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Thesis title:

*European Union investments in development programmes and projects:
A comparative case study of Croatia and Serbia*



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I. Introduction:

"The preparation of the countries of the Western Balkans¹ for integration into European structures is a major priority of the European Union" -European Commission²

With the proposed study I want to contribute to a better understanding of the significance of EU's cooperation for development with countries that are seen as potential members of the EU, specifically through the financing of the development projects and programmes in these countries and the effects of these projects on the accession process³.

This will be done first by examining EU's cooperation for development policies and the way they are implemented. Also a section on the accession process and accession requirements will be integrated in order to better understand the dynamics of EU's relationship with these countries.

However the main part of the research will be concentrated at examining the effects of these policies and their implementation through various development programmes in two countries. The two countries that have similar historical background and that have had similar collaboration with EU regarding the EU accession, even if with a certain time distance, are Croatia and Serbia. As Vachudova (2003, p.141) stated, "the EU is the single most important international actor in the Western Balkans region and thereby in a unique position of promoting ethnic reconciliation, democratization and economic revitalization". The development projects financed by the EU have been and are still one of the most important instruments of EU politics in these countries.

The research will be done with a comparative case study method. There is an extensive body of research on the EU's relations with the Balkans countries, the accession process and the reforms, but what drove me to explore this issue was in my opinion the lack of academic works exploring the effects of these investments that EU is making within the pre-accession process for development in these countries. In the comparative case study the common background will be presented these two countries share as well as their most important developments in the past two decades, an overview of the types of development programmes (including their priorities) and the level of financing EU's has dedicated to these countries. Through the thesis the differences will be defined in the development programmes between the countries and their influence on the general development of the same.

In the conclusion the final answer will be given to my research question, using as best as possible all the knowledge gained through the process of the research.

II. Research question:

Today we find ourselves in the time where Croatia's accession is eminent and where Serbia's position has been advanced to a candidate status.

The process of accession and the criteria that follow it have always been supported by the financial cooperation with these countries. The development programmes are without question the most important part of this cooperation.

¹The Western Balkans - Croatia, Serbia, Bosnia and Hercegovina, Montenegro, Albania and since 2008 Kosovo

² Commission's communication to Parliament and Council- The Western Balkans and the European Integration. COM (2003) 285 final, Brussels, 21 May 2003.

³ Accession process referees to the accession negotiations which are needed to be completed before applicant countries can join the EU. The negotiations are done by the accession partnership adopted by the EU for the applicant countries in order to assist them in meeting the accession criteria (referred also as Copenhagen criteria) and preparing themselves for membership of the EU.

In the politics of these two countries the accession process to the EU plays an extremely important role in shaping policies. EU enlargement⁴ policies are based on various conditionalities which the two countries would not be able to fulfill on their own, therefore the investments made by the EU have been of great help in this process and have also influenced greatly the policy making of their governments.

As Phinnemore and Mc Gowan (2010) note "Since the enlargement of the EU in 2004 and 2007 there has been a noticeable tightening of the criteria for accession, and EU has placed greater emphasis on ability of future candidates to integrate in the EU once the accession process is over".

The Commission seems aware of the difficulties that applicant countries may have to meet the criteria, and in regard to the financing of development projects it states that they are : " [i]ntended to help these countries to introduce the necessary political, economic and institutional reforms to bring them into line with EU standards." (EC)

Bearing in mind the importance of EU accession for the future of the two countries here studied, and the importance of the development programmes and projects and EU's cooperation policies in the whole process, my research question is formulated as follows:

How have the development programmes financed by the European Union affected the accession process and development in Croatia and Serbia?

In order to have more precise guidelines for the research and to provide the most important and useful information I have come up with a series of sub-questions which will guide the examining of the large amount of data that is available on these issues. Also the structure of the thesis will be based on these sub-questions.

Sub-questions:

-What are the main objectives and characteristics of European Union cooperation for development policies within the pre-accession process?

-What are the main characteristics of projects financed by the EU in Croatia and Serbia?

-What effect do these projects have on the process of accession of these two countries?

- What is the effect of these projects on the general development of the two countries?

⁴ The definition of EU enlargement is not understood just as the geographic widening of EU, but as the process of gradual and formal horizontal institutionalization of organizational rules and norms(Schimmelfennig and Sedelmaier 2002,p 503).

III. Analytical framework:

Since the nature of the research is to evaluate an application of this particular EU policy and its effects, it is problematic to place it within any existing theory, so I have decided to present an analytical framework which will be the guide to the research.

The framework should more specifically explain the relationship between the variables and main concepts used in the research in order to conduct better the analysis of EU's policy in regard to the financing of development projects in countries that are currently dealing with accession process to the EU.

Since this is mostly a qualitative study, an analytical approach is needed and an analytical discussion will be used, because as explained by Mäki (2008) an analytical discussion is aimed at explaining the development of EU policies regarding the cooperation for development with countries in process of accession to the EU.

Main concepts that will be addressed:

EU policies

Foreign policy:

- *Enlargement*- Enlargement of EU has always been a big event in the past history. In the 1999 the Commission created a separate Directorate General for Enlargement (DG ENLARG), while before that the enlargement had been the task of DG External Relations.(Sedelmaier, 2010)
By Lowi's (1972) typology enlargement can be viewed as a major constituent policy. Its effects on the EU's institutional structure and on the changes of rules and politics are indeed very important.
In short it can be said that the Enlargement policy consists of decisions and conditions under which new members can join the EU. As identified by Sedelmaier (2010) these decisions "relate to the two distinctive sets of conditions: a) the more general ones that a country has to meet in order to be considered a candidate, and b) the decisions about the concrete terms of accession". The main treaty article in regard is Art 49 TEU which specifies the general conditions such as, for example, the stages of the enlargement process. Sedelmaier identifies these three following phases in this process: a) associations agreements which provide the legal framework for the pre-accession relations with the potential candidate, b) the second phase starts with the country being recognized as a (potential) candidate. This phase consists of a policy framework for accession preparations, c) the final phase is the accession negotiations.
Since the thesis will mostly be looking at the financing by the EU in the accession phase of the enlargement process, we will explore the meaning of accession a bit more carefully.
- *Accession process* - The accession process begins as soon as the country is identified as a possible candidate for EU membership and with the signing of the association agreements (Art 310 TEU). These agreements are one of the EU's instruments for external relations, and establish a better collaboration with countries.
One of these agreements that has been of great significance for the accession process in the Western Balkans is for sure the Stabilization and association agreement (SAP) which included not only the aim of supporting economic and democratic transition in these countries but also the regional cooperation and explicit preparations for eventual accession.(Sedelmaier, 2010). The next step of the process is the status of a pre-candidate, which brings the country one step

closer to the EU. As stated by Phinnemore and Mc Gowan (2010) in this stage both pre-candidate or candidate countries "continue to work on meeting the accession criteria, often referred to as the Copenhagen criteria, the main points of which are: stable institutions guaranteeing democracy, the rule of law, human rights and protection of minorities, the possession of a functioning market economy and the capacity to cope with the competitive pressures of the internal market in the EU". It is important to say that during the whole process of pre-accession the EU becomes one of the country's biggest supporter, it provides financing and the transmission of know-how in order for the country to be able to meet the criteria and be ready for the EU one day. The process is not an easy ride and countries often face certain step backs, which make the process even longer.

Development programmes and projects

As development programmes and projects will be considered, those financed and supported by the EU in Croatia and Serbia, within the pre-accession support instruments, such as IPA or CARDS and the projects implemented under their programming. The projects are aimed at helping the countries develop by EU standards and getting them ready for a full membership in the EU.

CARDS (Community Assistance for Reconstruction, Development and Stabilization) was a program of support to the Western Balkans as part of the stabilization and association process launched in 1999. CARDS has been shut down since the 2007 and has been replaced by IPA.

Formally known as Instrument for Structural Policies for Pre Accession (ISPA) and since 2007 known as IPA Instrument for Pre- Accession Assistance, it is an instrument introduced by the Commission to help strengthen the infrastructure of the candidate countries. The funds allocated within this instrument are of great importance for the countries.

These are the two main programmes that were implemented in the Western Balkans in the last decade, but others that had been implemented before these were introduced, will also be named.

