WHAT DOES THE WESTERN BALKANS COST ME?

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Ich möchte es noch einmal betonen, diese Länder, die wir Westbalkanstaaten nennen, gehören zu uns. Ich habe den Vertretern dieser Staaten, den Staats- und Regierungschefs allen gesagt, wir wollen sie als Mitglieder in der Europäischen Union, weil wir wissen, dass wir die Herausforderungen, vor denen wir national wie international stehen, eben nur gemeinsam lösen können.

– Der deutsche Bundeskanzler Friedrich Merz –

Berliner-Prozess-Gipfel in London

22.10.2025

I would like to emphasise once again: these countries, which we call the Western Balkan states, belong with us. I have told the representatives of these states, all the heads of states and governments, that we want them as members of the European Union because we know that the challenges we face, both nationally and internationally, can only be resolved together.

– German Chancellor Friedrich Merz –

Berlin Process Summit in London

22.10.2025

Table 1. Baseline scenario – Cost of Enlargement to the Western Balkans based on the MFF 2021–2027 (€1.21 trillion in current prices) Gross amounts in per capita and as a % of GNI

Country	*Per capita cost over seven years*	*Yearly per capita cost*	*% of GNI*
EU	37.03	5.29	0.0150%
Austria	45.39	6.48	0.0131%
Belgium	68.41	9.77	0.0203%
Bulgaria	10.23	1.46	0.0198%
Croatia	15.34	2.19	0.0126%
Cyprus	30.69	4.38	0.0156%
Czechia	21.74	3.11	0.0126%
Denmark	59.46	8.49	0.0128%
Estonia	23.02	3.29	0.0125%
Finland	50.51	7.22	0.0148%
France	44.11	6.30	0.0161%
Germany	47.31	6.76	0.0141%
Greece	23.02	3.29	0.0170%
Hungary	15.98	2.28	0.0135%
Ireland	57.54	8.22	0.0116%
Italy	38.36	5.48	0.0165%
Latvia	19.82	2.83	0.0139%
Lithuania	21.74	3.11	0.0135%
Luxembourg	69.05	9.86	0.0123%
Malta	29.41	4.20	0.0144%
Netherlands	56.26	8.04	0.0150%
Poland	15.98	2.28	0.0137%
Portugal	24.93	3.56	0.0153%
Romania	11.51	1.64	0.0147%
Slovakia	19.82	2.83	0.0144%
Slovenia	28.13	4.02	0.0152%
Spain	33.88	4.84	0.0170%
Sweden	51.15	7.31	0.0131%

EXECUTIVE SUMMARY

Amid the renewed momentum for European Union enlargement triggered by Russia's full-scale aggression against Ukraine, expectations are mounting that the upcoming Multiannual Financial Framework (MFF) will translate political resolve into tangible financial planning. With negotiations on the MFF 2028-34 already underway, the EU urgently requires a sound and realistic assessment of the budgetary implications of future accessions – something that remains notably lacking. Building on the size and structure of the current MFF, this study seeks to fill that gap by providing a detailed, data-driven, and up-to-date estimate of the fiscal impact of the Western Balkan (WB) countries joining the EU.

Building upon the baseline scenario, i.e. accounting for the MFF 2021-2027 which stands at €1.21 trillion in current prices, the study provides projections of EU allocations, new member state contributions to the EU budget, and fiscal impacts by country and budget heading, along with comparisons of expenditure against the EU's GNI and estimates of annual per capita costs. As negotiations for the next MFF progress, the study's figures are intended to inform decisions concerning potential earmarking of funding for the countries expected to join in the foreseeable future, as well as the scale of future pre-accession assistance for those that will need more time to complete reforms and achieve membership.

Following the baseline scenario, the results are conclusive: the overall cost of integrating the Western Balkans would be marginal relative to the EU's total financial capacity. If all six aspirants – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia – were to join the Union overnight, the total gross allocation would amount to €46.60 billion, or €6.66 billion annually. With €12.09 billion in expected contributions from the new members, this would yield a net fiscal expenditure of €34.51 billion over seven years, or €4.93 billion annually. In essence, the *gross* figure would represent an increase of 3.85% on the current MFF, 0.0150% of the EU's annual GNI, and €5.29 per capita annually, while the *net* figure would correspond to 3.23% of the MFF, 0.0111% of the EU's annual GNI, and €3.92 per capita each year. These findings make it clear that enlargement to the Western Balkans is a geopolitical necessity that is fiscally manageable for the Union and its member states.

The findings also stress that while the overall impact on the EU budget would be limited, it would nonetheless provide a significant boost to the region. The gross amount would represent a fourfold increase compared with the current allocations for the Western Balkans under the Instrument for Pre-Accession (IPA III), i.e. €12.2 billion. This would correspond to 4.48% of the region's aggregated GDP. In addition, although the net sum would be lower – accounting for the newcomers' contributions – it would still constitute a substantial, threefold increase over current IPA funding, amounting to 3.32% of the region's GDP. These projected inflows underscore the transformative potential of accession, offering resources capable of accelerating convergence and underpinning long-term growth.

Beyond the baseline scenario, the numbers somewhat shift once the NGEU is integrated into the simulation, as the newcomers would benefit from this additional envelope alongside the MFF. When only NGEU grants are added, the Western Balkans' gross allocations upon membership increase to €63.58 billion, rising further to €72.43 billion when both grants and loans are included – the highest fiscal-impact scenario examined. These amounts correspond to 6.11% and 6.97% of the region's combined GDP respectively, while for the EU they would represent just 0.0229% and 0.0261% of annual GNI – or €8.07 and €9.19 per capita each year. However, after accounting for the newcomers' expected contributions to the EU budget, the net envelopes decrease to €47.09 billion in the grants-only scenario and €53.64 billion when loans are incorporated, equivalent to €5.98 and €6.81 per EU citizen annually. Taken together, these results show that even when the full NGEU framework is considered, the Western Balkans' modest economic weight ensures that the fiscal impact of enlargement on the Union remains limited.

Ultimately, the success of enlargement will hinge not on fiscal capacity but on political commitment – within the EU to act strategically, and within the Western Balkans to advance reforms decisively.

I. INTRODUCTION

I.I CONTEXT AND AIM OF THE STUDY

The EU stands at a defining moment in its enlargement policy. Russia's full-scale invasion of Ukraine in 2022 has reshaped Europe's security environment, reviving enlargement as both a geopolitical necessity and a test of the Union's capacity for strategic action. While the accession prospects of Ukraine and Moldova have recently dominated public debate, the Western Balkans – long regarded as the EU's "unfinished business" – remain equally, if not more, poised to take up the membership mantle first. As the number of candidate countries rises, the debate is shifting toward an assessment of the practical implications of enlargement. In fact, with negotiations on the next Multiannual Financial Framework (MFF 2028–2034) already underway, questions about the cost of enlargement are gaining renewed urgency. Against this backdrop, policymakers face a critical task: turning political commitment into concrete fiscal planning for an enlarged Union.

The context in which budgeting for Europe's future is taking place is unprecedented. The EU is simultaneously managing the economic fallout of multiple crises – from pandemic recovery and the energy transition to increased defence spending and intensified global competition – all while supporting Ukraine in its defence against Russian aggression. Therefore, it would not be an exaggeration to say that the next MFF will be negotiated in a more uncertain geopolitical and fiscal landscape than any of its predecessors. At the same time, several member states have warned against overspending and overreliance on joint debt, arguing for the need to scale back the European Commission's initial MFF proposal of nearly €2 trillion. Germany, in particular, has cautioned that turbulence has become "the new normal",[1] and therefore no longer justifies rash financial decisions. As a result, the enlargement policy will have to compete for limited financial resources in the years ahead.

At the same time, geopolitical imperatives demand that fiscal restraint be balanced with the EU's long-term strategic ambitions, particularly in its neighbourhood. The war in Ukraine has starkly demonstrated the cost of strategic hesitation: regions left outside the EU's orbit remain vulnerable to malign external influences that can have a destabilising effect on the Union itself. With that lesson in mind, it has also become evident that the two-decade-old Thessaloniki promise to the Western Balkans must finally be brought to a close.

1 Politico Europe, Merz rules out company tax and joint borrowing in EU budget, 2025.

As a region surrounded by EU member states, it represents both a test of the Union's credibility and a barometer of its geopolitical reach. However, despite the earlier work done to assess the costs of enlargement,[2] discussions on the fiscal implications of Western Balkan accession have remained rather limited. Now that EU membership appears more attainable than ever – particularly for Montenegro and Albania, the region's new frontrunner duo – there is an urgent need to put those assumptions to the test through a transparent, data-driven assessment.

The present study seeks to inform this debate by providing detailed, country-level and regional estimates of the budgetary implications of integrating the Western Balkans into the EU. It is intended specifically for decision-makers in EU member states and institutions. If the aim is to earmark funding under the next MFF to accommodate new members by 2034, the study provides policymakers with a clear reference point to guide their negotiations. The figures further help to define the prospective scale of future pre-accession assistance within the "Enlargement and Neighbourhood East Area" section of the newly proposed MFF. This section currently amounts to around €43.2 billion under the "Global Europe" heading, though the precise allocations for the Western Balkans have yet to be determined. In short, as enlargement once again becomes a tangible political objective, it is essential to quantify what full membership would entail in fiscal terms and how these costs would fit into the broader architecture of the EU budget.

Building on this objective, the study provides a comprehensive and structured overview of the fiscal dimensions of future enlargement. Specifically, it includes:

(1) a consolidated estimate of the total cost of integrating the Western Balkans into the EU;

(2) country-level projections of expected financial allocations from the EU budget for each newcomer;

(3) a breakdown of projected EU budget allocations under each heading of the MFF;

(4) estimates of the financial contributions the Western Balkan countries are expected to make to the EU budget upon accession; and

(5) an estimate of the annual per capita increase in EU citizens' budget contributions associated with the enlargement to the Western Balkans.

2 Strahinja Subotic and Ana Milinkovic, On financial and economic implications of the Staged accession model on the EU budget, and on acceding countries' budgets, European Policy Centre (CEP-Belgrade), 2023; and Eulalia Rubio et al, Adapting the EU budget to make it fit for the purpose of future enlargements, European Parliament, 2025.

