform dispersion, with standard deviations generally ranging between 0.71 and 0.84 and a consistent response range of 2 across all sub-dimensions. This indicates that while respondents differ to some extent in their evaluations, their perceptions remain broadly aligned and without extreme divergence.

High-scoring items such as infrastructure development (Q34, $M = 4.22$; $Md = 4.00$; $SD = 0.71$), economic stability (Q31, $M = 4.00$; $Md = 4.00$; $SD = 0.84$), and regional disparities (Q36, $M = 4.00$; $Md = 4.00$; $SD = 0.84$) show strong central tendency values and moderate dispersion. This consistency suggests shared recognition of the essential role these structural conditions play in shaping the country's ability to design, implement, and sustain EU-funded projects. Economic growth (Q30, $M = 3.81$; $Md = 4.00$; $SD = 0.82$), inflation (Q32, $M = 3.72$; $Md = 4.00$; $SD = 0.77$), and policy alignment with EU standards (Q33, $M = 3.81$; $Md = 4.00$; $SD = 0.74$) similarly reflect stable and positive assessments, reinforcing the conclusion that respondents view broader macroeconomic dynamics as supportive to absorption.

In contrast, GDP size (Q29, $M = 2.94$; $Md = 3.00$; $SD = 0.76$) and economic diversification (Q35, $M = 3.16$; $Md = 3.00$; $SD = 0.81$) score in the moderate range, with slightly higher variation. This suggests that while the country's scale and structural composition are recognized constraints, they are not considered decisive obstacles in the way that administrative or political factors are. Their moderate medians and SD values indicate that respondents recognize inherent limitations of a small and concentrated economy, but do not attribute low absorption performance directly to these macroeconomic characteristics.

Taken together, the descriptive statistics show that macroeconomic factors form a coherent and broadly agreed-upon enabling environment, characterized by high means, medians of 4.00 on most items, and moderate dispersion. These findings reinforce that macroeconomic conditions matter, but they operate primarily as background enablers rather than core barriers. As such, improvements in macroeconomic fundamentals can support absorption, but they cannot compensate for the deeper systemic constraints, particularly administrative and political, that respondents overwhelmingly identified as primary determinants of absorption capacity.

5.6 Political factors

Political factors encompass stability, transparency, commitment, and governance practices that shape the overall environment for EU fund management. Respondents assessed nine sub-dimensions, summarized in Table 9 and also graphically presented in Figure 6.

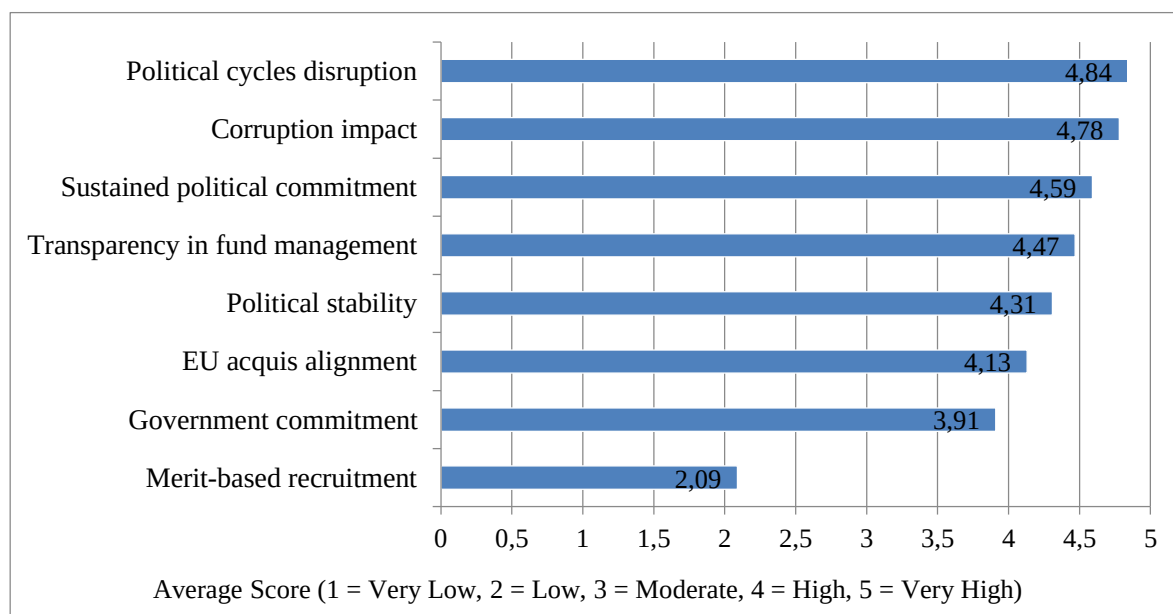
Table 9: Political factor dimensions – summary of average scores