Main units of examination in the case study:

Within the unity of development programmes the main variables to be examined in the comparative study of the two countries are:

- The amount of financing the countries received in the past 10 years (in total and annual programming) (independent-time variation variable)

- Type of programmes and projects (priority categories for projects)

Also within the comparative case study development indicators of the two countries will be examined and compared.

IV. Methodology:

The type of analysis used in this research will be a comparative case analysis using both qualitative and quantitative data.

This method, as defined by Saunders, Lewis, and Thornhill (2009, p.588), is a “[...] research strategy that involves empirical investigation of a particular contemporary phenomenon [or instance] within its real-life context, using multiple sources of evidence”. However, it is important to point out that the case study method does include a number of significant limitations, such as “[...] their relative inability to render judgment on the frequency or representativeness of particular cases” (Bennett, 2004, p.20). Nevertheless, Bennett (2004) adds that the analysis of a case brings about detailed conclusions for the particular case, which makes it a very strong method for the comparison of a small number of cases.

The design of this comparative case study will be quite simple. The main objects examined, Croatia and Serbia, countries with similar historical background and similar in the way their accession process has developed, represent the greatest focus of examination. My goal is to find out what the situation is in the accession process in each country, the importance of development programmes and projects in this process, coming in the end to a conclusion on differences and similarities between the two countries, revealing how it came to such variation, of course without losing track of the main research question, which is to examine the benefits these countries have had from EU's financing of development programmes for their accession process.

The case selection:

It is well known that the last decade of the 20th century was extremely troubled in the countries of Ex Yugoslavia, and each of these countries turned to the EU for support in establishing their place in Europe and world as independent, democratic and economically efficient countries. As Calic (2008) notes the EU has before, but more efficiently in the middle of the Kosovo crisis in 1999 pledged itself to draw the Western Balkan region closer to the perspective of full integration into the EU.

The case selection or the choice of these two particular countries was made by the most similar case criteria. This choice was inspired by Mill's method of the most similar cases method. As written by Bennet(2004) the case comparison made by Mill's method of agreement (or most similar case) is a method in which the investigator looks for the potentially casual antecedent conditions that are the same between two cases and that have the same outcome. Because it has been proven that Mill's methods are not always fully applicable because of the presumption that the cases should differ in only one variable, like many other researchers I will also use Mill's method just in order to identify potentially relevant variables to be examined in the rest of the comparison study.(Bennet,2004).

Since I wanted to study the influence of EU on the Balkans and particularly in Ex Yugoslav countries I needed to find the most suitable cases in order for the research to have an appropriate form and also for it not to turn out too long and complicated. Since Slovenia is already a Member State of EU, it was the first country to be excluded, Bosnia and Herzegovina was the next one to be excluded, even if it is one of the countries that benefits significantly from EU's contributions to development, because of its overly complicated demographic situation.

Former Yugoslav Republic of Macedonia⁵, as a candidate country seemed like a good option for the research as did Montenegro, but since the size of the countries was smaller and their situations not that similar⁶, the choice fell on Serbia and Croatia. This is because these two countries share many similarities in the way their accession process developed, even if with a few years of difference, they have the same historical background and have in last years made great progress on their way towards the EU, Croatia with its upcoming Membership and Serbia with its recently awarded candidate status. These recent developments in the situation of the countries makes them indeed very interesting for this research and the topic even more current.

The study will be a descriptive study in which I will compare the two countries by researching and presenting the type and number of programmes, the amount of financing the EU has given to each country and the benefit it has produced for them in the way of facilitating the accession process to EU. In presenting the quantitative data, mostly for the amount of finances and categories I will use statistical instruments, tables and graphs to restrain the research from becoming overly descriptive.

The procedure to my research was as follows:

The research work was carried out through three interconnected steps:

1. By reading the relevant literature available in libraries and online (this step will be continued throughout the whole process)
2. By identifying information gaps and finding and selecting the important and appropriate content for the analysis
3. By combining and consolidating all the information and writing the paper.

V. Literature and Data collection:

This paper is based on primary and secondary information taken from literature and the Internet sources. The literature varies from the official information found on official websites of European Union, Croatia and Serbia, as well as information found in the independent sites that address the issues here examined, academic works which address the EU's enlargement to the Balkans, situation in Serbia and Croatia and also some academic work I could find on the countries development mostly written by the local academics.

As suggested by Babbie (2007) I organized my search of literature around the key concepts I wish to study, so mainly the research was done on EU's enlargement and cooperation for development policies, Croatia and Serbia's accession process, EU development programmes financed in the two countries.

As stated before there is not much academic work done in regard to the amount of financing and the effects of development projects done in these two countries. Even so I find that the amount of information found on the development programmes in Croatia and Serbia and the body of research on

⁵ Macedonia was indeed quite a valuable option for this study, but due to its stagnation in the accession problems and relatively small size, I decided to peruse Serbia and Croatia as case studies, because of their more influential positions in the region.

⁶ Montenegro being a country that first benefited from EU financing in a common framework with Serbia, and also being a very recently established country didn't seem like the most appropriate choice for this study.

their relationship with the EU, provides me with enough information to be able to draw my own conclusion and answer the research question in an appropriate way.

The data I will mostly process are the secondary data, information that relates to a past period. The secondary data are also obtained from some other parties than the ones interested with this research project. The majority of the quantitative data (statistics and numbers) will be taken from these official sources, whereas the qualitative part of the research will mostly be done by using academic work and information' provided on the official websites, therefore focusing on the re-analysis of works and statistics already created by others.

Previous research done on these topics:

As stated before the topic of influence of the EU investments to the accession process of the potential member states has not been largely explored. This was in fact one of the main reasons which made me pursue this research. Though there is a significant lack of academic and critical works on this subject, there is a substantial number of works regarding the EU relations with countries that are pursuing the EU membership, as well as on the accession process of both Croatia and Serbia. Also a number of works regarding the conditionalities for accession and particular works on the EU development strategies for potential members can be found from both local academics and on the official websites and publication. The only thing that seems to be lacking is in fact the connection between the financing of development programmes within the EU's strategies for countries seen as potential members and the influence of the same on the accession process.

When looking at previous research on these topics it becomes obvious that there are a number of variables on which the scholars analysis mainly concentrate. Some of these studies examine closely the role of Commission and its monitoring processes in enlargement countries, the accession process and accession instruments, such as the SAP (Stabilization and Association Process) and IPA (Instrument for Pre-Accession). These works will be of great help in constructing the research and giving the overview of EU's strategies, but the comparative case study will in fact be mostly constructed on data retrieved from official documents from the EU Delegations, EU Commission and Croatian and Serbian local agencies and governmental institutions. And the conclusion of the influence of the EU investments in these two countries will be somewhat of a deduction of evidence provided during the comparative study.

VI. What are the main objectives and characteristics of European Union cooperation for development policies within the pre-accession process?

In the view of the main research objective, which is to discover how EU's financing of development projects affects the accession process of countries considered to be prospective members I will start by briefly presenting the EU policies which influence mostly EU's relationship with these countries, the strategies for cooperation with them and the importance of the accession process for both EU and these potential members.

1.The policies:

a) EU's Foreign and Security Policy

As stated by Smith H.(2002) scholars have defined the EU foreign policy and therefore indirectly also the enlargement policy, as "the capacity to make and implement policies abroad that promote the domestic values, interests and EU policies".

The major policies that concern EU's relationship with these countries go under EU's Foreign and Security Policy and EU Enlargement Policy, are extremely important to know and have present when studying the pre-accession policy , which is the policy of interest in this research.

As stated by the EU, " [i]n the view of its constantly growing role on the global scene, EU countries find themselves having to increasingly make collective foreign policy decisions, and this includes decisions related to the cooperation with the countries identified as potential members.The basis for the EU's common foreign and security policy (CFSP) remains the use of diplomacy - backed where necessary by trade, aid and security and defense - to resolve conflicts and bring about international understanding". (europa.eu (a))

The Foreign and Security Policy is important because it defines EU's relations towards other countries in general, but it is a complicated policy which covers various types of actions. This policy has also been influential in dealing with the situation on the Balkans in the '90s and still remains important in the way EU looks at its members in waiting, like in the questions regarding Kosovo and its independence, trying to be the best possible mediator and always seeking a diplomatic solution to these problems.A part of the Foreign and Security policy is the Enlargement policy, which is of greater interest for this research.

b) EU's Enlargement Policy

Enlargement is the term used to describe the process of admission of new states into the European Union, and therefore enlargement policies refer to all issues regarding this process.