Together, these outputs will enable EU decision-makers to approach the financial implications of enlargement with greater clarity and precision. Ensuring sound budgeting for enlargement is not merely a bureaucratic exercise, but a signal of the Union's political resolve. Accordingly, the actions taken following the study's publication will play a decisive role in shaping the Western Balkans' confidence in and engagement with the accession process.

I.II METHODOLOGY

This section outlines the methodology used to estimate the budgetary implications of the EU enlargement to the Western Balkans. As the MFF 2028–2034 remains under negotiation, the analysis draws on the MFF 2021–2027 as a reference point, extrapolating its size, structure, and distributional logic. Although the next MFF is expected to introduce new priorities and revised allocation rules, the analysis is intended to provide an indicative projection that broadly reflects the likely fiscal trajectory of future enlargement-related expenditures. The results present a hypothetical scenario illustrating how EU expenditure and revenue patterns would adjust if the Western Balkan countries were to become full members of the Union.

The simulation builds on the methodological framework applied in the 2023 analysis by the European Policy Centre (CEP – Belgrade) of the MFF 2014–2020.[3] That analysis was based on an approach originally developed by Vasja Rant, Mojmir Mrak, and Matej Marinč in their 2020 study,[4] and has been subsequently refined here to incorporate the structural and policy adjustments introduced in the MFF 2021–2027. While maintaining continuity with earlier methodological steps, the estimation approach has been adapted to align with the architecture of the ongoing MFF (see Figure 1), which is organised around seven principal headings:

- *(H1) Single Market, Innovation, and Digital* (€149 billion);
- *(H2) Cohesion, Resilience, and Values* (€427 billion);
- *(H3) Natural Resources and Environment* (€401 billion);
- *(H4) Migration and Border Management* (€26 billion);
- *(H5) Security and Defence* (€15 billion);

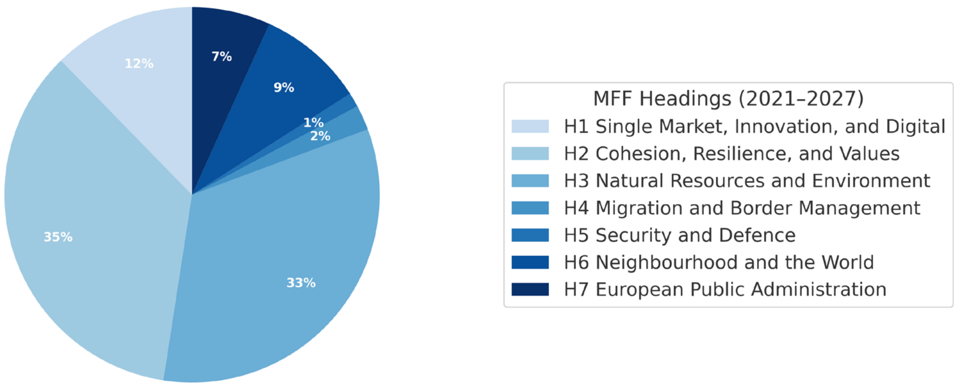
3 Strahinja Subotic and Ana Milinkovic, On financial and economic implications of the Staged accession model on the EU budget, and on acceding countries' budgets, European Policy Centre (CEP-Belgrade), 2023.

4 Vasja Rant, Mojmir Mrak and Matej Marinč, The Western Balkans and the EU budget: the effects of enlargement, *Southeast European and Black Sea Studies* (Volume 20, Issue 3), 2020.

- *(H6) Neighbourhood and the world* (€111 billion),[5] and
- *(H7) European Public Administration* (€82 billion).

The updated estimation approach ensures methodological consistency with earlier studies while reflecting the significant policy and structural changes that have shaped the current EU budget. It provides a coherent basis for estimating how the Western Balkan countries would integrate into the existing system of EU financial instruments.

Figure 1. Breakdown of the EU Multiannual Financial Framework 2021-2027 by Heading



Source: European Commission

The simulation can be summarised in three main steps. First, it estimates how much each Western Balkan country would receive from the EU budget. The analysis focuses on MFF headings and instruments where allocations are either formula-driven or can be reasonably projected from empirical patterns, as well as on instruments from which the region would realistically receive significant inflows upon accession. Second, it calculates their expected contributions as full members under the current Own Resources system, and finally, it derives net financial balances, including the distributional impact on current member states. In addition to the baseline scenario,[6] which relies on the ongoing MFF in current prices, the assessment also separately provides allocation estimates that account for the temporary recovery instrument Next Generation EU (NGEU), considering, on the one hand, grants only, and on the other, both grants and loans.[7] By opting for such a multi-layered approach, the simulation captures the direct financial effects of accession, the broader redistributional dynamics within the EU budget, and illustrates how enlargement would interact with existing solidarity mechanisms and fiscal priorities.

5 Heading 6 (*Neighbourhood and the World*) is excluded from the analysis, as it primarily covers external action and pre-accession assistance, which are not applicable to new member states.

6 The study also accounts for the mid-term revisions of the MFF that took place in 2024.

7 Under NextGenerationEU (via the Recovery and Resilience Facility), member states are provided up to €338 billion in grants and €385 billion in loans.

Data collection and processing

To ensure transparency and comparability, the simulation relies exclusively on official and verifiable statistical sources. All estimates are based on publicly available data from Eurostat, the European Commission (DG BUDG, DG REGIO, DG AGRI, and DG ECFIN), the AMECO database, and the national statistical offices of the Western Balkan countries. All figures correspond to the MFF 2021–2027 in current prices. Where harmonised or complete data are unavailable, proxies are used based on comparable EU-13 member states.[8] This is done to provide a consistent empirical foundation for the estimation and to ensure that the results are grounded in the best available and internationally comparable data.

The analytical process combines systematic data preparation with consistent estimation techniques to ensure the reliability of results. The data were compiled from official EU and national databases, cleaned and cross-checked for consistency, and standardised in euros at current prices. Regression models were estimated using cross-sectional data for the EU-13 group as the most relevant structural benchmark for the Western Balkans. Missing data for individual indicators were replaced with values from the nearest available year, and all calculations were performed in Stata.

Depending on the nature of each fund or budgetary instrument, the simulation applies one of three approaches:

(i) *rule-based formulas*, where the European Commission provides a transparent allocation method (e.g. Cohesion Fund, ERDF, ESF+);

(ii) *regression-based estimates*, where allocations depend on socio-economic indicators such as GDP/GNI per capita, population, unemployment, or R&D intensity (e.g. Erasmus, Digital Europe, Just Transition Fund); and

(iii) *weighted per-capita averages* for smaller programmes and funds (e.g. EU anti-fraud, cooperation in taxation, cooperation in customs).

Together, these steps provide a structured and replicable estimation framework that balances methodological rigour with the flexibility required to capture the diversity of EU funding instruments.

8 The term *EU13* refers to the thirteen countries that joined the European Union in or after 2004: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. These countries are used as a reference group in the estimation due to their comparable economic and institutional profiles during early membership, which makes them a relevant benchmark for modelling likely fund allocations to future member states such as those in the Western Balkans.

Limitations and robustness

The approach follows a consistent and transparent logic, grounded in publicly available data and established allocation methods. However, given the nature of this exercise, not all estimates could be derived from clearly defined formulas. In several cases, the calculations rely on informed assumptions and proportional adjustments using benchmarks from similar member states. This applies particularly where the European Commission does not employ detailed allocation rules or where comparable data for the Western Balkan countries are lacking. These approximations were necessary to ensure internal consistency across all budgetary headings.

The analysis also introduces several simplifying assumptions to maintain clarity and comparability across scenarios. While excluding transitional arrangements or negotiated rebates, the model assumes full absorption of the available EU funds – despite the fact that, in practice, newcomers would lack the administrative and institutional capacity to achieve full uptake, a challenge that even long-standing member states often struggle to overcome. To ensure clear-cut and consistent estimations, the focus is placed on commitment appropriations. Unlike payment appropriations, which depend on different phasing-in periods for newcomers and other complexities, commitment appropriations are more straightforward, as they represent the total amount of all legal financial obligations.

In addition, given that the statistical effect for individual member states in the case of enlargement to the Western Balkan is not negligible, its aggregate impact at the EU level remains limited. For this reason, and because it falls outside the scope of a study centred on the direct fiscal implications of enlargement for both the EU budget and the acceding Western Balkan countries, this effect was not modelled. Consequently, neither phasing-in effects for new members nor phasing-out adjustments for current member states were included. While these simplifications inevitably introduce a degree of uncertainty, the overall framework remains methodologically sound and replicable, offering a robust indication of the likely fiscal dynamics of enlargement.

For these reasons, the project's findings should not be interpreted as an attempt to anticipate the longer-term evolution of the EU budget beyond 2027, particularly as the new budgetary framework is still being developed. Rather, they should be seen as illustrative estimates of the baseline fiscal implications of enlargement under the existing framework.

I.III ROADMAP OF THE STUDY

Building upon this introductory section, the rest of the paper is structured as follows:

- *Section II* provides a detailed country-by-country analysis of the budgetary implications of accession for Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. Each section follows a consistent structure, examining current accession status, projected gross allocations, expected contributions, and resulting net balances.
- *Section III* presents a regional synthesis, aggregating data across all six countries to assess the overall fiscal footprint of enlargement. Following this baseline scenario, this section also reflects on the implications once the NextGeneration EU is accounted for.
- Finally, *Section IV* highlights the study's key policy implications, which are intended to guide policymakers' decisions as they negotiate the upcoming MFF. Moreover, the section will include concluding remarks, which argue that Western Balkan enlargement is fiscally manageable and strategically advantageous.
- *Annex* presents details on how the statistical estimation was conducted. By transparently laying out the detailed methodology, the authors enable anyone to externally scrutinise the approach and verify the findings.

II. COUNTRY-LEVEL BUDGETARY ANALYSIS

II.I ALBANIA

The experience of Albania demonstrates how swiftly EU accession can advance when domestic political will aligns with sustained EU support. With a population of fewer than three million people and a GDP per capita at 37% of the EU average,[9] Albania's path toward EU membership had long appeared uncertain. It submitted its application in 2009, obtained candidate status in 2014, received the green light to open accession talks in 2020, and began membership negotiations in 2022. Since then, in less than three years, Albania has opened all clusters. Having opened the final cluster in November 2025, the country is already preparing to tackle the most demanding reforms and begin closing chapters. This momentum has earned Albania recognition as a new frontrunner, overtaking Serbia and joining Montenegro among the countries first in line for EU membership. Against this backdrop, assessing the budgetary implications of Albania's accession has become all the more important.