Political Dimension	Average Score	Interpretation
Disruption from political cycles	4.84	Very High
Corruption	4.78	Very High
Sustained political commitment	4.59	Very High
Transparency in fund management	4.47	High
Political stability	4.31	High
Alignment with the EU acquis	4.13	High
Merit-based recruitment for IPA roles	2.09	Low
Overall significance of political factors	4.28	High

Source: Own work

At the same time, respondents acknowledged enabling dimensions within the political framework.

Figure 6: Political factor dimensions by average score



Source: Own work

The findings show that political factors are highly significant overall (mean = 4.28), ranking second only to administrative factors. Respondents expressed the strongest concerns regarding the disruptive effect of political cycles (mean = 4.84) and the prevalence of corruption (mean = 4.78). These issues were described as undermining continuity in EU fund management, eroding trust, and reducing efficiency. Elections, cabinet reshuffles, and politicization of decision-making were perceived as particularly damaging to long-term planning and stability.

Sustained political commitment (mean = 4.59), transparency in fund management (mean = 4.47), and political stability (mean = 4.31) were all rated highly, suggesting that when present, these elements can provide accountability, predictability, and the conditions necessary for effective long-term planning. Alignment with the EU *acquis* (mean = 4.13) was also positively evaluated, reflecting the importance of harmonization with EU standards for strengthening absorption performance.

By contrast, merit-based recruitment for IPA roles was evaluated very low (mean = 2.09), highlighting widespread concerns about politicized appointments and their negative impact on professionalism and the quality of the IPA administration. This weakness directly reinforces the administrative deficiencies identified earlier.

Finally, the results suggest that the political environment exerts a decisive influence on absorption capacity. Stability, transparency, and commitment can enable effective management, while corruption, political cycles, and politicized appointments represent critical vulnerabilities. These findings are consistent with research emphasizing that good governance and political stability are among the most important determinants of EU fund absorption in enlargement contexts (Surubaru, 2017).

Beyond the mean values, the descriptive statistics reveal a high degree of consensus among respondents regarding the political determinants of absorption. Political factors display some of the lowest dispersion in the entire dataset, particularly for the most problematic items. Disruption from political cycles (Q45, M = 4.84; Md = 5.00; SD = 0.37) and corruption (Q39, M = 4.78; Md = 5.00; SD = 0.42) demonstrate exceptionally high agreement. These values indicate not only that respondents perceive these issues as severe, but that this perception is nearly unanimous across institutions.

High-performing sub-dimensions also show tight clustering. Political commitment (Q42, M = 4.59; Md = 5.00; SD = 0.50), transparency in fund management (Q40, M = 4.47; Md = 4.00; SD = 0.51), and political stability (Q38, M = 4.31; Md = 4.50; SD = 0.78) display moderate dispersion, suggesting shared recognition of the importance of these enabling governance conditions. Their medians of 4.00 or 5.00 further confirm that respondents view stable and accountable governance as essential for effective absorption.

Alignment with the EU acquis (Q43, $M = 4.13$; $Md = 4.00$; $SD = 0.75$) shows slightly higher variability but remains strongly positive. This suggests that while harmonization with the acquis is broadly progressing, implementation quality varies across sectors, shaping different experiences with absorption procedures.