Enlargement has always been a big event in the EU, the acceptance of new members and the reasons behind it have always been a great research theme of many academics studying the EU. And even after the substantial enlargement of EU in the last decade, today still the line for the EU membership remains quite long.

Enlargement has constantly been on the EU's agenda and therefore, according to Lowi's (1972) typology, enlargement can be viewed as a major 'constituent policy' in the arena of EU policies. It is also always followed by a big amount of changes in policy making and in the institutional structure. As Sedelmaier (2010) indicates that is why each enlargement is usually followed by a certain amount of controversy. Still no matter what, it cannot be ignored that the enlargement policy represents EU's most powerful foreign-policy tool.

Sedelmaier (2010) also denotes the importance of the Commission in the process of enlargement, even if the rules of it seem dictated by the Member states. He also names Article 49 TEU

(annex) as the most important article in regard to the enlargement policy, a policy that consists of decisions about the conditions under which new members can join the EU. These decisions relate to two distinctive sets of conditions which are both covered by article 49 TEU, the first which sets out the most general conditions a country must meet in order to be considered a candidate for membership, and second, decisions about the concrete term of accession. But the Article just sets out the general conditions while the actual accession terms always depend mostly on the negotiations between the country and the EU.

Probably the biggest change in the sense of accession terms and conditions came after the cold war, when a great number of post-communist countries expressed their desires to join the EU. This was the moment when EU's enlargement policy underwent through the greatest challenge ever. The 'Copenhagen criteria'⁷(EU Council, Copenhagen, 1993) or accession criteria are the conditions introduced in the prospect of the Central/Eastern European enlargement, that had to be fulfilled in order for the countries to gain the possibility of becoming EU members. These countries needed to go through a serious transition towards the market economies and liberal democracies. Since all applicants for membership must have a democratic government, respect the principles of the European treaties, but also adopt the *acquis communautaire*⁸, this was not as easy with the Eastern enlargement as it might have been with the previous ones. The European Commission has gained more importance in this process by being in charge of analyzing each country's application, focusing both on its economic situation and political stability. The Commission always presents its *avis* to the Council of the European Union, where final decisions on the applicants are made (Phinnemore and Mc Gowan, 2010). In the case of the Eastern enlargements, as stated by Smith and Wallace (2004) "Enlargement policy became part of a broader challenge to devise a general policy towards the rest of Europe for the first time in the EU's history".

Probably the most important part of policies in dealing with the post-communist countries that were seen as possible members was a decision on how to provide them the support for the reforms needed to transition to market economies and establish democratic societies. This support was also driven by the broader value these changes would have for the EU also, like the fact that having prosperous and democratic neighbors is useful in preventing conflicts and also in preventing the possible flow of refugees and economic immigrants which could over float the bigger EU countries in search of better existence. Sedelmaier (2010) denotes that "the events of the late '90 brought an opportunity for the EU to further a broader foreign-policy objective of fostering stability in its neighborhood". The EU developed a policy framework which took the agreements between the countries and the EU to another

⁷ Copenhagen criteria - conditions that countries desiring to become members of the EU must meet if they are to be admitted to the EU. These criteria were adopted at the Copenhagen summit of the European Council in June 1993 and require those countries seeking to join the EU to have stable institutions, guarantee democracy and rule of law as well as minority rights and functioning market economy in order to be able to cope with competitive pressure and market forces of the EU. (Phinnemore and McGowan, 2010)

⁸ *Acquis communautaire* is a phrase that collectively describes the accumulated secondary legislation of European Union; it is passed under the provisions of the founding treaties and their subsequent amendments. It covers all the directives and regulations adopted by the EC. (Phinnemore and McGowan, 2010)

level. It went beyond the procedures specified in Article 49 TEU. The phases of the enlargement process were identified:

1. The first phase is an associate status - which includes the agreements that provide the legal framework for the pre-accession relations between the EU and the potential candidate country until the accession.
2. The second phase - is when the country gets recognized as a potential candidate for accession, this phase consists of a policy framework that includes accession preparations.
3. The final third phase is accession negotiations, the negotiations start after an accession treaty is signed and the candidate has the status of an acceding country. (Sedelmaier,2010)

As also Sedelmaier(2010) specifies, each of the presented phases includes different decisions by the EU actors and also specific policy instruments, the enlargement policy follows different modes for each of the three phases, the phases are all linked to each other, and there are intermediate steps till the fulfillment of certain conditions.

But before proceeding to a more detailed description of the phases of enlargement we must explain the concept of conditionality, which plays an important role in the development of the accession process.

c) Conditionality

The concept of conditions is really important in understanding how the process of accession works. Wallace (1996) in fact states that "even if the first reference to the political membership conditions was stated in the context of Mediterranean enlargements and in the Europeans Council "Declaration on Democracy" in Copenhagen in 1978 which stated 'respect for maintenance of representative democracy and human rights in each Member State are essential elements of membership', the declaration was intended also to strengthen the Community's leverage against any future member which might slip towards authoritarian rule". These conditions have gained even more importance in the view of the enlargements in the last decades, and are very much present in the current negotiations with prospective members.

According to Hughes et al (2004) conditionality is the "gate-keeping mechanism embodying clearly identifiable and generally understood norms, rules and institutional configurations that are applied constantly and with some continuity over the time to regulate the entry of new members".

Smith K.(2003, p.108) thinks that "all these conditions can be interpreted as EU's desire to protect its cherished values and interests from possible changes that an expansion could bring ", and I guess this statement is true, because the conditionalities in fact are focused on protecting the stability of the EU and its Member States in the process of introduction of a new state member in the system.

This is all best illustrated by the way negotiations with countries from the Balkans were developed, because the effects of the war in the '90s have slowed down the negotiations with the countries involved and are still a big part of the conditionality in regard to them. These are issues that

include ethnic conflict and the cooperation with the ICTY⁹, the status of refugees etc. For these cases EU has set separate political conditions which are not covered by the *acquis*, and has in this way entered a new territory of political conditionality which has various times been accused of double standards in treatment of the candidate countries (Sedelmaier, 2010)

Membership conditions are a largely discussed issue for many reasons, but mostly as stated by Vachudova (2005) "because of an increasing power asymmetry between the candidates and the EU, which the candidates feel pressured to accept because the price of the exclusion is too high".

However, the conditionality in the EU does not refer only to the countries that are in the accession process, once a country is a member of the EU, conditionality is still very relevant. As Phinnemore and Mc Gowan (2010) denote "after the Treaty of Amsterdam, Member States which do not respect principles of liberty, democracy, human rights and fundamental freedoms and the rule of law may have certain of their rights under the European treaties suspended".

Since the conditionality plays such a big role in enlargements policies and is something that is common to all the stages of the accession process, it needs more attention before starting a more detailed description of the pre-accession policy and phases of accession process.

In order to explain better in which way the conditionality influences the accession process, the following two examples that concern the accession process of Croatia and Serbia are presented:

ICTY conditionality:

Before opening the accession negotiations with countries in the Western Balkans, the EU has set out a unique membership condition that has never been used in the accession process before, "full cooperation with the ICTY". This conditionality is very important also because it shows clearly EU's commitment to uphold principles of international justice, and setting this as a prerogative in the enlargement policies in this region.

Maki (2008) denotes that even if this particular conditionality has its roots in the framework of norms of political enlargement conditionality, it is more than obvious that it will be limited to the countries of former Yugoslavia applying for the membership.

The main function of the court is to process the war criminals responsible for the crimes committed in the Balkans wars during the '90s. As a condition to progress of accession process the EU requires from the states desiring to become members a full collaboration with the tribunal. A full collaboration entails that Serbia, Croatia and BIH must hand in all the criminals accused of 'committing serious violations of international humanitarian law'

This conditionality should not be taken lightly as it has indeed more than once endangered the development of the accession process, but has also shown the benefits when respected.

⁹ ICTY - The International Criminal Tribunal for the former Yugoslavia

Regional cooperation conditionality:

For the first time in 2007 the Commission developed a detailed description of why regional cooperation and good neighborhood cooperation was essential to overall European integration and the accession process for the perspective members.