In absolute terms, under the baseline scenario, Albania's full membership would result in a gross allocation of €6.54 billion from the EU budget over seven years (see Table 2), representing a 14.04% share of the total allocation for the Western Balkan newcomers. On an annual basis, this amounts to €0.93 billion – equivalent to 3.87% of Albania's GDP. From the EU's standpoint, if Albania were to join the Union tomorrow, its accession would represent a top-up of 0.54% on the MFF. The fiscal implication would equal 0.0021% of the EU's annual GNI. Put differently, Albania's membership would correspond to an average fiscal effort of just €5.20 per EU citizen over seven years – or €0.74 annually. Given its size, Albania would be the third-largest recipient of EU funding in the region.

9 Throughout the policy study, Eurostat data is used to measure the socio-economic gap between the Western Balkans and the EU, relying specifically on the 2024 figures for GDP per capita, in purchasing power standards.

Table 2. Albania's Gross Commitment Appropritions
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resource and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
Albania	0.37	3.10	2.80	0.16	0.09	0.01	**6.54**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Furthermore, the estimated allocation changes when accounting for Albania's mandatory contribution to the EU budget as a new member. Its payment would amount to €1.62 billion over a seven-year period – or €0.23 billion annually – leaving Albania with a net allocation of €4.92 billion – or €0.7 billion annually (see Table 3). The net estimates represent a 24.8% reduction compared with the original gross figure, with annual transfers amounting to 2.92% of Albania's GDP. As such, the net allocation corresponds to 0.4% of the current MFF. The net fiscal implications of Albania's accession would therefore decline to 0.0016% of the EU's annual GNI, while the cost per EU citizen would fall to €3.91 over seven year – or €0.56 annually – underscoring the limited fiscal impact of Albania's accession on individual taxpayers.

Table 3. Albania's Net Appropriations accounting for Contributions
(in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
Albania	6.54	1.62	**4.92**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

If accession stays on schedule, Albania could soon access transformative levels of EU funding. However, the government's administrative and project management capacities – crucial for absorption – remain low. To absorb EU funds, the government has yet to improve its ability to plan and manage large-scale projects, prevent elite capture in procurement, and improve coordination across ministries to avoid politically driven spending. In addition, rethinking migration is a necessity. Instead of seeing emigration as a loss, Albania can use EU integration to turn this sensitive socio-economic issue into circular mobility, where skills and experience gained abroad fuel modernisation and renewal at home. Therefore, Albania's strategic priority over the next two years should be to reassure EU member states and its citizens that its institutions can deliver EU standards of governance and accountability by demonstrating transparent use of funds and embedding the rule of law and anti-corruption mechanisms into every stage of the accession process.

Accordingly, while approaching membership, Albania can take several decisive steps. The Ministry of Finance, under the supervision of the Supreme State Audit and with support from the EU Delegation in Tirana, should improve EU funds management and prevent misuse. This is important if accounting for the "2023 IPARD case", when the European Commission suspended €112 million earmarked for Albanian agriculture due to suspected corruption, upon information provided by the European Anti-Fraud Office (OLAF).[10] To prevent such cases from taking place in the future, it will be important to create a high-level inter-institutional framework to track, disclose, report, and oversee the use of funds, thereby restoring the trust of EU institutions and citizens. The Parliament should ensure that the ongoing administrative-territorial reform strengthens local governments' capacity to manage EU funds and shifts them from a grant-dependent approach to results-based investments. This would help ensure that EU integration does not widen the gap between a thriving Tirana and the country's less-developed regions.

II.II BOSNIA AND HERZEGOVINA

Among the countries of the region, Bosnia and Herzegovina (BiH) remains a backbencher, in reflecting its complex institutional setup and longstanding political fragmentation. With a population of just over three million and a GDP per capita at 35% of the EU average, BiH has faced a challenging path toward EU membership. After submitting its application for EU membership in 2016, the country was presented with 14 key priorities to fulfil before opening the accession negotiations. Reflecting the renewed enlargement momentum, the EU member states agreed in 2022 to grant BiH candidate status, and in 2024, to open accession talks in principle. Despite this promising move, the adoption of the negotiating framework was conditioned upon the fulfilment of the previously outlined conditions. In the meantime, BiH struggled to adopt the Reform Agenda under the Reform and Growth Facility – the key financial instrument of the New Growth Plan for the Western Balkans (NGP) – after initially missing out on €108 million due to delays. Nonetheless, the subsequent adoption of the Reform Agenda under severe time pressure demonstrates that conditional financial incentives can foster compliance.

Including BiH in the dialogue on financial estimations is an important way to encourage reforms, primarily in the context of pre-accession assistance rather than actual accession. In absolute terms, under the baseline scenario, BiH's full accession would entail a gross allocation of €7.85 billion from the EU budget over a seven-year period (see Table 4), accounting for 16.84% of the total budgetary expenditure for the Western Balkan newcomers. Distributed

10 Balkan Insight, European Commission Suspends Agriculture Funds for Albania on Corruption Suspicions, 2023.

across the MFF, this translates into €1.12 billion per year – roughly 5.46% of BiH's GDP. Were the country to join the Union tomorrow, its accession would represent an addition of 0.65% on the MFF. From the EU's perspective, the fiscal implication would amount to 0.0025% of its annual GNI. Expressed in per capita terms, BiH's membership would represent an average cost of just €6.24 per EU citizen over seven years – or €0.89 per year. As such, BiH would be the second-largest recipient among the Western Balkan countries.

Table 4. Bosnia and Herzegovina's Gross Commitment Appropriations

(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
BiH	0.42	4.02	3.11	0.18	0.11	0.02	**7.85**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

When factoring in BiH's required contribution to the EU budget as a new member, the net allocation changes accordingly. The country's obligatory payment is estimated at €2.19 billion over seven years – or €0.31 billion annually – resulting in a net receipt of €5.66 billion (see Table 5). This marks a reduction of 28% relative to the gross amount, with the net annual transfer estimated at €0.81 billion – representing approximately 3.95% of the national GDP. For comparison, the net sum is around the same size as the entire BiH's annual state-level budget (excluding bigger entity budgets), signalling the transformative potential of these funds, provided they can be absorbed effectively. Consequently, the adjusted allocation would represent 0.47% of the current MFF. The fiscal implications of BiH's accession would decline to 0.0018% of the EU's annual GNI, while the average cost per EU citizen would drop to €4.5 over seven years, or €0.64 annually – highlighting the minimal budgetary implications of BiH's accession for individual taxpayers.

Table 5. Bosnia and Herzegovina's Net Appropriations accounting for Contributions

(in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
BiH	7.85	2.19	**5.66**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

While the overall cost of its accession would be modest for the Union, the country's fragmented governance and uneven administrative capacity will determine how effectively it can absorb and utilise EU funds. The adoption of the Reform Agenda under the NGP has shown that conditional financial incentives can still generate progress, even within a divided system. Over the next 12–24 months, the challenge will be to translate short-term compliance into sustainable coordination between state, entity, and cantonal levels of government. Without such vertical coherence, the expected inflow of pre-accession and structural resources risks having a limited developmental impact, especially in regions already lagging behind in employment and infrastructure.

To sustain reform momentum, BiH should: (1) strengthen the coordination mechanism for EU affairs within the upcoming 2026 budget cycle, led by the Directorate for European Integration, and the state and entity ministries of finance, to ensure better alignment between reform priorities and financial planning; (2) pilot a results-based monitoring tool for the Reform Agenda, under the supervision of the Council of Ministers and in partnership with the EU Delegation, in order to improve transparency, track progress, and enhance institutional accountability; and (3) take genuine and measurable steps to address long-standing shortcomings in key areas such as judicial reform, public administration reform, the fight against crime and corruption, and the protection of freedom of expression – as these areas remain at an early stage of preparation, with limited tangible progress over the years. Demonstrating visible improvements in these fields is essential for BiH to show a credible commitment to EU integration.

II.III KOSOVO

To this day, Kosovo remains the only *potential candidate* for EU membership, unlike the other eight countries that have already obtained candidate status. With a population of fewer than two million people and a GDP per capita at 27% of the EU average,[11] Kosovo formally applied for membership in December 2022, reflecting the renewed enlargement momentum. In the meantime, Kosovo continues to advance within the Stabilisation and Association framework, while implementation of the Reform Agenda has stalled due to the absence of stable decision making.[12] At the same time, its key goals of obtaining candidate status and opening accession talks still appear far out of reach. The lack of recognition by five member states – Cyprus, Greece, Romania, Slovakia, and Spain – prevents consensus on Kosovo's further EU integration progress, effectively leaving it a backbencher alongside BiH. Moreover, as its dialogue

11 GPD per capita estimation is not to be found on Eurostat. Instead, the following estimation is used: Marko Todorović, Ana Milinković, The Great Gap: Assessing the New Growth Plan's Potential to Address Socioeconomic Disparity, European Policy Centre (CEP), 2024, p. 2.

12 Reform Monitor, Kosovo Reform Agenda Update – Pilot Reform Monitor, 2025.

with Serbia remains deadlocked and the restrictive measures introduced in 2023 are still in place, Kosovo faces a challenging path ahead. In this context, understanding the fiscal dimensions of Kosovo's eventual membership remains a vital element of forward-looking EU planning and an important incentive for Kosovo's continued engagement.

In absolute terms, under the baseline scenario, Kosovo's prospective EU membership would translate into a gross allocation of €3.25 billion from the EU budget over a seven-year period (see Table 6), accounting for 6.97% of the total amount the EU would need to earmark for the Western Balkans' full accession. Broken down annually, this corresponds to an allocation of €0.46 billion – roughly 4.16% of Kosovo's GDP. If Kosovo were to accede to the Union, its membership would increase the MFF by 0.27%. From the EU's standpoint, the fiscal implication would equal 0.001% GNI. Put another way, Kosovo's accession would entail an average fiscal effort of only €2.58 per EU citizen over seven years – or €0.37 annually. As such, among the Western Balkan countries, Kosovo would have the third smallest financial impact on the EU's budget.