In contrast, merit-based recruitment for IPA roles (Q44, $M = 2.09$; $Md = 2.00$; $SD = 0.73$) shows both low central tendency and elevated dispersion. This indicates not only weak performance in meritocratic practices but also inconsistency across institutions; some apply meritocratic standards far better than others. This variability reinforces the interpretation that politicized appointments are a major constraint that directly undermines administrative capacity.

The overall significance of political factors (Q46, $M = 4.28$; $Md = 4.00$; $SD = 0.77$) confirms that the political environment is widely seen as a decisive determinant of absorption. The combination of uniformly high means, low to moderate standard deviations, and medians of 4.00 or 5.00 across most political sub-dimensions illustrates that respondents consistently view political stability, integrity, and long-term commitment as essential for managing EU funds effectively.

Taken together, these results confirm that political factors represent the second most influential factor affecting the absorption capacity, closely following administrative factors. Their relatively low dispersion and uniformly high central tendency values demonstrate that political conditions are not only important but consistently and strongly recognized across all surveyed experts. This reinforces the broader conclusion that improving governance, integrity, and meritocratic practices is indispensable for strengthening North Macedonia's overall EU funds absorption performance.

5.7 Thematic insights from open-ended questions

The second part of the questionnaire included four open-ended questions (Q47–Q50), allowing respondents to share reflections, experiences, and examples in their own words. This qualitative component provides deeper insights into the survey results, highlighting not only what experts think but also why they hold such views. Thematic coding of the responses revealed recurring ideas, which were grouped into broader themes and sub-themes.

5.7.1 Main challenges hindering the absorption capacity

Responses about the main challenges constraining absorption, respondents identified four dominant issues: staff shortages, politicized appointments, weak interinstitutional coordination, and limited ownership among beneficiaries.

The most frequently mentioned problem was staff shortages. Respondents stressed the absence of long-term retention policies, inadequate salaries, limited career development opportunities, and the lack of structured training and capacity building. Several emphasized that civil servants managing EU funds are “undertrained and overburdened,” leading to delays, weaker project quality, and difficulties in ensuring sustainability. Brain drain was another recurring concern, with experienced staff leaving for international organizations or the private sector, which directly undermines institutional memory and continuity. These perceptions are consistent with the very low scores for staff sufficiency (1.31) and training (1.81) presented earlier.

The second issue raised was the politicization of appointments, particularly in senior positions. Respondents argued that leadership roles are often filled on the basis of political loyalty rather than professional merit. One participant noted: “The key figures in the decision-making process are not merit-based appointed, but rather political, and therefore professionalism is in question.” Such practices were described as creating a “culture of mediocrity” that discourages capable staff and undermines institutional credibility.

Weak interinstitutional coordination was the third recurring theme. Overlapping mandates, unclear responsibilities, and procedural redundancies across ministries were described as serious bottlenecks. Respondents noted that beneficiaries often receive inconsistent instructions, resulting in additional delays. These comments are consistent with the low ratings for institutional efficiency and coordination reported in the quantitative results.

Finally, several respondents pointed to limited ownership among beneficiaries, particularly local governments and civil society organizations. Effective implementation, they argued, requires commitment not only from central authorities but also from the end beneficiaries themselves. One respondent emphasized that “effective implementation requires commitment, both political and by the final beneficiaries through their ownership of the process.”

Overall, the responses to this question reinforce the centrality of administrative and political weaknesses identified in the quantitative survey.

5.7.2 Measures to improve absorption capacity

In identifying measures to strengthen absorption capacity, respondents provided a wide range of suggestions. Despite this variety, five reform priorities stood out: merit-based recruitment and promotion, structured training and capacity building, financial and motivational incentives, digitalization of processes, and continuity of reforms across political cycles.

The most mentioned recommendation was the introduction of a transparent, merit-based system for recruitment and promotion. Respondents strongly criticized current politicized practices and emphasized the need to restore professionalism and credibility. One expert remarked: “Merit-based appointments of key figures in the decision-making process of the institutions involved in EU funds are essential if we want to achieve credibility and results.”