"Progress in these areas strengthens confidence and brings concrete benefits through regional stability, better cross board links and improved infrastructure. These also bring economic benefits in terms of faster growth and increased foreign direct investment" (COM 2007/2008 p.10)

The importance of this conditionality in the Balkans area is of great significance. It serves to promote good neighborhood policies. Since the conflicts in the '90s have left serious wounds and issues that needed to be resolved, the EU with its important role in the future of these countries found it important to request a better regional cooperation among the countries. The conditionality has never had serious repercussions as the ICTY one, but the progress made by the countries in regards to the regional cooperation has always been very appreciated by the EU in the view of the accession process.

2. Pre-accession policy and the phases of enlargement

Table 1 : The key stages of the accession process - adapted from Sedelmaier (2010)

Key stages of the accession process									
Key stages of the accession process in sequence	Country expresses desire to join the EU	Association agreement	Pre-Accession alignment	Official application	Commission opinion	Accession negotiations	Ratification of accession treaty	Accession	
Legal framework of relation	Association agreements (Europe agreements, stabilization and association agreements)								
Aid	Phare CARDS		IPA (ISPA SAPARD)						
Conditional EU decisions	-granting/ Suspending aid	-opening negotiations -initialing agreement -signing agreement -implementation of Interim Agreement	granting potential candidate status			granting candidate status -opening negotiations -opening/closing negotiations on specific chapters -suspending/closing negotiations	confirmation/postponement of accession date	cooperation and verification mechanism: -suspension of aid -non-recognition of judicial decisions	

The pre-accession policy is an element of the enlargement policy and it deals with the specifics regarding the accession process and implementation of reforms in countries that are candidates for membership, making sure they are ready for the challenges of the common market once they have been accepted to the EU. This policy is made in order to support better candidates' efforts in achieving the conditions for membership set out by the EU.

The pre-accession strategies are part of this policy. As stated by Sedelmaier (2010) "The cornerstone of these strategies is to prepare the relevant candidate countries for the accession by helping their regulatory alignment with the *acquis communautaire*".

"The Enlargement process provides mechanisms and incentives, culminating in membership, that encourage enlargement countries to work together with the EU in realizing common objectives" (European Commission)

The countries' desire and official declaration of their will to join the EU, even without a formal membership application can be considered the first step in the accession process. The first formal stage of the accession process comes with the signing of the association agreement, these agreements represent one of EU's most successful external relations instruments, and are not only limited to the countries aspiring to become members of EU. However as Sedelmaier (2010) explains the EU has made these agreements a necessary step in the accession process. The application of these agreements can also represent one of the conditionalities, for example this was the case with Serbia in 2008, when the Commission stated that Serbia could expect a positive evaluation of a future membership application only if it had demonstrated the correct application of the association agreement (Agence Europe, 6 November 2008 and Sedelmaier, 2010:410)

The first official steps of the accession process are defined by the signing of the pre-accession agreements with the countries that express their desire to become EU members. This happens before the country officially applies for the EU membership to the Council. The importance of these agreements is immense, it serves to officially recognize the country as willing to proceed into the accession process, and they help get it ready for the reforms that are needed in order for the accession process to proceed.

a) Europe Agreements/Association agreements/Stabilization and Association agreements

Until the enlargement in 1995 the *Association agreements* signed the beginning of the accession process, this was because these countries were already judged as ready to apply and enforce the *acquis communautaire* (Sedelmaier, 2010). However, in the round of enlargement that concerned the CEEC's as Sedelmaier (2010) explains, it was the *Europe Agreements* that represented the first approach of the EU towards these countries. European Council created 'Europe agreements' (EA's) in April 1990 as a 'new type of association agreement as a part of the new pattern of relationships in Europe' which was directed to the countries which at the time were the leading reformers since the breaking of the USSR: Hungary, Poland and Czechoslovakia, he continues by stating that these agreements were mainly meant for gradually establishing a free trade area for industrial products, but also in order to improve the political dialogue with these countries and help them develop in prosperous societies by technical and financial assistance.

However, the Europe Agreements did not constitute a first contractual relationship established with these States. These agreements were preceded by less comprehensive cooperation agreements

that are regulated primarily enjoyed trade, economic and other relations between the European Union and the States from the above mentioned group of countries.

In case of the enlargement that concerns the countries of the Western Balkans the process has changed, and since the research is concentrated on the accession process of Croatia and Serbia, I will proceed to explain the accession process by making reference to the development of this process in these two countries.

In these two countries (as well as in the case of Macedonia, Montenegro, Albania, Bosnia and Herzegovina) the first step of the accession process was their official declaration of desire to join the European Union. This however is not the formal membership application, which comes only after the evaluation and recommendation by the EU (provided by The Commission mostly).

The first official step towards a possible EU membership is the signing of the Stabilization and association agreements. These agreements see the light in the aftermath of the sanguineous break-up of Yugoslavia and NATO's military intervention in Kosovo and Serbia.

After the European Council of June 1999 in Cologne, an initiative by the German presidency for a stability pact in South-Eastern Europe was supported and the Commission, which then elaborated proposals for 'Stabilization and Association Process' (SAP). (Friis and Murphy, 2000). This was aimed at reducing the tensions in the area and giving sufficient support to the countries in their economic and democratic transition, in order to facilitate the possible accession one day. In the SAP there are a number of political obligations on human rights democracy, rule of law and the full cooperation with ICTY as well as improving cooperation in the region. After negotiation Trade and Cooperation agreements with the newly independent countries, the EU has proceeded with the negotiations on SAA's.

In case of Croatia:

The first formal establishing of relations between Croatia and the European Union began after the Croatian international recognition as an independent and sovereign state on 15 January 1992. Relations intensified in 2000. With the signing of the Stabilization and Association Agreement on 29 October 2001, the Republic of Croatia for the first time entered into contractual relations with the European Union. It was the most important formal step in the process of the Croatian path towards the European Union before applying for full membership, gaining candidate status and the opening of accession negotiations. (mvep.hr)

In case of Serbia:

Because of the troubled '90s the relationship between EU and Serbia started later than with Croatia. Even after the Dayton agreements ¹⁰ were signed, Milosevic's rule lived and the problems

¹⁰ Dayton Agreements - On the 21 November 1995, in Dayton, the General Framework Agreement for Peace in Bosnia and Herzegovina was initialed along with 11 associated annexes (together, the "Peace Agreement"). In

related to Kosovo became more prominent, making so that Serbia's relationship with the EU began only when the democratic changes took place after the election of Vojislav Kostunica on the 5th October, 2000. Slowly the sanctions were lift and the cooperation began, first by including Serbian representatives in various summits and talks, and by starting economical collaboration. However only in 2005 does Serbia and Montenegro (at the time) receive a positive evaluation on the readiness to proceed to the negotiations for signing the SAA. However between this evaluation and the ratification of the SAA the negotiations were called off and blocked for certain periods, because Serbia did not meet the conditions needed for the progress in the negotiations¹¹. The official ratification of the agreements came on the 7 October 2007. As in case of Croatia this was the most important formal step in the its accession process towards the EU.

The importance of SAP (and the signing of the SAAs), as the first official step towards the accession cannot be undermined. Therefore a more detailed description will be provided, in order to better grasp its importance and complexity.

Shortly it can be said that the three main aims of the SAP are:

1. The stabilization of the countries and the encouragement of their transition to a market economy
2. The promotion of regional cooperation
3. Facilitation of eventual membership of the EU

These are all important aims that guide EU's cooperation with these countries as well as the process of reforms in them. That is why these aims and the means by which they are implemented will be studied more in detail during this research.

The SAP is based on a partnership between the EU and the countries by means of:

- Trade concessions
- Economic and financial assistance
- Assistance for reconstruction, development and stabilization (CARDS, PHARE, IDA)
- *Stabilization and association agreements* a far-reaching contractual relationship with the EU, entailing mutual rights and obligations.