Table 6. Kosovo's Gross Commitment Appropriations
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
Kosovo	0.27	1.89	0.92	0.10	0.06	0.01	**3.25**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Once Kosovo's mandatory contribution to the EU budget as a member state is considered, the overall impact of its accession decreases further. The country's expected payment would total €0.96 billion over seven years – or around €0.14 billion annually – leaving Kosovo with a net allocation of €2.29 billion (see Table 7). This represents a reduction of 29.5% relative to the gross allocation, resulting in a net annual transfer of €0.33 billion – equivalent to roughly 2.95% of Kosovo's GDP. Consequently, the net allocation would represent 0.20% of the current MFF. The overall yearly impact expressed as a share of the EU's GNI would thus decline to 0.0007%, while the average contribution per EU citizen would fall to €1.82 over seven years, or €0.26 annually – confirming that Kosovo's accession would have a minimal fiscal footprint within the Union's budget.

Table 7. Kosovo's Net Appropriations accounting for Contributions
(in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
Kosovo	3.25	0.96	**2.29**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

The findings indicate that EU membership would bring major financial benefits to Kosovo, with limited fiscal impact on the EU. Over the next two years, Kosovo should focus on strengthening its economy and institutions to effectively use future EU funds and support programmes. Success will depend on domestic stability, institutional capacity, and governance reforms. To build trust with the EU, Kosovo must improve coordination among institutions, enhance public administration efficiency, and ensure transparent management of funds. Economically, Kosovo faces high youth unemployment, limited private-sector job creation, and dependence on migration and remittances. Properly managed pre-accession and structural funds could help modernise the labour market, improve education and training, and reduce inequalities between urban and rural regions. To achieve this, Kosovo must strengthen its fiscal and administrative capacity to absorb and manage EU funds efficiently.

While EU accession remains a long-term goal, the next 12–24 months will be crucial for deepening reforms, maintaining dialogue with Serbia and EU partners, and consolidating political stability. To maximise future EU funding and integration readiness, Kosovo should take three key actions: (1) it should establish a National EU Accession Financing Task Force within the 2025–2026 budget cycle to coordinate fiscal and institutional preparations for EU fund absorption; (2) it should integrate an EU Readiness and Absorption Capacity indicator into the 2025 update of the National Development Strategy to enable systematic progress tracking; (3) it should launch a Local Governance and Fiscal Management Strengthening Programme by 2026 to enhance municipal financial management, transparency, and regional equity.

II.IV MONTENEGRO

Montenegro continues to advance steadily towards EU membership. At present, there is widespread optimism that this small Western Balkan country, with a population of just over half a million and a GDP per capita at 54% of the EU average, will achieve its ambition of concluding accession talks by 2026, paving the way to become the next member soon thereafter. Having opened accession negotiations in 2012, the country soon fell into a prolonged standstill, largely due to recurrent and protracted political crises. Now, the EU is not only closing chapters with Montenegro, providing assistance through the Reform and Growth Facility, and gradually integrating it with the Union's market, but is also about to officially begin preparations for the accession treaty. This represents the strongest political signal of the EU's readiness to enlarge. It is also an urgent reminder of the need to factor Montenegro's accession into near-term planning and to undertake corresponding budgetary estimations.

In absolute terms, under the baseline scenario, Montenegro's full EU membership would entail a total gross allocation of €2.35 billion from the EU budget over seven years (see Table 8), corresponding to a 5.04% share of the total funding projected for the Western Balkans over a seven-year period. On an annual basis, this equates to €0.34 billion – roughly 4.86% of Montenegro's GDP. If Montenegro were to accede to the Union today, its inclusion would imply an addition of 0.19% to the MFF. From the EU's standpoint, the fiscal impact would translate into 0.0008% of the EU's annual GNI. In per-capita terms, Montenegro's accession would amount to an average fiscal effort of €1.86 per EU citizen across seven years – or €0.27 each year. In short, the estimations clearly show that it would be, by far, the lowest financial impact on the EU budget of all the Western Balkan candidates.

Table 8. Montenegro's Gross Commitment Appropriations
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
Monte-negro	0.16	1.33	0.80	0.04	0.02	0.00	**2.35**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Taking into account Montenegro's mandatory contribution to the EU budget as a new member, the estimated allocation changes accordingly. The country's financial obligations would reach €0.61 billion over seven years – or €0.09 billion per year – leaving Montenegro with a net allocation of €1.73 billion (see Table

9). This marks a reduction of 26.4% from the initial gross figure, resulting in an average annual net transfer of €0.25 billion – approximately 3.57% of national GDP. This net amount corresponds to 0.11% of the existing MFF. The fiscal implications of Montenegro's accession would decline to 0.0006% of the EU's annual GNI, while the cost per EU citizen would decline to €1.38 over seven years – or €0.20 per year – reaffirming the limited budgetary implications of Montenegro's accession for individual taxpayers. Given the small size of Montenegro, its overall impact on the EU budget would be the most insignificant.

Table 9. Montenegro's Net Appropriations accounting for Contributions (in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
Montenegro	2.35	0.61	**1.73**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Beyond the minimal financial implications, Montenegro's membership would send a strong political signal of the EU's continued commitment to the Western Balkans, reinforcing the credibility of the enlargement process and the transformative power of European integration. For the membership plans of Podgorica to materialise, it will be of paramount importance in the coming years for Montenegro to maintain political stability and institutional functionality, while remaining focused on an ambitious and dynamic plan to conclude the negotiation process. This will require sustained political will and constructive cooperation between the Government and the parliamentary majority, as well as an open and inclusive dialogue with the opposition and civil society. Moreover, as Montenegro continues to make progress in closing negotiation chapters, it must ensure that the already closed ones avoid any risk of backsliding. Continued reform momentum, particularly in the areas of the rule of law, judiciary, and public administration, will be essential for maintaining the confidence of EU partners.

Montenegro should also work on improving administrative capacities in order to achieve its accession goal. Regarding the capacity to cope with competitive pressure and market forces within the EU, the Commission stresses the limited absorption and management capacity of the country's administrative bodies. This is followed by recommendations to strengthen administrative capacities and enhance the ability to absorb funding, such as for infrastructure projects. Speaking about concrete steps in the upcoming period, the Government of Montenegro should strictly implement: (1) a government employment plan in the area of EU funds management, with a special focus on two pilot sectors: environment, and employment and social policy; (2) a roadmap for strengthening the administrative capacity of the Ministry of European Affairs, as well as a dynamic plan of measures to improve the overall capacity of the administration for 2025-2026. The Government should prioritise the implementation of these documents and ensure effective coordination among all institutions involved. To maintain these activities high on the agenda, the Parliament should organise consultative public hearings on their progress.

II.V NORTH MACEDONIA

North Macedonia's path to the EU stands as one of the most tragic enlargement stories. A candidate since 2005, it was long blocked by Greece until the 2018 Prespa Agreement resolved the name dispute and removed a major obstacle. Although the agreement was meant to reaffirm the country's European path, that promise quickly faded when France abruptly vetoed the start of negotiations, arguing that the enlargement methodology was inadequate. By the time the revised enlargement methodology was adopted in 2020, the damage had been done, as Bulgaria had taken up the veto baton. Today, North Macedonia – a country of fewer than two million people and a GDP per capita at 42% of the EU's average – remains stuck on its accession path, unable to secure the parliamentary majority required to amend the constitution and meet Bulgaria's demands on minority inclusion, among other issues. Nevertheless, credible financial projections – particularly in the context of future pre-accession assistance – could send a much-needed positive signal to the country.

In absolute terms, under the baseline scenario, North Macedonia's prospective EU membership would generate a total gross allocation of €5.71 billion from the EU budget over seven years (see Table 10), accounting for roughly 12.26% of the aggregate resources earmarked for the Western Balkan entrants. On a yearly basis, this represents around €0.82 billion – equivalent to 5.83% of North Macedonia's GDP. Should the country accede to the Union today, its inclusion would raise the MFF by roughly 0.47%. From the EU's perspective, the cost of this country's accession would be equivalent to only 0.0018% of the EU's annual GNI. In per-capita terms, North Macedonia's accession would translate into an average contribution of €4.54 per EU citizen over seven years – or €0.65 annually. Given these figures, it becomes clear that North Macedonia would have the second smallest financial impact on the EU budget in case of enlargement.

Table 10. North Macedonia's Gross Commitment Appropriations
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
North Mace-donia	0.32	2.70	2.49	0.12	0.07	0.01	**5.71**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

When factoring in North Macedonia's obligatory contribution as a full EU member, the net allocation decreases accordingly. The country's mandatory payment to the EU budget would total €1.42 billion over seven years – or €0.2 billion annually – resulting in a net transfer of €4.29 billion (see Table 11). This represents a 24.9% reduction compared to the gross allocation, leaving an average annual net inflow of €0.61 billion – equivalent to around 4.38% of the country's GDP. Consequently, the net transfer would correspond to 0.35% of the current MFF while the cost per citizen would fall to €3.41 over seven years, or €0.49 each year – underscoring the limited fiscal footprint of North Macedonia's potential accession.

Table 11. North Macedonia Net Appropriations accounting for Contributions
(in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
North Macedonia	5.71	1.42	**4.29**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Such an expanded envelope would provide North Macedonia with the funding power it currently lacks to address long-standing structural challenges limiting competitiveness and economic growth. Inadequate transport and weak connectivity across regions, as well as a lack of energy and digital infrastructure, continue to constrain productivity and private-sector development. Additional funds could modernise irrigation and logistics to support a shift toward sustainable and higher-value production in agriculture. If deployed strategically, these funds may boost rural employment and the untapped potential of less developed regions, while industrial and service-oriented centres can be supported to further integrate in regional and European value chains. Finally, targeted investments in waste management, water supply and treatment, as well as air quality would enable North

Macedonia to meet EU environmental standards while enhancing the quality of life for its citizens.

Reaping these benefits will depend on coherent planning and partnership between central and local authorities, ensuring that funds are absorbed and translated into lasting gains. That said, even the existing IPA and Reform and Growth Facility funds remain underutilised due to weaknesses in public investment management and the absence of a robust single project pipeline. At both national and local levels, the lack of long-term planning, limited expertise, and staffing shortages undermine the country's readiness for cohesion-type instruments. Moreover, the early-stage preparedness of national-accounting and own-resources systems would complicate integration into the EU's budget mechanisms. Unless these governance shortcomings are addressed, a potential increase in EU transfers will not, by itself, ensure effective absorption of funds or accelerate convergence. Finally, since future EU budget support is likely to be subject to even stricter conditionality, linking disbursements to tangible progress in the rule of law and anti-corruption reforms will be essential.