The second priority was structured training and capacity-building. Respondents highlighted that EU fund management requires both specialized knowledge and ongoing professional development, suggesting the establishment of certification schemes and standardized curricula on EU procedures. As one noted, “Proper training of staff working with EU funds is crucial to ensure effective and timely implementation.” This aligns with international best practices, which view capacity building as a prerequisite for effective absorption (OECD, 2020).

Third, respondents pointed to financial and motivational incentives. Low salaries and limited career prospects were seen as major causes of staff turnover. One expert observed: “The salary of an IPA employee is lower than that of an ordinary cashier in a supermarket.” Performance-based incentives were suggested as a way to link pay to results and strengthen accountability.

Fourth, digitalization of procedures—such as e-procurement, online monitoring dashboards, and integrated project management platforms—was considered key to reducing bureaucracy and enhancing transparency. Finally, respondents emphasized the importance of continuity across political cycles, noting that frequent reshuffles and shifting priorities hinder the implementation of reforms.

Finally, continuity across political cycles was considered essential. Respondents observed that frequent cabinet reshuffles and shifting ministerial priorities disrupt reforms and prevent the accumulation of institutional expertise. One participant remarked: “Without continuity and stability, even the best-designed measures cannot deliver results.”

Taken together, the answers suggest that experts envision the future of absorption capacity in terms of professionalization, capacity development, digital innovation, and long-term political stability.

5.7.3 Best practices from other countries

Respondents were also asked to identify international best practices that could be adapted to strengthen absorption capacity in North Macedonia. Their answers referred most frequently to Slovenia, Croatia, Estonia, Ireland, and the Nordic countries, with emphasis on the need for adaptation rather than pure replication.

Slovenia was cited as a regional model of effective absorption. Respondents emphasized its early investment in capacity building, the establishment of independent implementation agencies staffed by technical experts, and the alignment of project pipelines with national development priorities. One participant stated: “Slovenia has the best model in the region in terms of managing structural and cohesion funds... it is not overloaded with excessive regulations, and therefore functions more effectively.” These reflections align with international evaluations that highlight Slovenia’s effective institution-building in the pre-accession period (IMF, 2024).

Croatia was highlighted for creating specialized implementation bodies and digitalizing project management systems. Several respondents argued that adopting a similar approach could help North Macedonia reduce its vulnerability to political changes.

Estonia was praised for its digital governance innovations, particularly the use of e-government platforms and performance-based programming. Respondents viewed these practices as directly applicable in North Macedonia, given recurring concerns about bureaucracy and inefficiency.

Ireland and the Netherlands were referenced for their emphasis on transparency and centralized information portals, while the Nordic states were recognized for career-based civil services and strong inter-ministerial coordination.

Importantly, respondents cautioned against direct replication of foreign models. One expert remarked: “We can learn from others, but we need to design solutions that work within our own system.” This suggests an understanding that contextual adaptation is crucial, given North Macedonia’s unique institutional and political landscape.

In sum, international experiences are perceived as inspiration and benchmarks rather than ready-made solutions. The most frequently endorsed directions for reform are Slovenia’s capacity-building and agency model, Estonia’s digitalization, and Nordic professionalization practices.

5.7.4 Additional comments and recommendations

The final open-ended question asked respondents to provide any further reflections. Their answers largely reinforced previous themes, but also offered broader perspectives on governance and strategy.

One frequently mentioned point was the need for a change in administrative culture. Respondents emphasized that professionalism, integrity, and a stronger sense of public service should guide the management of EU funds. Some expressed frustration with current practices, urging decision-makers to “stop tolerating mediocrity” and to “put professionalism first.”

Several respondents called for stronger political leadership and oversight. Proposals included appointing a single high-level IPA coordinator with cross-ministerial authority, which could help overcome institutional fragmentation and ensure greater coherence.

Integration of IPA programming into national planning frameworks was another recurring theme. Respondents suggested aligning EU-funded projects with the Medium-Term Expenditure Framework and national capital investment plans to improve consistency between EU support and domestic priorities.