Signing the Agreement, the three Balkan States undertook a broad Commitment to: conduct their relations in accordance with the United Nations Charter, fully respect the "sovereign equality of one another", settle disputes by peaceful means, and "refrain from any action against the territorial integrity or political independence of Bosnia and Herzegovina or any other State. The Federal Republic of Yugoslavia and Bosnia and Herzegovina recognized each other as "sovereign, independent States within their international borders". On behalf of the Republika Srpska, the Bosnian Serb entity within Bosnia and Herzegovina, the Federal Republic of Yugoslavia signed those parts of the accords that concerned that party. (UN)

¹¹ Conditions like the cooperation with the ICYT etc.

Trade concessions:

These trade concessions represent one of the most important means by which the SAP is applied. They provide the countries with the possibility of accession the EU market on beneficial terms, which helps the development of their economy, the agricultural and industrial sector. Since the autumn of 2000 a uniform system of trade preferences was established for the countries of the Western Balkans. The trade provisions offered by the European Union under the trade measures (TMs) provide the countries of the Western Balkans with duty-free access to the Union's market for practically all goods, including agricultural products, with no quantitative restrictions. This significantly improved the situation of big companies in the area, as well as the development of SME and increased the exportations drastically, in some cases from an absolute low level. In the information provided by the Commission's Enlargement department (2003) Croatia is the largest exporter in the region, providing the EU with nearly half of its imports from the Western Balkans. Together with the Serbia and Montenegro¹², the two countries account for approximately 70% of the region's export to the EU.

The export performance of these two countries is thus an important determinant for the development of exports from the region as a whole. Since the extension of the TMs began, some countries have displayed a better export performance than others. Croatian exports to the European Union have grown by about 15%, and the corresponding figure for Serbia and Montenegro is over 70%, which is an impressive percentage to be reached in a short time since these trade concessions started. (EC (a))

Trade concessions are essential for the possible integration of these countries in the EU one day, they provide them with the possibility of better exploring the EU market, and better grasp the conditions which will be applied to them if they become full members.

SAA Stabilization and association agreements

The SAAs are a specific type of agreements. Their legislative power in the accession process is of great importance. The **SAAs** have only been applied in cases of the Western Balkans countries. After negotiating Trade and Cooperation agreements with the newly independent countries, the EU has proceeded with the negotiations on SAAs. These agreements are in substance very similar to the European Agreements signed with the CEECs in their accession process, except that they include much more details especially in regards to the political conditionality¹³.

As stated by the Commission these agreements are a far reaching contractual relationship between the enlargement countries and the EU, which entails mutual rights and obligations. This obligation shortly entails that on one side the countries promise to conduct a series of reforms in order to better meet the requirements needed for the proceeding of the accession process and on the other hand is the EU which promises support and financial assistance to these reforms. (EC(b))

The role of the Commission is very important in regards to how the SAA is implemented. The conclusion of the SAA can take place only when all the conditions are met (as mentioned before in cases of Croatia and Serbia), and the results of the advancements are generated by the Commission in its

¹² The information dates from the time Serbia and Montenegro represented a single entity in regards to the economical issues.

¹³ Examples of this conditionality have been named in the section on Conditionality.

annual monitoring. If the Commission makes a positive evaluation about the country's meeting of the SAA conditions, the European Council and the European Parliament makes the decision whether to conclude the SAA. This is a very important moment in the accession process because once the Council and Parliament approve the closure of the SAA the country can submit its membership application and officially open accession negotiations.

b) Financial assistance CARDS and-IPA

While the SAAs represent the legal framework that applies to the relations between the EU and the countries seen as potential members, CARDS (Community Assistance for Reconstruction, Development and Stabilization) and now IPA (Instrument for Pre-accession) represent the main instruments used within the SAP in assisting the countries on their path towards the EU.

In this research financial assistance and the benefits of it for the accession process represent the focal point, therefore they will be explored in much more detail during the comparative case study between Croatia and Serbia, presenting in detail what this financial assistance entails and what kind of development programmes and projects are mostly financed by it, and therefore considered of vital importance for the accession process.

CARDS

CARDS were the financial assistance programmes dedicated to the Western Balkans as part of the SAP. CARDS was launched in 1999, and it replaced the initial assistance program OBNOVA¹⁴. In the period from 1998 – 2002, before CARDS became operational, Community assistance to Albania, BiH and the Former Yugoslav Republic of Macedonia was delivered through the PHARE and OBNOVA programmes, but in case of Croatia and Serbia and Montenegro the assistance was provided through PHARE.(EC (c))

CARDS programme was operating for a period of almost 7 years, but was later replaced by IPA programme since 1 January 2007. For the period of its duration 2000-2006 it funded the region with € 4,560 million(Phinnemore and Mc Gowan,2010)

IPA

IPA was formally introduced in the enlargement process in 2007as an instrument to provide financial support in **key issue areas** for enlargement countries. (Bache, 2010)It replaced the existing pre-accession support programmes such as PHARE, Sapard, ISPA and CARDS. It is aimed at providing pre-accession assistance in five areas, and it is available only to the Countries of the Western Balkans and Turkey.(Phinnemore and Mc Gowan,2010)

'IPA will give added emphasis to programmes which support state building, good governance, institutional reform and administrative capacity' (COM 2007/2008,p.5)

¹⁴ OBNOVA - means reconstruction in both Serbian and Croatian, and the programme was in fact dedicated to helping the countries in the area deal with the reconstruction needed after the conflicts.

Within IPA major attention is dedicated to the rule of law. The concept of the rule of law is given much more emphasis than in the previous assistance programmes, this is because of the worries surrounding the EU's absorption capacity, which surged after the previous round of enlargement. The Commission considered that focusing on the rule of law since the early stage would improve the quality of the accession process (COM 2006/2007, p.5)

In the Commissions reports the Instrument for Pre-Accession Assistance or IPA, had a total pre-accession funding for the period 2007-2013 of € 11.5 billion.

The European Commission also identifies following five components within IPA, in order to better achieve the objectives of each candidate and potential candidate as efficiently as possible:

Component I (*Transition Assistance and Institution Building*) provides financing for institution-building and associated investments. It supports measures to drive stabilization and the transition to a democratic society and market economy. Component I is open to all candidates and potential candidates and is managed by Directorate-General Enlargement.

Component II (*Cross-Border Cooperation*) supports cross-border cooperation between candidates and potential candidates and with EU Member States. It may also fund participation in transnational cooperation programmes (under the Structural Funds) and Sea Basin programmes (under the European Neighborhood and Partnership Instrument or ENPI). Component II is open to all candidates and potential candidates and is managed by DG Enlargement and DG Regional Policy.

Component III (*Regional Development*) finances investments and associated technical assistance in areas such as transport, environment and economic cohesion. It is open to candidate countries only and is managed by Directorate-General Regional Policy.

Component IV (*Human Resources Development*) aims to strengthen human capital through education and training and to help combat exclusion. It is open to candidate countries only and is managed by Directorate-General Employment, Social Affairs and Equal Opportunities.

Component V (*Rural Development*) contributes to sustainable rural development. It provides assistance for the restructuring of agriculture and its adaptation to EU standards in the areas of environmental protection, public health, animal and plant health, animal welfare and occupational safety. It is open to candidate countries only and is managed by Directorate-General Agriculture and Rural Development. **The description of the components is the official description provided by the Commission (EC(d))*

All five components are of vital importance for reaching the goals set within the reforms needed for further progress in the accession process. This particular division of components makes IPA funding much more coherent, reachable and also easier to study, which is the case in this research.

EU's Assistance through IPA can take the following forms:

- Investment, procurement, contracts or subsidies
- Administrative cooperation, involving experts sent from Member States (e.g. twinning)

- Action by the EU in the interest of the beneficiary country
- Measures to support the implementation process and program management
- Budget support (granted exceptionally and subject to supervision) (EC (e))

Also the Commission has in recent times within the IPA framework taken some new initiatives in the area of donor coordination. It began involving the international financial institutions and bilateral donors in the process of development financing. This is intended to fast the process and leverage the maximum amount of support possible for the region's modernization and development needs, bringing together both grants and loans.(EC(f))

CARDS, PHARE and other previous programs supported by the EU, and the one of ongoing implementation of IPA play a crucial role in day-to-day communication between the EU and these countries, the EU delegations and experts monitor and follow the distribution of funding, provide the expertise and encourage the local authorities in taking the most advantage of the possibilities offered within this assistance program. Without this programs and only counting on their own forces the countries would not be able to execute the reforms needed to get closer to the EU and that is why these programs can be seen as the basis of EU-Potential members' relations.