II.VI SERBIA

Being the largest country in the region, with a population of fewer than seven million and a GDP per capita of 51% of the EU average, Serbia remains pivotal to the EU's engagement in the Western Balkans. Having applied for membership in 2009 and begun negotiations in 2014, Serbia has opened two of six clusters – or 22 of 35 chapters – with two chapters provisionally closed. Despite renewed enlargement momentum following Russia's aggression against Ukraine, the country has remained at a standstill, with no new clusters opened over the past four years. Since 2024, Serbia has also faced its most serious socio-political crisis in decades, triggered by student-led protests after the collapse of the Novi Sad railway station canopy. In addition, the longer the Russian aggression against Ukraine continues, the narrower Serbia's room for foreign policy manoeuvre becomes as it seeks to maintain its balancing act. In this context, Serbia has lost its former position as a frontrunner in the region and now faces significant uncertainty about the future of its EU accession bid. Nonetheless, as one of the region's largest economies and most influential actors, assessing the fiscal and policy implications of Serbia's eventual accession remains essential to understanding the broader strategic and budgetary context of enlargement.

In absolute terms, under the baseline scenario, Serbia's accession to the EU would entail a gross allocation of €20.90 billion from the EU budget over a seven-year period (see Table 12), corresponding to roughly 44.86% of the total amount projected for all Western Balkan entrants. On an annual basis, the gross figure translates into about €2.99 billion – approximately 3.99% of Serbia's

GDP. Were Serbia to join the Union today, its membership would represent an addition of roughly 1.73% to the MFF. From the EU's perspective, the fiscal implication would reach 0.0067% of the annual GNI. On a per-capita basis, the entirety of Serbia's accession would correspond to an average fiscal effort of €16.61 per EU citizen over seven years – or €2.37 annually. Serbia's integration would undeniably entail the highest budgetary commitment in the region, yet even this would remain well within the bounds of what can be considered manageable relative to the Union's total financial capacity.

Table 12. Serbia's Gross Commitment Appropriations
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
Serbia	0.95	11.54	7.75	0.40	0.23	0.04	**20.90**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

After factoring in Serbia's obligatory contribution to the EU budget as a full member, the estimated allocation adjusts downward. Over seven years, Serbia's contribution would total €5.28 billion – or approximately €0.75 billion per year – resulting in a net allocation of €15.62 billion (see Table 13). This marks a reduction of 25.3% from the original gross figure, yielding an annual net transfer of €2.23 billion – equivalent to roughly 2.97% of Serbia's GDP. Accordingly, the net allocation would correspond to 1.29% of the MFF. In relative terms, the share of allocation for Serbia would fall to 0.005% of the EU's annual GNI, while the cost per EU citizen would decrease to €12.41 over seven years, or €1.77 annually. Even with the region's largest economy joining the Union, the overall fiscal impact on the EU would remain minimal, while the strategic gains for Europe's stability, security, and influence would unquestionably be substantial.

Table 13. Serbia's Net Appropriations accounting for Contributions
(in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
Serbia	20.90	5.28	**15.62**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

All data indicate that Serbia would stand to gain significantly from accessing additional funding as a member state. However, these potential gains will only materialise if Serbia strengthens the fundamentals of its market economy. The European Commission's 2025 assessment underscores that, while Serbia's level of preparation in *economic criteria* is moderate to good, progress remains uneven and structural weaknesses persist.[13] To fully capitalise on accession-related funding, Serbia must still address key challenges such as cutting red tape, improving the efficiency and transparency of public administration, or enforcing state aid rules without political interference. Accordingly, for Serbia's growing economy to maintain its pace in the aftermath of eventual accession, the key hurdle will be levelling the playing field for domestic enterprises and incoming investors from EU member states, while building credible, transparent, and depoliticised institutions capable of managing funding effectively.

As the EU moves toward more conditional funding under the next MFF – following the model of the NGEU – concerns have emerged that, unless Serbia strengthens its institutional framework well before accession, it may struggle to absorb EU funds and meet membership obligations. This concern is reinforced by the 2025 Enlargement Package, which notes that Serbia, alongside Georgia and Türkiye, faces a serious risk of state capture.[14] Beyond improving standards of economic competition, Serbia must therefore engage more decisively with *the fundamentals* of the accession process, particularly the rule of law and the functioning of democratic institutions. Urgent improvements in these areas are crucial to demonstrating that Serbia's government is – as it claims – committed to achieving EU membership. Moreover, these areas are key determinants of funding absorption. The Reform and Growth Facility under the NGP already embeds rule-of-law conditionality at its core, putting up to €1.6 billion at risk in the event of weak performance by the Serbian government. Likewise, the forthcoming pre-accession support under Global Europe for 2028–2034 is expected to be strongly conditional. Full alignment with EU norms will thus be essential not only to secure future funding but also to demonstrate Serbia's readiness to operate within the Union's rules-based framework.

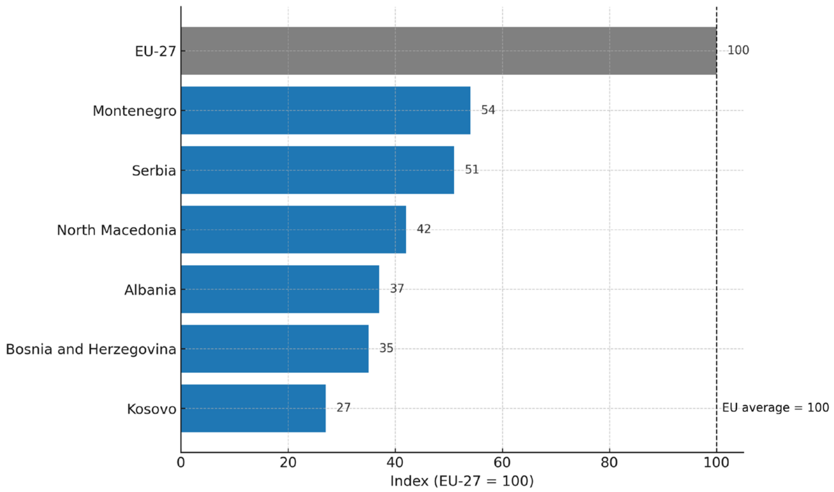
13 European Commission, 2025 Annual Report on Serbia, 2025, pp. 8-9.

14 European Commission, Enlargement Package 2025, 2025, p. 9.

III. ASSESSING THE COST FROM A REGIONAL PERSPECTIVE

With about 17 million inhabitants and a combined GDP of roughly €140 billion – less than 1% of the EU's total economic output – the Western Balkans constitutes a region relatively small in scale. Driven by the prospect of EU membership since the 2003 Thessaloniki Summit, each Western Balkan country has established a free trade area with the EU through the Stabilisation and Association Agreements, expanding political and economic ties. Over the past decade, the EU has remained the region's largest trading partner, investor, and donor, while the Western Balkans has become far more closely interconnected with the Union than with any other major power.[15] Despite these trends, in 2024 average GDP per capita (measured in purchasing power parity terms) stood at just 41% of the EU average (see Figure 2). Moreover, with the region's GNI per capita at less than one quarter of the EU average, projections indicate that none of the Western Balkan countries is likely to reach the EU's income levels over the next four decades.[16] This underscores that as long as the Western Balkans remain merely candidates for membership, closing the socio-economic gap will remain an elusive goal.

Figure 2 – GDP per capita in PPS (EU-27=100), Western Balkans vs. EU average



Source: Eurostat[17]

15 Stefani Weiss, The Geoeconomic Interconnectivity Index: Measuring the EU's Economic Ties with Its Neighbours Against Those of the US, China and Russia (2010–2023), The Vienna Institute for International Economic Studies, Bertelsmann Stiftung & ECIPE, p. 21.

16 World Bank Group, Towards Better Jobs, *Western Balkans Regular Economic Report (no. 28)*, 2025, p. viii.

17 GPD per capita estimation for Kosovo is not to be found on Eurostat. Instead, the following estimation is used: Marko Todorović, Ana Milinković, The Great Gap: Assessing the New Growth Plan's Potential to Address Socioeconomic Disparity, European Policy Centre (CEP), 2024, p. 2.

Yet, with enlargement once again framed as a geopolitical investment in stability, resilience, and prosperity, the status quo has become something neither the Union nor the Western Balkans can afford. Key examples of enhanced political engagement with the region include the adoption of the NGP, the introduction of gradual integration measures, and growing recognition of the region's role in Europe's long-term security and cohesion. Collectively, the region has entered a new phase of conditional yet credible membership prospects, with Montenegro in the process of closing chapters and Albania set to join it now that it has opened all clusters. In this evolving context, analysing the financial implications of the Western Balkans' accession is crucial – not only to anticipate the fiscal realities of enlargement but also to anchor political ambition in tangible, evidence-based planning for the EU's future.

In absolute terms, under the baseline scenario, the accession of all Western Balkan aspirants would entail a gross allocation of €46.6 billion from the EU budget over a seven-year period (see Table 14). On an annual basis, the combined allocation amounts to roughly €6.66 billion – corresponding to approximately 4.48% of the region's aggregated GDP. If the entire region were to join the Union at once, this would constitute an overall increase of 3.85% to the MFF. From the EU's annual GNI standpoint, the fiscal impact would total 0.015%. In per-capita terms, this translates into an average cost of €37.03 for each EU citizen over seven years – or €5.29 annually. The estimations show that even if the entire region were to join the Union simultaneously, the financial impact would still remain modest.