Transparency and citizen engagement were also highlighted. Respondents proposed publishing project information, evaluation reports, and beneficiary feedback, as well as conducting awareness campaigns to strengthen public understanding of the role of EU funds.

Finally, some respondents advocated for a reconceptualization of EU funds, arguing that they should be viewed not merely as external financial assistance, but as a strategic tool for reform and modernization. One expert described them as a “transformative mechanism for enhancing governance and promoting economic growth.”

The findings presented in this part indicate that administrative weaknesses and political governance challenges are the main barriers to EU fund absorption, while financial and macroeconomic conditions play a supportive but less decisive role. These results provide the foundation for the subsequent discussion of their broader implications and the formulation of policy recommendations.

6 DISCUSSION AND IMPLICATIONS

This chapter discusses the findings in relation to the existing literature and the theoretical framework. It interprets how the identified factors influence absorption capacity and explains their implications for policy and practice. The discussion integrates both quantitative and qualitative findings to provide a holistic understanding of the challenges within the IPA management system in North Macedonia.

6.1 Summary of main findings

The results demonstrate that administrative and political factors are the central constraints shaping North Macedonia’s absorption capacity, outweighing institutional, financial, and macroeconomic factors. The expert survey revealed a strong and consistent consensus that weaknesses in staffing, training, coordination, and human resource stability represent the core bottlenecks. Administrative factors received the highest aggregated score ($M = 4.78$), with exceptionally low dispersion across respondents, signalling near-unanimous agreement. This confirms the prevailing view in the literature that administrative quality is the most

decisive element of absorption in pre-accession environments (Katsarova, 2013; Mrak & Tilev, 2008).

Political factors ranked second ($M = 4.28$), driven primarily by the disruptive impact of political cycles and perceived corruption. Respondents highlighted how changes in government, cabinet reshuffles, and politicised appointments systematically interrupt project pipelines, delay decision-making, and weaken institutional continuity. This aligns with comparative findings showing that political stability and governance integrity are necessary preconditions for effective absorption (Surubaru, 2017). The exceptionally high scores for political-cycle disruptions ($M = 4.84$) and corruption ($M = 4.78$), combined with their low standard deviations, indicate that these challenges are not isolated incidents but systemic features of the administrative environment.

Institutional factors were evaluated as moderately important ($M = 2.72$), but their internal structure reveals a familiar pattern: strong legal frameworks and good transparency coexist with weak coordination, slow decision-making, and overlapping responsibilities. The literature frequently identifies this gap between “formal compliance” and “practical performance” in Western Balkan administrations (European Commission, 2024a; SIGMA, 2023). Respondents echoed this duality, acknowledging the existence of legal and procedural frameworks while emphasising that their implementation remains inconsistent.

Financial and macroeconomic factors (both $M = 3.00$) were also seen as moderately significant. Respondents recognised that budget planning, economic stability, and infrastructure development provide an important enabling environment, but they consistently viewed these determinants as secondary to administrative and governance issues. This finding supports earlier research arguing that fiscal constraints matter, but they rarely form the primary barrier in pre-accession states (Bachtler & McMaster, 2008). The higher variability in financial reporting and internal controls suggests uneven institutional performance, which can exacerbate administrative weaknesses.

The qualitative findings reinforce this interpretation. Respondents called for merit-based recruitment, structured training, reduction of turnover, clearer coordination mechanisms, digitalisation, and continuity across political cycles. These recommendations reflect concerns widely discussed in policy documents and academic analyses of EU fund management in the region (Tilev, 2021; OECD SIGMA, 2023; OLAF, 2023). They also highlight awareness among practitioners that technical reforms are insufficient without broader governance improvements.

Taken together, the results confirm that absorption challenges in North Macedonia are primarily governance-related, not macroeconomic or financial. The combination of weak administrative capacity and persistent political pressures forms a structural barrier that shapes every stage of the project cycle—from programming and preparation to procurement and implementation.