After having approached the main characteristics of SAP and stated its importance in the accession processes going on in the Western Balkans, one must also make a small reflection on the critics that have surged since the introduction of this process.

An important thing to denote in regard to the SAP is the fact that SAP is based on somewhat ambiguous offer of membership. This is especially noticeable when comparing the communications in the enlargement that interested the CEEC's. In the text of the SAP in fact there is no explicit mentioning of the word 'membership', as Elbsani (2008) notes but there is just a reference to "drawing the region closer to the perspective of full integration into EU structures". This particular choice of words raises a lot of questions and still is a question addressed by many studies. However, there is no doubt that the Commission has always made it clear that the future of the Western Balkans lies within the EU, but it has underlined that each country will advance in base to its merit, and has repeatedly referred to the importance of a satisfactory implementing of the SAA in order for the EU to consider any future membership.(COM 2005 p12 etc.)

The main objectives and characteristics of European Union cooperation for development policies within the pre-accession process in these two countries can indeed be found in the way they have constructed the Stabilization and Association agreement, with its different stages, conditionalities and development assistance. Since the SAP was launched in the 1999 the process has become an integral part of the enlargement agenda as a whole. It is constantly referred to and it is clear that this process and the agreements and instruments that are part of it, define the enlargement process with the Western Balkans. The introduction of SAP and a proper description of its instruments are very important in order to better grasp the main issues regarding the EU's financing in development projects in Croatia and Serbia, and the influence of those on the accession process of these countries. And that is why the whole process will be address more in the next chapters of the work.

With the next chapter the main core of the comparative case study will start in which main characteristics of the projects financed by the EU in Croatia and Serbia will be presented and confronted.

VII. What are the main characteristics of the projects financed by the EU in Croatia and Serbia?

After explaining in the previous chapter the main characteristics of the interaction that goes on between the EU and the countries seen as prospective members, we will continue into what is the main part of the study, the influence of the EU financed development projects on the progress of accession in the cases of Croatia and Serbia.

Since 2007 the help of EU for the reforms in these countries has been brought under the umbrella of the Instruments for Pre-Accession Assistance IPA, which were briefly described in the previous chapter, but that will get much more attention throughout the study because of their central role in the accession process of these two countries.

1. EU policies and instruments for financing development projects in Croatia and Serbia¹⁵:

Within the pre-accession assistance, the countries of the Western-Balkans and also Turkey receive certain amounts of funding to prepare them for meeting the membership criteria.

The extent to which IPA contributes to the convergence of the Western-Balkans and Turkey towards the standards of the EU, is decisive in determining the pace of the enlargement process in the near future. (CEU,2008)

a) Before 2007:

Baring in mind the not so pleasant historical events of the past decades in the area, the financial assistance for development to the countries in the Western Balkans can be as suggested by Szemler (2008) divided in three periods. The initial period starts from 1991 till 1999, in these years the EU acted within various different programs, providing around €4.4 billion euro of financial support mostly for the after war stabilization in the area and growth and democratic development of these countries. As stated by Szemlér (2008) in this period "actions were of ad hoc nature (in most of the period, reacting to urgent needs of the countries in/after war), no structured approach could be seen; synergy effects could thus be very limited".

However in the second period starting from 2000 till 2006 a more coordinated action can be seen with the introduction of the Stabilization and Accession Process - SAP. This period is characterized by the three main support programs: CARDS, PHARE and OBNOVA. These programs all together had in the 6 years of duration around € 5.4 billion of financing, and were mostly concentrated in reform projects regarding the post conflict stabilization, justice and home affairs, economic and social

¹⁵ NOTE : the description of the programme priorities and the financing indicated in the following paragraph is as stated by the Commission in its official document of the financial assistance to Croatia and Serbia

development, democratic stabilization, environment and natural resources and administrative capacity building. Szemplér (2008)

CARDS, OBNOVA and PHARE

Until the year 2000 it can be said that EU's programmes for collaboration with the Western Balkans countries did not have a very coherent approach. The assistance in the late '90 was very conditioned by the events on the Balkans which saw a forming of five new sovereign states from what once had been Yugoslavia and also by the problem of Kosovo, which was at that time becoming a ticking bomb, ready to explode.

It was not easy for the EU to coordinate its approach and evaluate properly the most urgent needs of these countries in the after-war match.

The introduction of SAP marked a change in the EU style of crisis management, and introduced a better and long-term approach towards the countries of the Western Balkans.

The programmes of assistance (namely OBNOVA, PHARE and CARDS) which all acted under the SAP umbrella, represented three different programmes which were all characterized by the reconstruction and stabilization urgency.

a) OBNOVA - The first of all programs was OBNOVA. It was a programme that dealt within the greatest sense of urgency just after the conflicts had ceased and within a very limited budget of around €400 mil and it was just aimed to Bosnia & Herzegovina, Croatia, SR Yugoslavia and the Former Yugoslav Republic of Macedonia (FYROM). The programme however did not include Serbia and Montenegro, even if the country did benefit from some financial support.

With time the need for a more structured approach in financial support for the development of these countries became more and more obvious. That is why in 2000 OBNOVA was replaced by CARDS, with its more structured and tailored approach within the SAP.

Table 2: Total financing for the first period between 1991-1999 in the Western Balkans countries

	ALB	BiH	SCG	KOS	CRO	FYROM	TOTAL
1991-1994	400,10	495,50	170,60		205,70	96,60	1368,50
1995	90,55	216,40	40,00		38,70	34,40	420,05
1996	55,30	441,10	24,50		33,60	25,00	579,40
1997	99,40	360,90	18,10		27,00	73,70	579,10
1998	54,30	295,30	27,10	13,20	24,10	25,50	439,40
1999	225,00	284,00	145,30	259,60	18,60	108,60	1041,95
TOTAL	925,05	2093,20	272,80	272,80	347,70	363,80	4427,95

b) PHARE - The PHARE programme (Pologne et Hongrie - Aide à Restructuration Economique) was launched in 1989 by the Council's Regulation No. 3906/89. This program was originally intended as an assistance programme for Poland and Hungary, but it ended including other countries in transition in Central and Eastern Europe.

The main objective of the programme was to promote multi-party democracy and economic reconstruction following the breakup of the communist system in 1989.

Later In 1997, PHARE programme became oriented mostly towards pre-accession priorities of these countries and was the main financial and technical instrument of the pre-accession strategy for candidate countries.

These orientations were further refined in 1999 with the creation of SAPARD and ISPA, which took over rural and agricultural development (SAPARD) and infrastructural projects in the environmental and transport fields (ISPA) allowing PHARE to focus on its key priorities that were not covered by these fields. (EC (g))

Croatia - Croatia became a beneficiary of the PHARE programme only in 2005 budget year. Since the main objective of the PHARE programme was to prepare candidate countries for membership in the EU, that is, to make them fully capable of implementing the *acquis communautaire* and of using structural funds and the Cohesion Fund following accession, Croatia was included on the same purposes. The PHARE programme provided funds for institution building through twinning¹⁶ and technical assistance, and it ensured investment support for accession countries in their efforts, including by:

a) Strengthening their public administration and institutions for the purpose of efficient functioning in the EU;

b) Promoting convergence with comprehensive European Community legislation and eliminating the need for a transition period (mrrfeu.hr)

In Croatia Phare programme was operative just for two years. In fiscal years 2005 and 2006 the EU allocated within PHARE a total of €167 m, €87million for 2005 and €80million for 2006.