Table 14. Western Balkans' Gross Commitment Appropriations
(in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**	*% of total*
Albania	0.37	3.10	2.80	0.16	0.09	0.01	**6.54**	14.03%
BiH	0.42	4.02	3.11	0.18	0.11	0.02	**7.85**	16.85%
Kosovo	0.27	1.89	0.92	0.10	0.06	0.01	**3.25**	6.98%
Montenegro	0.16	1.33	0.80	0.04	0.02	0.00	**2.35**	5.03%
North Macedonia	0.32	2.70	2.49	0.12	0.07	0.01	**5.71**	12.25%
Serbia	0.95	11.54	7.75	0.40	0.23	0.04	**20.90**	44.86%
Western Balkans	**2.49**	**24.59**	**17.85**	**1.00**	**0.58**	**0.09**	$\boxed{\textbf{46.60}}$	
% of total	5.34%	52.76%	38.31%	2.15%	1.25%	0.19%		

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

When considering the mandatory budget contributions of all Western Balkan members combined, the net allocation would decline accordingly. Factoring in these obligatory payments, the region's collective contribution would amount to €12.09 billion over seven years – or €1.73 billion annually – resulting in a total net transfer of €34.51 billion (see Table 15). This reduction would lower the gross figure by 26%, leaving an average annual net inflow of €4.93 billion – roughly 3.32% of the region's GDP. In terms of EU budget, the net allocation would account for a 3.23% top-up to the MFF. The overall cost of the Western Balkan enlargement would adjust to 0.0111% of the Union's annual GNI, while the cost per citizen would fall to €27.43 over seven years, or €3.92 annually. Overall, the net balance would be fiscally manageable for the EU, yet economically transformative for the newcomers.

Table 15. Western Balkans' Net Appropriations accounting for Contributions (in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
Albania	6.54	1.62	**4.92**
Bosnia and Herzegovina	7.85	2.19	**5.66**
Kosovo	3.25	0.96	**2.29**
Montenegro	2.35	0.61	**1.73**
North Macedonia	5.71	1.42	**4.29**
Serbia	20.90	5.28	**15.62**
Western Balkans	**46.60**	**12.09**	$\boxed{\textbf{34.51}}$

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Going beyond the baseline scenario, the picture changes substantially once the NGEU is incorporated into the simulation, as it represents an additional funding instrument from which the newcomers would benefit alongside the MFF. On the one hand, when only NGEU grants are added to the original MFF 2021-27, the region's allocations upon membership rise sharply to €63.58 billion.[18] On the other hand, when both NGEU grants and loans are included, the total increases to €72.43 billion – the largest fiscal-impact scenario considered. On an annual level, the MFF complemented by the NGEU grants represents 6.11% of the region's GDP, whereas the amount that includes loans is equivalent to 6.97% of the region's GDP. As for the EU, the former would amount to 0.0229% of GNI (and €8.07 per capita annually), while the latter would correspond to 0.0261% of GNI (or €9.19 per capita each year). These findings show that even

18 When the 2024 MFF revision is accounted for, in combination with the NGEU grant component, the total cost is slightly lower and amounts to €63.02 billion. Of this, €2.68 billion would be dedicated to *Single Market, Innovation and Digital* (Heading 1); €39.56 billion to *Cohesion, Resilience and Values* (Heading 2); €19.05 billion to *Natural Resources and Environment* (Heading 3); €1.08 billion to *Migration and Border Management* (Heading 4); €0.64 billion to *Security and Defence* (Heading 5); and €0.09 billion to *European Public Administration* (Heading 7).

with the inclusion of NGEU in the estimate, the region's small size would still limit the overall impact on both the EU budget and its citizens.

Table 16. Western Balkans' Gross Commitment Appropriations from a Wider Financial Perspective (in current prices, in billions of euros)

Country	H1 Single Market, Innovation and Digital	H2 Cohesion, Resilience, and Values	H3 Natural Resources and Environment	H4 Migration and Border Management	H5 Security and Defence	H7 European Public Administration	**TOTAL**
MFF & NGEU Grants	2.68	39.56	19.67	1.00	0.58	0.09	**63.58**
MFF & NGEU Total	2.68	48.41	19.67	1.00	0.58	0.09	**72.43**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

Meanwhile, the simulation clearly shows that the Western Balkans' net commitment appropriations, after accounting for their expected contributions to the EU budget, decline notably across all scenarios (see Table 17). Once contributions are factored in, the resulting net flows decrease in both scenarios. With only NGEU grants extended to the newcomers on top of the MFF, the adjusted net amount falls to €47.09 billion;[19] while with the entire NGEU envelope, the sum is €53.64 billion. In the former scenario, enlargement would amount to €5.98 per EU citizen annually, corresponding to 0.017% of the EU's GNI and 4.53% of the region's GDP, whereas in the latter scenario it would amount to €6.81 per citizen, or 0.0193% of the EU's GNI and 5.15% of the region's GDP. These adjustments demonstrate that, despite the larger nominal envelopes introduced under the NGEU framework, the net budgetary effect on the Union further diminishes once reciprocal contributions are considered.

Table 17. Western Balkans' Net Appropriations from a Wider Financial Perspective, accounting for Contributions (in current prices, in billions of euros)

Country	Total before Contributions	Contributions	**Total after Contributions**
MFF & NGEU Grants	63.58	16.50	**47.09**
MFF & NGEU Total	72.43	18.79	**53.64**

Note: Estimates based on the authors' own calculations following the simulation framework described in the methodological annex.

19 As previously noted, under the MFF 2024 revisions and NGEU grants, the total allocation before contributions amounts to €63.02 billion. After accounting for €16.34 billion in contributions, the net total allocation stands at €46.67 billion.

IV. KEY POLICY IMPLICATIONS AND CONCLUSIONS

The consolidated data reveal a simple truth: **the total cost of integrating all six Western Balkan countries into the EU would be financially negligible** in the context of the Union's overall budget. In purely fiscal terms, enlargement is not a burden – it is an investment in Europe's long-term security, stability, and credibility. In that light, the key policy implications are as follows:

1. Limited impact on the EU budget but significant boost for newcomers

Findings indicate that a hypothetical concurrent accession of WB6 would require a total of €46.6 billion in EU budgetary commitments over a seven-year period – an increase of only 3.85% on the current MFF. On an annual level, it would amount to 0.015% of the EU's GNI, or €5.29 per capita. While the overall impact on the EU budget would be limited, it would nonetheless represent a strong boost for the region. The gross amount would stand as a fourfold increase compared to the current allocations for the region under the Instrument for Pre-Accession (IPA III, i.e. €12.2 billion) and would correspond to 4.48% of the WB's aggregated GDP. This is in line with the effects of previous enlargement rounds, which have led to a sharp spike in EU budget allocations for new members.

2. Additional instruments increase available funding but maintain the overall ratio

When grant components of other financial instruments available to candidate countries and member states are added to the IPA and MFF gross funding – namely, the Reform and Growth Facility worth €1.6 billion for candidates and the estimated €16.98 billion under the NGEU for Western Balkan countries as member states – the increase from pre-accession to post-accession funding rises by four-and-a-half times. When the full scope of the NGP (€5.6 billion, including loans) and the NGEU (totalling €25.83 billion, including estimated loans for Western Balkan countries as EU members) is incorporated, the overall volume of potential support decreases slightly to around four times the present level – thus keeping the overall ratio unchanged.

3. Accounting for contributions, impact on EU budget diminishes

Looking more closely at the EU budget structure, the distinction between gross and net commitments provides a more nuanced understanding of how enlargement would be financed. Once the obligatory post-accession contributions paid by new member states are factored in, the net cost to the EU falls to €34.51 billion – representing a 3.23% top-up on the current MFF. Annually, it would translate into just 0.0111% of the Union's GNI or €3.92 per EU citizen. Although the net sum is lower, it would still represent a substantial, threefold increase compared to the current IPA funds and amount to 3.32% of the region's GDP. Drawing on past experience, the newcomers will need to make concerted efforts to ensure adequate absorption capacities and avoid the risk of their obligatory contributions outweighing the committed allocations.

4. Modest net fiscal footprint despite regional variation

The net fiscal magnitude over the seven-year period varies across the region, largely reflecting differences in economic size and income levels. Albania would receive a net allocation of €4.92 billion (corresponding to 2.92% of annual GDP), Bosnia and Herzegovina €5.66 billion (3.95%), Kosovo €2.29 billion (2.95%), Montenegro €1.73 billion (3.57%), North Macedonia €4.29 billion (4.38%), and Serbia €15.62 billion (2.97%). Yet even Serbia – the largest and most fiscally significant case in the region – would in this case account for only 1.29% of the total EU financial framework.

5. Socio-economic headings lead the way

A closer look at the distribution of funds reveals a consistent pattern across all six aspirants. Given that the Western Balkan aspirants have yet to close the socio-economic gap, the bulk of resources – around 53% – would fall under *Heading 2: Cohesion, Resilience and Values*. This heading is not only the largest in the MFF, but also the one on which newcomers from previous enlargement rounds have relied most heavily. The Western Balkans would also depend significantly on *Heading 3: Natural Resources and Environment*, which would account for approximately 38% of total funding. This reflects the structural characteristics of the region's economies, in which the agricultural sector and rural infrastructure continue to trail EU standards. Overall, the socio-economic headings together would account for nearly the entirety of the projected allocations.

6. Expected policy reprioritisation likely to influence future heading allocations

While much lower in share under the current MFF, allocations under *Heading 1: Single Market, Innovation and Digital*, *Heading 4: Migration and Border Management*, and *Heading 5: Security and Defence* are expected to feature more prominently in the next one. Accordingly, although the total sum for Western Balkan accession is unlikely to change substantially, a reallocation of funding towards areas covered by these headings is anticipated. Nonetheless, given the region's still below-average socio-economic indicators, it is expected that environment, agriculture, and cohesion funds will continue to dominate their portfolios in the next MFF, too.

7. Enlargement is an investment in a greener EU

A defining feature that will accompany the Western Balkan countries as they progress from candidate state status towards membership is the obligation to programme – and the capacity to absorb – funding linked to the green transition. Given that the structures of both pre-accession assistance and post-accession funding priorities foresee investing roughly 30% into climate-related objectives, allocations for newcomers will, in effect, represent a green investment for the EU as a whole. With ambitious climate goals already in place, these funds will help realise investments with transnational, and even pan-European, positive impact. The finding that most funds will be dedicated to Headings 2 and 3 confirms that, by design, the bulk of investment in the Western Balkans will contribute to the EU's broader green and just transition agenda.