6.2 Research limitations

Several limitations should be considered when interpreting these findings. First, the study relied on a purposive sample of 31 senior experts, which limits statistical generalisation. The goal, however, was to obtain informed assessments from practitioners directly engaged in EU funds management rather than to produce population-wide estimates.

Second, the reliance on self-reported perceptions introduces potential bias. Respondents may emphasise challenges more strongly in areas they experience personally or underplay constraints outside their immediate responsibilities.

Third, the data reflects institutional conditions in 2024. Given that public administration and EU programming procedures evolve over time, the findings capture a specific institutional moment rather than long-term trends.

Finally, qualitative insights were based on written responses, which, although valuable, are less detailed than interview-based qualitative data. Future research could expand the qualitative component by conducting semi-structured interviews or cross-case comparisons. Despite these limitations, the depth of professional experience in the sample increases the credibility of the results and strengthens the reliability of the implications presented below.

6.3 Implications

The results of this study have several implications for public administration reform and EU fund management in North Macedonia. First, the exceptionally high ratings for administrative determinants confirm that strengthening human resource capacity must remain the central priority for improving absorption. Merit-based recruitment, retention of experienced staff, and systematic training are essential for building expertise within IPA structures. Respondents also highlighted that clearer internal procedures, balanced workload distribution, and broader digitalisation would reduce delays and increase predictability. These findings correspond closely with the European Commission's public administration reform guidance and reinforce the need for a more professional and stable civil service.

Second, the study underscores the importance of governance quality and political accountability. Disruptions caused by political cycles and concerns about corruption undermine continuity and weaken institutional credibility. Stabilising leadership within EU fund units, reducing the exposure of administrative staff to political reshuffles, and strengthening integrity and oversight mechanisms would contribute to a more reliable administrative environment. These implications align with the priorities identified in SIGMA assessments and recent OLAF reports, which emphasise depoliticisation and transparency as key conditions for effective absorption.

Third, the moderate ratings for institutional factors suggest that coordination across ministries and clearer delineation of responsibilities remain necessary. Many of the delays identified by respondents reflect fragmented mandates and slow decision-making procedures. Enhancing interinstitutional cooperation and simplifying procedural chains would help accelerate project pipelines and improve overall implementation capacity. While financial and macroeconomic conditions were not viewed as primary determinants, improvements in internal controls, financial reporting, and the predictability of national co-financing would strengthen the enabling environment for fund management and reduce audit risks.

From a theoretical standpoint, these findings support the argument that governance, administrative professionalism, and political stability play a more decisive role in shaping absorption capacity than macroeconomic fundamentals in pre-accession contexts. The study contributes updated, country-specific evidence for the IPA III period and demonstrates the value of integrating expert-based quantitative and qualitative assessments. This methodological approach can serve as a foundation for future research, particularly comparative studies across Western Balkan administrations.

7 CONCLUSION

This master's thesis examined and analyzed the key factors affecting North Macedonia's capacity to absorb EU funds, focusing on institutional, administrative, financial, macroeconomic and political factors and their dimensions. The research demonstrated that the main constraints are not technical or financial in essence, but primarily stem from good governance and human resource challenges across the IPA management system. Administrative capacity emerged as the most significant factor, with persistent issues such as staff shortages, limited training, and high turnover disrupting project preparation and implementation. Institutional fragmentation, uneven coordination, and the varying maturity of project pipelines further constrain performance, while political instability and frequent shifts in priorities hinder continuity and long-term planning.

The findings are based on original primary data collected from senior experts within the IPA administration, providing rare empirical insight into the operational realities of EU fund management in North Macedonia. The survey results reveal a consistent perception that improving administrative professionalism, ensuring merit-based recruitment, and strengthening institutional cooperation are essential for enhancing absorption outcomes. These insights align with broader regional and European evidence, which similarly highlights administrative capacity as the cornerstone of effective pre-accession fund management. All together, the results underscore the need for targeted reforms focused on HR stability, strengthened coordination structures, improved project preparation, and more predictable political and strategic governance and steering.