In 2005 PHARE funding on a national level approved 23 project proposals totaling €71.5m. In 2006 the number of the projects was 19 for a total of €61.06million grant

The remaining funds within PHARE in 2005 of €15.5million went for the financing of cross border cooperation between Croatia, Slovenia and Hungary in the amount of €3 million, the Adriatic cross-border cooperation between the Croatia and Italy in the amount of €3 million, €6 million provided for the participation of Croatia in multistate and horizontal programmes, and nuclear safety programme, €1.2 million for the TAIX¹⁷ instrument for technical assistance and exchange of information and €2,3 million for administrative costs of the European Commission. In 2006 Phare remaining funds in the

¹⁶ **TWINNING** – It is an initiative of the European Commission launched in 1998 in the context of preparations for EU enlargement. It was conceived as an instrument to support the cooperation between the institutions of the Member States (MS) with the appropriate authorities of candidate countries for EU membership, with a view to strengthening public administration and judiciary in the implementation of the *acquis*. Since 1998 more than 1000 Twinning projects have been conducted in the candidate countries and funded under the FAR or other financial instruments. Twinning has a key role in strengthening the administrative capacity of the new MS, which are financed from the Transition Assistance instrument. At the European Summit held in Thessaloniki 2003 the countries included in the CARDS programme are allowed to be beneficiaries of Twinning. Taken from (mojaevropa.rs)

¹⁷ **TAIX** - *Technical Assistance and Information Exchange Instrument* – managed by the Directorate-General Enlargement of the European Commission. TAIX supports partner countries with regard to the approximation, application and enforcement of EU legislation. It is largely demand-driven and facilitates the delivery of appropriate tailor-made expertise to address issues at short notice. more information on : (http://ec.europa.eu/enlargement/taix/what-is-taix/index_en.htm)

amount of €19 million were provided for the same programs as in 2005 with some difference in financing.(mrrfeu.hr(b))

Serbia- PHARE as a programme in Serbia did not have a special role as in case of Croatia, since the ending of the war in 1999, and the democratic changes of October 2000, Serbia has primarily been financed through the programmes under the supervision of European Agency for Reconstruction, mainly under the CARDS framework and Regional Strategies.

c) CARDS- as a programme also included both bilateral co-operation and regional co-operation among the countries in the Western Balkans. In general terms, CARDS was a financial assistance to these countries, totaling in € 4.6 billion which amounts to € 5.4 billion including earlier commitments from PHARE and OBNOVA realized in the first year of CARDS action period (see table below for more details). The resources were mostly concentrated on the areas of justice and home affairs, economic and social development, democratic stabilization, environment and natural resources, administrative capacity building and other areas of assistance. (Szemler, 2008)

CARDS lasted till 2006 when it was replaced by IPA, the evaluation of CARDS's effectiveness showed that it "has been the most important source of financial and technical support to reconstruction in the region". However Szemler(2008) states that a number of weaknesses were identified also. He identifies some of the weaknesses like: the fact that the programme overly criticized centralization, it had a weakness in approaching the regional dimension, also a weakness in the system of programming and in the dual implementation of the programme, as well as flaws in regards to institution building, gender and minority rights and judicial reform.(Szemler, 2008)

One can wonder seeing these critics issued in regard to the CARDS if the programme was effective at all?

The issue of effectiveness in fact is the most important one and CARDS within its 6 working years managed to establish effective relations with the countries of the Western Balkans, and implement EU's policies for this region after a very troublesome period, and in a delicate historical moment. The critics simply state what the EU itself became aware of. This is clear by the fact that the EU introduced needed changes with the abolition of CARDS and introduction of the IPA programme.

In order to explain better the effects and contribution of CARDS programme on the current accession process of Croatia and Serbia, a short overview of the implementation of this programme in these two countries follows.

Croatia

Adopted in December 2000, CARDS main goal was to support the countries in the implementation of commitments under the Stabilization and Association Agreement

The CARDS programme was divided into two main components: *National* and *Regional*. As stated by the name itself the *National* component was intended to benefit the CARDS countries individually, while the regional component served to fund activities that were implemented in several beneficiary countries in the areas where joint action was believed to lead to better and more efficient implementation.

In case of Croatia, after acquiring the status of a candidate country in June 2004, and with the opening of the accession negotiations it slowly ceased to be a beneficiary of the *National* component of the CARDS programme, but continued to participate in the *Regional* component of the programme till the expiration of the period of use. The effective implementation of the projects under the CARDS

programme lasted until 31 December 2009. The overall allocation for Croatia under the CARDS national program components in the period since 2001 to 2004 amounts to € 262 million, while the overall allocation for Croatia under the regional component is €179.6 million in the period since 2001 to 2006. The overall allocation for Croatia under the national component was €262 million. (mrrfeu.hr(c))

Serbia

While in case of Croatia (as well as in Bosnia and Herzegovina and Albania) the CARDS programme was handled by the EU Delegation in the countries, it was the European Agency for Reconstruction (Council regulation No 2667/2000-05/12/200) that was responsible for assistance in Serbia and Montenegro¹⁸, including Kosovo (under United Nations Security Council Resolution 1244/99), and the former Yugoslav Republic of Macedonia. (EC (h))

The assistance provided to Serbia in the time framework between 2000-2007 includes hundreds of projects across all sectors.

The Agency worked on the basis of the political objectives set by the European Commission and its annual action programmes which detail the context, strategic framework and sector priorities for its work in Serbia. These programmes went through an approval process involving the European Commission, the Agency's Governing Board, and the EU Member States' CARDS Committee.

The programmes fit within the EU Country Strategy Paper (CSP) for Serbia & Montenegro for the period 2002-2006 and the multi-annual indicative programme (MIP) for Serbia & Montenegro for the that period. Some programmes are part of a wider Regional Strategy Paper (Regional CSP) for the CARDS assistance programme to the Western Balkans (Albania, Bosnia & Herzegovina, Serbia & Montenegro, the former Yugoslav Republic of Macedonia) for 2002-2006. (europa.rs)

The concrete amount of financing that Serbia received within this assistance framework is the following:

Table 3: CARDS financing in Serbia for the period 2000-2006

Serbia 2006	-	€144 million
Serbia 2005	-	€154.5 million
Serbia 2004	-	€212 million, April 2004
Serbia 2003	-	€229 million, April 2003
Serbia 2002	-	€170.7 million, March 2002
Serbia 2001 part 2	-	€50.3 million, October 2001
Serbia 2001 part 1	-	€143.5 million, May 2001
Serbia 2000	-	€185 million, November 2000

¹⁸ At the time of the implementation of CARDS programmes it was still Serbia and Montenegro

In the Republic of **Serbia**, the European Agency for Reconstruction managed around €1.3 billion worth of European Union funds, out of which most were contracted as of February 2008.

Serbia is now receiving most of its financial support from the funds within the IPA programme, which are distributed by government authorities by the priorities set by the EU; this will be discussed in the following section.

Table 4¹⁹ Financial benefits from CARDS programme in the Western Balkans(europa.eu(b)), adapted from Szemlér (2008)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
Albania	33,4	37,5	44,9	46,5	63,5	44,2	45,5	315,5
Bosnia- Herzegovina	90,3	105,2	71,9	63,0	72,0	49,4	51,0	502,8
Croatia (transfer to pre-accession from 2005)	16,8	60,0	59,0	62,0	81,0	-	-	278,8
Macedonia (FYROM)	13,0	56,2	41,5	43,5	59,0	45,0	40,0	298,2
Serbia and Montenegro	650,5	385,5	351,6	324,3	307,9	282,5	245,5	2547,8
Interim Civilian Administrations	10,0	24,5	33,0	32,0	35,0	36,0	35,0	205,5
Regional	20,2	20,0	43,5	31,5	23,0	47,9	42,0	228,1
Other	141,5	118,0	11,0	17,0	22,5	19,7	19,8	349,5
Macro-Financial Assistance (grants)	70,0	120,0	100,0	15,0	16,0	33,0	50,0	404,0
TOTAL	1045,7	926,9	756,4	634,8	679,9	557,7	528,8	5130,2
Croatia pre-accession 2005-2006						105,0	140,0	245,0

¹⁹ Remarks on the table:

Figures for the year 2006 are purely indicative and correspond to the multiannual indicative programming (MIP); Figures include assistance from PHARE and Obnova where relevant in 2000, and from CARDS 2001 and onwards; EVINFO, 2004(a), Development Researcher's Network Consortium, 2004(a).

2005 budget implementation: Re-use of recoveries from 2004/5, i.e. above budget allocation 2005: 6 million euro for Macedonia (FYROM), 7.5 million euro for regional programme.

a) Includes the Republic of Serbia, the Republic of Montenegro and the province Kosovo, which is currently under UN administration. Amounts for Serbia in 2002–2003 include assistance from Regional Programme for Integrated Border Management destined for the whole of FRY/Serbia and Montenegro. In 2004, 8 million euro for that purpose is shown under the regional programme.

b) Until 2001 (incl.): Humanitarian aid, Specific Measures, Rapid Intervention Operations, EIDHR and GFSP; From 2002 (incl.): Administrative costs and the Western-Balkans' contribution to the European Training Foundation.

c) For 2000–2002: disbursements and not commitments.