8. Enlargement fits into a cup of coffee

Even in the unlikely scenario of the entire Western Balkan region joining the EU at the same time, EU citizens would hardly notice the difference. The gross financial impact would vary slightly across member states. For example, under the baseline scenario, Belgium (€9.77), Denmark (€8.49), and Germany (€6.76) would face higher relative per-capita contributions, reflecting their higher income levels and shares in the EU budget. At the other end of the spectrum, Bulgaria (€1.46), Romania (€1.64), and Croatia (€2.19) would experience the smallest fiscal impact. On average, the gross annual per capita cost would amount to just €5.29 or a net cost of €3.92. In practical terms, the fiscal impact on a single citizen would be comparable to the price of a cup of coffee – in some countries perhaps accompanied by a small pastry – per year.

9. Earmarking funds for the frontrunners

If the aim is to earmark funding under the next MFF to accommodate new members by 2034, policymakers now have a clear reference point to guide their negotiations. Should Montenegro and Albania jointly achieve membership, approximately €8.89 billion would be required over one MFF cycle, representing about 0.74% the current MFF. Naturally, depending on the allocation rules and exact size of the next MFF, the total amount is expected to be somewhat greater. Nontheless, earmarking this sum would not affect the EU's financial redistribution in the upcoming years in any meaningful way, particularly as the cost of these two countries' accession would amount to just 0.0029% of the EU's annual GNI. At the same time, the impact on the remaining stages of their accession path would be significant as it would send a clear signal to political elites and citizens that the EU genuinely perceives them as its near-future members.

10. Setting a figure for future pre-accession assistance

Given the uncertainty surrounding the accession dates of countries not considered "frontrunners", the EU needs to set the scale of future pre-accession assistance within the *Enlargement and Neighbourhood East Area* section of the new MFF. This section currently totals around €43.2 billion as part of the *Global Europe* heading and has yet to specify the exact allocations for the Western Balkans. As part of its Staged Accession Model, CEP has advocated for the next instrument to be set at 60% of the funding that current candidates would receive as member states.[20] Under the ongoing MFF and the baseline scenario, 60% would amount to €27.96 billion over the seven-year budget cycle. However, if the grant component of the NGEU is included in the reference sum for Western Balkans as member states, the same percentage would correspond to €38.15 billion. Considering that Ukraine's accession-related reforms are expected to be financed separately through the Ukraine Reserve as a special instrument, it appears that the vast majority of the proposed €43.2 billion may be available to the region – provided that the countries' reform performance results in maximum absorption of conditional funding.

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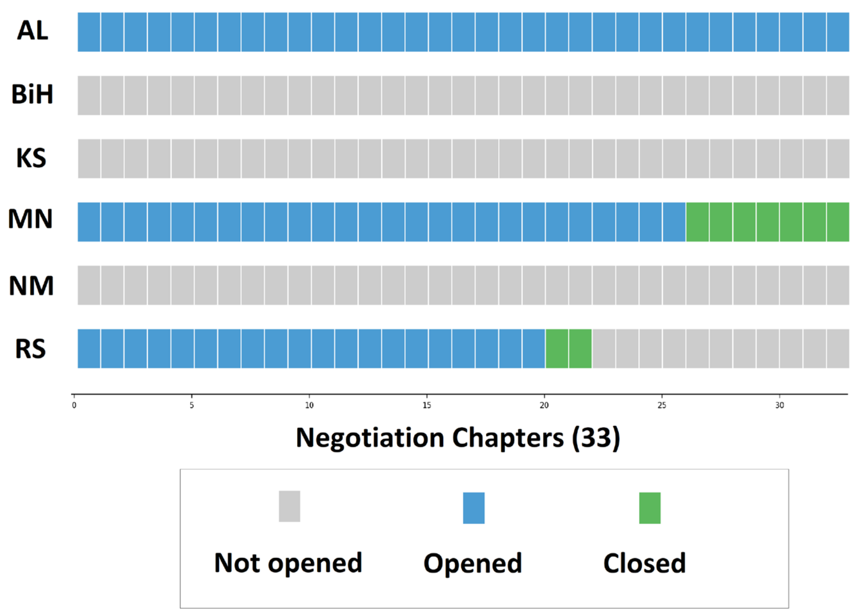
From a policy standpoint, the data point to two key conclusions. First, the EU can comfortably finance the Western Balkan enlargement within its existing fiscal capacity without raising member state contributions or significantly reducing current commitments. Even a modest reallocation within the MFF could fully accommodate the cost of accession. Second, the political and security dividends of enlargement far outweigh its financial cost. By integrating the Western Balkans, the EU would consolidate stability in its immediate neighbourhood, counter external influence, and reinforce the single market – objectives that align closely with broader European strategic priorities.

The realistic costs decline once the time dimension is taken into account. Importantly, **there will almost certainly not be a "mini-bang" enlargement to the Western Balkans**. The level of preparedness for membership – as reflected in the 2025 Enlargement Package – varies significantly across the countries. The

20 Milena Mihajlović, Steven Blockmans, Strahinja Subotić, and Michael Emerson, Template 2.0 for Staged Accession to the EU, European Policy Centre (CEP) & Centre for European Policy Studies (CEPS), 2023.

current state of play of the negotiations tells a clear story: Montenegro remains the frontrunner, with Albania rapidly catching up, while Serbia and North Macedonia have stalled in their processes despite having opened accession talks. Bosnia and Herzegovina and Kosovo, meanwhile, face such deep internal complexities that they remain at the tail end of the accession queue (see Figure 3). As each enlargement round will require additional time, this gradual approach would give the Union more space to adjust and absorb the associated costs smoothly.

Figure 3. State of Play – Western Balkans' Road to the EU



At the same time, enlargement represents a significant economic opportunity. The Western Balkans constitute a dynamic regional market of around 17 million people, whose integration into the EU Single Market would open new prospects for trade, investment, skilled labour, and supply chains for European businesses. With the study's findings in hand, these insights are especially relevant for Germany – the EU's largest net contributor and a long-standing advocate of fiscal discipline. In this regard, although all Western Balkan countries would undoubtedly become net recipients of the EU budget, **the *magic* of the single market would also work in reverse – ensuring that even net contributors ultimately benefit economically from enlargement**.

Beyond the numbers, the findings show that **the costs of enlarging the EU to include the Western Balkans remain modest when set against the immense strategic dividends**. For the region, EU accession represents not only access to funding but also a transformative framework for governance reforms, competitiveness, and socio-economic development. It would further expand and deepen the Single Market, unlocking new opportunities for trade, investment, and labour mobility for both existing and new members. Moreover, it would reinforce the EU's geopolitical capacity, demonstrating the Union's ability to act decisively within its own strategic environment. In this way, enlargement would help consolidate geopolitical stability in a region that remains central to Europe's long-term security architecture. Finally, by integrating one of the most polluted regions in Europe, the EU would effectively be investing in its own green transition.

Overall, the study offers a clear conclusion: **the cost of Western Balkan enlargement is not a test of the EU's budgetary capacity, but of its political resolve**. Accounting for the study's findings could help reframe the enlargement debate – moving it beyond exaggerated cost concerns and toward a strategic understanding of the Western Balkans' accession as a low-cost investment in Europe's security and competitiveness. For the "frontrunners", earmarking or pre-emptive budgeting for enlargement within the next MFF would send a powerful signal that the Union genuinely expects new members in the foreseeable future. For those further down the line, increasing pre-accession assistance, along with the associated conditionalities, would demonstrate the EU's commitment to eventually turning the entire region into a success story. The decisive variable, therefore, remains political commitment – both from the EU, to provide a credible membership perspective, and from Western Balkan leaders, to implement the reforms essential for accession.

V. METHODOLOGICAL ANNEX

Estimating EU expenditure allocations

The simulation of EU expenditure allocations to the Western Balkan countries is based on the assumption that they become full members of the European Union in the hypothetical year one of the MFF cycle, gaining access to the same structural and investment funds available to other member states. The approach focuses on those MFF headings and instruments where allocations are either formula-driven or where empirical patterns allow for reasonable projections, and – crucially – on those instruments from which the WB6 countries would realistically receive substantial inflows upon accession. As such, the simulation prioritises funds with significant redistributive potential and relatively predictable allocation logic.

The methodology relies on a mix of rule-based formulas (e.g. those used by the European Commission for cohesion funding[21] and the Common Agricultural Policy[22]) and regression-based models (particularly for centrally managed programmes without fixed national envelopes). This dual approach allows the simulation to balance transparency with realism, producing estimates that reflect both institutional rules and observable distributional patterns across member states. Appendix 1 outlines the specific treatment of each fund, indicating whether it is estimated using a rule-based formula or a regression model.

The simulation focuses on those MFF components that are either (1) formula-driven, with transparent allocation rules based on socio-economic indicators, or (2) empirically estimable, based on past distribution patterns and econometric modelling. The selection of budgetary headings reflects their financial relevance for enlargement countries and the availability of robust estimation methodologies. MFF 2021-27 as defined by the European Commission, comprises seven budgetary headings:[23]

21 European Union, Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund. Official Journal of the European Union L 231, 30 June 2021, pp. 60–93.

22 European Union, Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by member states under the Common Agricultural Policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD), and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013. Official Journal of the European Union L 435, 6 December 2021, pp. 1–186.

23 European Union, Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 Laying Down the Multiannual Financial Framework for the Years 2021 to 2027. Official Journal of the European Union L 433 I, 22 December 2020, pp. 11–22.

Heading 1: *Single Market, Innovation and Digital*

Heading 2: *Cohesion, Resilience and Values*

Heading 3: *Natural Resources and Environment*

Heading 4: *Migration and Border Management*

Heading 5: *Security and Defence*

Heading 6: *Neighbourhood and the World*

Heading 7: *European Public Administration*

For the purposes of this simulation, we focus on the expenditure items most relevant to potential new member states, particularly those which are redistributive in nature and which would have significant budgetary and convergence implications for the Western Balkans. These are:

- Cohesion Policy Funds: including the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), and Interreg. These are allocated based on GDP/GNI per capita, population, and labour market indicators, following the official Commission methodology for 2021–2027 allocations (cf. COM(2018) 375 final).
- Common Agricultural Policy (CAP): including Pillar I (Direct Payments) and Pillar II (Rural Development via EAFRD). Estimates are based on utilised agricultural area (UAA), rural population, and previous phasing-in schemes applied to new member states (cf. DG AGRI CAP context indicators).
- Selected Competitiveness Programmes under Heading 1, such as Horizon Europe, Erasmus+, Digital Europe, and InvestEU. While not formula-driven, allocations to member states show predictable relationships with variables such as GNI per capita, research intensity, and institutional capacity, enabling the use of regression-based estimation.