These conclusions carry practical relevance for policymakers and institutions responsible for managing EU funds. The evidence presented in this thesis offers a realistic basis for prioritising actions that can yield measurable improvements within the current IPA framework and prepare the Macedonian public administration for the greater financial and procedural complexity of EU Structural and Cohesion Funds after EU accession. Strengthening training systems, enhancing procurement expertise, increasing staff retention and continuity, and adopting more coherent planning processes are likely to provide the most immediate improvements in the absorption capacity performance.

Overall, the study contributes to the existing literature by providing a country-specific, data-driven assessment of the determinants of absorption capacity in North Macedonia. By linking conceptual insights with empirical findings, it offers a clearer understanding of the mechanisms through which administrative, institutional, and political factors influence results. While future research could expand the analysis through longitudinal data or comparative studies, the evidence presented here confirms that reinforcing administrative capacity and institutional stability remains central to improving the effective use of EU funds and advancing North Macedonia's path toward full EU membership.

In conclusion, strengthening absorption capacity is a strategic priority for North Macedonia in the context of EU membership. EU funds represent a financial opportunity, but also a very important test of administrative competence and political commitment. By addressing the administrative and governance weaknesses identified in this research, North Macedonia can improve the effectiveness of EU support, reinforce the credibility of its accession efforts and deliver tangible benefits and better living standards to its citizens. Enhancing absorption capacity is not merely a technical objective but a strategic necessity for North Macedonia to signal institutional maturity and readiness for EU membership. Bridging these identified gaps is critical for aligning with EU accession benchmarks. A more robust absorption system will signal the country's readiness to assume the responsibilities associated with full EU membership.

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APPENDICES

Appendix 1: Factors' Assessment Questionnaire

This questionnaire is part of a master's thesis research project with the title “**Analysis of the Factors Affecting the Absorption Capacity of EU Funds in North Macedonia**” at the University of Ljubljana, School of Economics and Business. The purpose is to assess expert opinions on factors affecting the absorption capacity of EU funds in North Macedonia. All responses are anonymous and will be used solely for academic purposes.

I consent that my anonymous responses may be used for academic research purposes.

☐ I agree

Respondent Information

Name and Surname (optional): _____

Gender:

☐ Male

☐ Female

☐ Prefer not to say

Institution of Employment:

☐ Ministry of European Affairs

☐ Ministry of Finance

☐ Ministry of Economy

☐ Ministry of Justice

☐ Ministry of Internal Affairs

☐ Ministry of Health

☐ Ministry of Environment and Physical Planning

☐ Ministry of Local Self-Government

☐ Ministry of Information Society and Administration

☐ Ministry of Labor and Social Policy

☐ Ministry of Education and Science

☐ Ministry of Transport and Communications

☐ Ministry of Agriculture, Forestry and Water Economy

☐ Other (please specify): _____

Work Experience in the Area of EU Funds:

- ☐ 5–10 years
- ☐ 10–15 years
- ☐ 15–20 years
- ☐ 20+ years

1. Institutional Factors

This section examines the formal and structural setup of IPA institutions, including legal frameworks, internal procedures, interinstitutional cooperation, and transparency.

Please assess each question using the following scale: 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

1. To what extent are IPA institutions prepared to absorb EU funds effectively?
2. To what extent is the current IPA institutional structure conducive to efficient EU fund management?
3. To what extent do current legal frameworks enable effective absorption of EU funds?
4. To what extent are the work procedures within IPA institutions clearly defined?
5. To what extent are the decision-making procedures within IPA institutions timely and efficient?
6. To what extent is interinstitutional collaboration among government institutions effective for EU fund absorption?
7. To what extent is collaboration between public institutions and NGOs/private sector effective in the context of EU funds?
8. To what extent is information about EU funds accessible and transparent to stakeholders?
9. Overall, how significant are institutional factors in determining the absorption capacity of EU funds in North Macedonia?

2. Administrative Factors

This section assesses the human resource and operational capacity of the IPA administration, including staff competence, internal coordination, training, and motivation.