These headings collectively represent the major share of net financial flows to new member states, and thus provide a realistic approximation of the fiscal implications of enlargement. Appendix A provides a breakdown of which funds are estimated through official formulae and which are based on regression modelling. Other expenditure items are calculated using per capita averages either for the EU-27 or for selected EU countries only.

As mentioned before, to estimate how some items on the expenditure side of the EU budget could be extended to the Western Balkan countries, a set of cross-country regressions is used to link current allocations under the MFF 2021–2027 with key socio-economic indicators. The analysis focuses mainly on the EU-13 member states – those that joined the Union after 2004 – since their economic structure and development levels are most comparable to those of the Western Balkan candidates. The regressions draw on data from 2021, the first year of the current MFF, when allocations were decided. When information for that year is missing, data from the previous or the following year are used to fill the gaps. The dependent variable corresponds to allocations under each MFF heading, while explanatory variables include indicators such as population size, GDP per capita and others. A multiple linear regression approach is applied to identify the main factors that explain differences in allocations across countries. This method is suitable for cross-sectional data and provides results that can be easily interpreted in a policy context. The list of explanatory variables should be seen as a starting point: the final selection will depend on the regression results, keeping only those variables that prove statistically meaningful and consistent with the logic of the specific fund.

In addition to the regular MFF headings, the analysis also accounts for the (NGEU), to capture a fuller range of potential fiscal inflows under the hypothetical accession scenario. Although NGEU is a temporary instrument and not part of the regular MFF structure, the simulation includes a stylised approximation of potential WB6 access to its main spending vehicle – the Recovery and Resilience Facility (RRF). Since RRF allocations are based on population, GDP per capita, and unemployment rates, the simulation applies the general allocation formula used for existing member states to the Western Balkan countries. Two versions of the results will be presented: one excluding NGEU-related inflows entirely, and one incorporating estimated RRF allocations as a supplementary scenario. This approach allows for a more complete picture of potential fiscal inflows while clearly distinguishing between structural and temporary sources of EU funding.

Table 18. Heading 1: Single Market, Innovation and Digital

Fund	**Method**
Horizon Europe	estimated based on the current WB allocations in the Horizon Europe fund
Euratom	estimated based on per capita allocations of the current MS
ITER	estimated based on per capita allocations of the current MS
Connecting Europe	estimated based on per capita allocations of the current MS
InvestEU	estimated based on per capita allocations of the current MS
Digital Europe	estimated using regression (explanatory variables: population, GNI/capita, DESI, R&D expenditure)
Single Market Programme	estimated based on per capita allocations of the current MS
EU Anti-fraud	estimated based on per capita allocations of the current MS
Cooperation in taxation	estimated based on per capita allocations of the current MS
Cooperation in customs	estimated based on per capita allocations of the current MS
European Space Programme	not included

Table 19. Heading 2a: Economic, social and territorial cohesion[24]

Fund	Method
European Regional Development Fund (ERDF)	formula-based envelopes, estimated using GDP per capita and population
European Social Fund Plus (ESF+)	formula-based envelopes, estimated jointly with ERDF, using the cohesion envelope methodology
Cohesion Fund (CF)	formula-based envelopes, estimated using GNI per capita and population
REACT EU	included only in the estimation with NGEU based on per capita allocations of the current MS

Table 20. Heading 2b: Resilience and values

Fund	Method
Recovery and resilience facility	included only in the estimation with NGEU using regression (explanatory variables: GDP/capita, population, unemployment, youth unemployment)
Protecting of the Euro	not included
Financing and repayment	included only in the estimation with NGEU based on per capita allocations of the current MS
rescEU	estimated based on per capita allocations of the current MS
EU4Health	estimated based on per capita allocations of the current MS
Erasmus+	estimated using regression (explanatory variables: population, GNI/capita, share of youth, tertiary education enrollment rates, youth unemployment)
European Solidarity	estimated based on per capita allocations of the current MS
Creative Europe	estimated based on per capita allocations of the current MS
Justice, rights, and values	estimated based on per capita allocations of the current MS

Table 21. Heading 3: Natural Resources and Environment

Fund / Instrument	Rationale / Method
CAP Pillar I: Direct Payments	estimated using regression (explanatory variables: population, rural population, GNI/capita, utilised agricultural area)
CAP Pillar I: Market Measures	estimated using regression (explanatory variables: population, rural population, GNI/capita, utilised agricultural area).
CAP Pillar II: Rural Development (EAFRD)	estimated using regression (explanatory variables: population, rural population, GNI/capita, utilised agricultural area).
European Maritime, Fisheries and Aquaculture Fund (EMFAF)	estimated using average per capita allocations from comparable coastal MS (Croatia, Bulgaria, Romania)
LIFE	estimated based on per capita allocations of the current MS
Just Transition Fund	estimated using regression (explanatory variables: population, GHG emissions, unemployment)

24 The Berlin formula is applied to estimate allocations under Cohesion Policy funds, linking funding levels to population size and the gap between national and EU average GDP per capita (in PPS), with an upper limit of 2.35% of national GDP.

Table 22. Other headings included in the simulation

Heading	Rationale / Method
Heading 4: Migration and Border Management	estimated based on per capita allocations of the current MS
Heading 5: Security and Defence	estimated based on per capita allocations of the current MS

Table 23. Headings not included in the simulation

MFF Heading	Reason for Exclusion
Heading 6: Neighbourhood and the World	inapplicable to new member states, as this heading is aimed at external relations, pre-accession assistance, and neighbourhood policy

Estimating contributions to the EU budget

In parallel with estimating EU expenditure allocations, the simulation calculates the expected contributions of the Western Balkan countries to the EU budget as full members. This step is essential for assessing each country's net fiscal position and understanding the broader redistributional effects of enlargement on the EU budget. The simulation follows the structure of the Own Resources system currently in force under the MFF 2021–2027[25]. It includes four main revenue categories:

1. GNI-based resource – the primary source of EU budget financing, calculated as a uniform percentage of each country's gross national income (GNI). This ensures proportional contributions based on economic capacity.
2. VAT-based resource – based on a harmonised VAT base for each member state, capped at a defined rate and adjusted for comparability across countries.
3. Traditional Own Resources – primarily customs duties collected on imports from outside the EU. Member states retain a small percentage as a collection cost, while the rest goes to the EU budget.
4. Plastic-based Own Resource – introduced in 2021, this contribution is based on the amount of non-recycled plastic packaging waste generated by each country, with a rate of €0.80 per kilogram. This mechanism aims to incentivise recycling and support the EU's green transition.

The simulation uses the most recent available data on GNI, VAT revenue, trade flows, and plastic packaging waste — applying the official contribution rates set out in the Own Resources Decision. Where harmonised or disaggregated

25 European Union. Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the System of Own Resources of the European Union and Repealing Decision 2014/335/EU, Euratom. Official Journal of the European Union L 424, 15 December 2020, pp. 1–10.

data is unavailable for WB6, proxies are used based on recent EU entrants or structurally similar member states. Country-specific corrections, rebates, or lump-sum adjustments (such as those granted to Germany, the Netherlands, or Austria) are excluded from the simulation, given their negotiated nature and lack of relevance for new member states at the time of accession. Together, these calculations provide a consistent and comparable estimate of the Western Balkan countries' prospective contributions, forming the basis for deriving their net fiscal positions within the EU budget.

Calculating Net Financial Balances and Distributional Effects

Once both the expenditure and revenue sides of the EU budget have been estimated for each Western Balkan country, the simulation calculates the net financial balance—the difference between what each country would receive from the EU and what it would be expected to contribute as a full member state. These balances provide a straightforward picture of each country's fiscal position within the EU framework and are commonly used to assess the distributional effects of membership. The results are presented on an annual basis and for the full seven-year period combined.

In addition to the individual balances for the WB6, the simulation also estimates the overall budgetary impact of enlargement on the existing EU member states. This is done by recalculating the EU's total revenue needs to accommodate the WB6 as net recipients. The redistribution that follows indicates how much each of the EU27 would, in relative terms, contribute to covering the net cost of enlargement based on their current share in Own Resources.

To make these results easier to interpret, both the net balances for the WB6 and the additional contributions of the current member states are expressed as a share of their respective GNI and yearly per capita amounts. The analysis will also compare the resulting overall increase in the EU budget to the current MFF (2021–2027), to illustrate the potential scale of enlargement in budgetary terms. Presenting the results in this way helps put the findings into perspective and highlights their broader significance for economic cohesion and solidarity within the Union.

Data sources, assumptions and limitations

The simulation relies on publicly available and verifiable data from official sources, including Eurostat, the European Commission's DG BUDG, DG AGRI, and DG REGIO, as well as national statistical offices of the Western Balkan countries and relevant Commission staff working documents. Where necessary, additional estimates are drawn from the AMECO database and previous enlargement impact studies.

All values are presented in current prices, following the price base used in the MFF 2021–2027.

In cases where precise or harmonised data for WB6 countries is unavailable, the simulation uses proxy values based on the experience of comparable member states, particularly those that joined the EU in the 2004 and 2007 enlargement rounds. This applies most notably to the simulation of plastic packaging waste and certain programme-specific participation rates.

The simulation further assumes:

- Full absorption of available EU funds by WB countries, abstracting from practical implementation constraints;
- Full participation in the Own Resources system from the moment of accession, without transitional corrections or rebates;
- Static expenditure ceilings under the current MFF, with no adjustments for geopolitical developments or future revisions;
- No behavioural effects, such as changes in absorption capacity, administrative readiness, or political prioritisation of funds;
- Unchanged EU institutional and political structure, assuming no treaty or governance changes during the simulation period.

These methodological choices allow for a stylised, rule-based simulation of the fiscal implications of enlargement under current EU rules and structures. While the estimates are not predictive in a strict sense, they provide a robust and policy-relevant approximation of the expected financial flows and budgetary impacts associated with the accession of the Western Balkans.

A key limitation of this estimation is that it only covers the latter part of the current MFF 2021–2027 – a budget cycle that is itself nearing its conclusion. The upcoming MFF 2028–2034 is still under negotiation and will likely reflect a significantly changed policy context. Emerging priorities such as stronger climate solidarity, greater resilience to geopolitical shocks, and the pursuit of digital and strategic autonomy are expected to influence both the structure of EU programmes and the way funds are allocated.

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