Please assess each question using the following scale: 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

10. To what extent is the IPA administration capable of preparing mature projects on time?
11. To what extent is institutional coordination effective in managing EU funds?
12. To what extent are implementation irregularities observed in EU-funded projects?
13. To what extent is the IPA administration motivated to achieve results?
14. To what extent is the IPA administration professionally trained to meet EU standards?
15. To what extent is the number of employees within the IPA administration sufficient to meet workload demands?
16. To what extent do you agree with the following: “Performance-based compensation for the IPA administration would significantly improve the absorption of EU funds”?
17. To what extent is staff turnover within the IPA administration a barrier to efficient fund absorption?
18. To what extent is the IPA administration prepared to manage future EU Structural and Cohesion Funds?
19. Overall, how significant are the administrative factors in determining the absorption capacity of EU funds in North Macedonia?

3. Financial Factors

This section addresses the availability, planning, and management of financial resources, including co-financing capacity, budget allocations, and financial control mechanisms.

Please assess each question using the following scale: 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

20. To what extent is the national budget able to ensure timely and stable co-financing of EU projects?
21. To what extent does the government effectively plan and allocate budget funds for EU projects?
22. To what extent do non-productive expenditures burden the national budget and affect EU fund absorption?

23. To what extent does public debt impact the effective use of EU funds?
24. To what extent are delays in national fund disbursement affecting project implementation and absorption?
25. To what extent is financial reporting capacity aligned with EU requirements and standards?
26. To what extent are internal financial controls and audit mechanisms adequate for managing EU funds?
27. To what extent is the public financial management (PFM) system flexible enough to adapt to EU fund requirements?
28. Overall, how significant are the financial factors in determining the absorption capacity of EU funds in North Macedonia?

4. Macroeconomic Factors

This section focuses on broader national economic conditions that influence fund absorption, including economic growth, inflation, infrastructure, and regional disparities.

Please assess each question using the following scale: 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

29. To what extent does North Macedonia's GDP size influence the absorption of EU funds?
30. To what extent does the country's economic growth influence the absorption of EU funds?
31. To what extent does the country's economic stability affect the absorption of EU funds?
32. To what extent does inflation affect the absorption of EU funds?
33. To what extent are national economic policies aligned with EU standards?
34. To what extent does infrastructure development influence the absorption of EU funds?
35. To what extent could economic diversification enhance the absorption capacity?
36. To what extent do regional disparities impact the absorption of EU funds?
37. Overall, how significant are the macroeconomic factors in determining the absorption capacity of EU funds in North Macedonia?

5. Political Factors

This section examines the political influences on EU fund absorption, including stability, transparency, anti-corruption efforts, meritocracy, and the continuity of political commitment.

Please assess each question using the following scale: 1 = Very Low, 2 = Low, 3 = Moderate, 4 = High, 5 = Very High

- 38. To what extent does political stability influence the absorption of EU funds?
- 39. To what extent does corruption impact the effective absorption of EU funds?
- 40. To what extent does transparency in the management of EU funds affect their absorption?
- 41. To what extent is the government committed to effective EU fund management?
- 42. To what extent does sustained political commitment influence the absorption of EU funds?
- 43. To what extent does aligning with the EU acquis contribute to improving the absorption of EU funds?
- 44. To what extent is merit-based recruitment practiced for key IPA roles?
- 45. To what extent do political cycles (elections, cabinet reshuffles) disrupt continuity in EU fund implementation?
- 46. Overall, how significant are the political factors in determining the absorption capacity of EU funds in North Macedonia?

Open-ended questions:

- 47. In your opinion, what are the main challenges currently hindering the effective absorption of EU funds in North Macedonia?
- 48. What concrete measures should central authorities implement to improve the management and increase the absorption of EU funds?
- 49. Which best practices or successful models from other countries should North Macedonia consider adopting to enhance the absorption of EU funds?
- 50. Do you have any additional comments or recommendations that could help strengthen North Macedonia's capacity to absorb EU funds?