Source: (europa.eu (b))

b) After 2007:

2. IPA and the five components

Since 2007 CARDS, PHARE and OBNOVA got replaced by a new instrument, IPA. On the 17 June 2007 with the Council Regulation 1085/2006²²⁰ the legal bases for IPA were set and the implementation of the program officially began.

"The EU continues to support the reforms in and development of Southeast Europe through the IPA. On average, the annual allocation for the Western Balkans in 2007-2011 will be €800 million. This is by far the highest per capita amount provided by the Commission to any region in the world."

Olli Rehn

Conference on Civil Society Development in Southeast Europe, Brussels, 17 April 2008

IPA was one of the biggest changes introduced in the area of project financing; it provides a general framework for financial support (€11.5 billion between 2007–2013, including support for Turkey) for candidate and potential candidate countries. (Szeamlér, 2008)

As mentioned in the first chapter IPA has been divided into five components (transition assistance and institution building, cross-border cooperation; regional development, human resources development and rural development). However, not all of these five components are available to all countries which are in the accession process. This is a very important distinction because all the five components are available only for the countries which have reached the candidate status, while countries characterized still as potential candidates have only access to the first two components of the assistance.

The five components will be discussed more carefully during the comparative case study between Croatia and Serbia, because they provide for the perfect example to address the difference between the developments of the accession process in the two countries.

In this round of enlargement, the challenges of supporting the countries in the accession process seem to be much bigger than those faced with the enlargement of 2004 and 2007. With the Euro crisis raging and the afterthought of the previous enlargements still present, the support has been put to test in many ways.

The policies have changed, the programmes reformed and the conditionalities have risen.

Much more effort from the countries in the process to prove the EU that they are implementing the reforms requested is more obvious, the countries have to be smart in distributing the financing and taking the maximum out of the opportunities given by the EU within SAP.

In the comparative case study between Croatia and Serbia the development of EU's influence on the reforms done in these countries through the financial support will become more obvious. In fact the differences and the similarities between the two countries give an excellent example of how the EU forms its policies towards the potential future members of the EU.

²⁰The legal basis for this assistance is Council Regulation 1085/2006, adopted on 17 July 2006. More detailed implementing rules are laid down in Commission Regulation 718/2007 of 12 June 2007 and in Commission Regulation 80/2010 of 28 January 2010.

a) IPA in Croatia and Serbia

Since the beginning of the IPA project substantial differences have existed between the ways the program has operated in these two countries. The main reason for this is the difference in the progress of their accession process. Croatia has been a candidate country since the beginning of the implementation of IPA program, while Serbia till just recently had a status of pre-candidate country. The major difference in amount and distribution of financing lays in this notion, as well. As stated before in the candidate countries IPA finances all 5 categories mentioned, while the pre-candidate countries get the financing just for the first two components (transition assistance and institution building, cross-border cooperation). In the table that follows the amounts of financing are shown, divided amongst the components in the two respective countries, and as can be seen the total amounts are somewhat similar, but one must take in consideration the fact that the geographic and demographic situations between the countries differ consistently as well as the fact that in Croatia's total amount gets divided in five components, while in Serbia just in two. The following comparative study within these components should make the reasoning behind EU policies in regard to these two countries and its investments much clearer. EU's attentions towards beneficiary countries are mostly stated in the MIFF's (Multi Annual Indicative Financial Frameworks) which provide information on the Commission's intentions in terms of indicative financial allocations by country and by component. As stated by the Commission: "This financial matrix forms the link between the political framework and the budgetary process. It is revised annually, on a rolling three-year basis". (EC(i)

These frameworks are carefully formulated documents in line with the Enlargement strategies, which take in account both the countries needs and the needs of SAP.

The allocation criteria for the funds always takes into account the country's capacity to use and manage the funds properly, it focuses on the country's needs, but the key elements of SAAs are always prioritized. In case of Croatia, the country has been in process of preparing for EU membership also gradually entering the various programmes of the Community. Croatia had also participated in Seventh Framework Programme for Research and Development, IDABC, Fiscalis 2007, Customs 2007, Culture 2007-2013, PROGRESS, EIP CIP, CIP IEECIP ICT PSP, the Financial Instrument for Civil Protection, Media, Europe for Citizens. Till the date of accession to the EU, Croatia will gradually approach the remaining programmes also. (GEU CRO, 2008)

Another important thing to denote is the fact that the EU within the IPA funding does not finance the whole projects, usually the maximum amount of IPA funding is 85% of the whole amount. The remaining 15 % (or in some cases more) is subsidized either by the State or by the project partners. This leaves also a certain amount of responsibility on the shoulders of the other stakeholders, improves the management of finances, and balances the power relations.

Table 5: IPA financing 2007-2012 in Croatia and Serbia

<i>Component</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>CROATIA</i>						
Transition Assistance and Institution Building	49,611,775	45,374,274	45,601,430	39,483,458	39,959,128	40,872,310
Cross-border Co-operation	9,688,225	14,725,726	15,898,570	16,216,542	16,540,872	16,871,690
Regional Development	45,050,000	47,600,000	49,700,000	56,800,000	58,200,000	59,348,000
Human Resources Development	11,377,000	12,700,000	14,200,000	15,700,000	16,000,000	16,040,000
Rural Development	25,500,000	25,600,000	25,800,000	26,000,000	26,500,000	27,268,000
<i>TOTAL</i>	<i>141,227,000</i>	<i>146,000,000</i>	<i>151,200,000</i>	<i>154,200,000</i>	<i>157,200,000</i>	<i>160,400,000</i>
<i>SERBIA</i>						
Transition Assistance and Institution Building	181,496,352	179,441,314	182,551,643	186,206,679	189,956,810	193,801,948
Cross-border Co-operation	8,203,648	11,458,686	12,248,357	12,493,321	12,743,190	12,998,052
<i>TOTAL</i>	<i>189,700,000</i>	<i>190,900,000</i>	<i>194,800,000</i>	<i>198,700,000</i>	<i>202,700,000</i>	<i>206,800,000</i>

Table adapted from European Commission (EC(j))

b) Division of programmes among the five following components (concrete project programming)

1. Transition assistance and institution building

The first component helps the country in building its administrative and judicial capacities and meeting the political, legal and administrative membership criteria. It covers all activities of institution building and all investments connected to the adoption of the *acquis communautaire*. This component covers most of the issues which are not specifically indicated in the other four categories.

The projects financed within this component are mainly directed to the countries' government institutions.

In Croatia the total amount in this component for the time period 2007-2012 is approximately €260,902,375, while in Serbia for the same period the amount is approximately €1113,454,746. Though numbers are always a good indicator of EU's considerations and policies in regards to the development issues in these countries, in this particular comparative case they do tend to come up a bit dry. This is

because as stated before there are a lot of variables to be considered (and which certainly get considered by the EU) when considering the why of these particular amounts.

For the needs of the first component a yearly National plan is made in the countries and various priorities are set out, always having in mind the goals set out in the Multi-annual planning documents.

CROATIA:

In case of Croatia for example in 2007, the following priorities were set out in this component:

Priority 1: *Political criteria*

- Fight against corruption
 - Human rights and protection of minorities

Priority 2: *Economic criteria*

Priority 3: *Ability to assume the obligations of membership*

- Competition policy
- Information Society and Media
- Agriculture
- Energy
- Social Policy and Freedom

- Justice, Freedom and Security

- Environment
- Customs Union

Priority 4: *Following programmes*

- Instruments of Institutional building
- Participation in the programmes of the EU²¹

In the following years of the implementation of the IPA programme, the grouping of the priorities has always stayed similar Political criteria, Economic criteria, Ability to assume the obligations of the membership, following programmes.

In 2008 Priority axes

There were 17 projects of the programme in 2008. These were grouped under 4 strategic priority axes and selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, the Enlargement Strategy 2007-2008, Croatia 2007 progress report, the MIPD 2008-2010 for Croatia, the 2008 National Plan for the integration of the Republic of Croatia into the EU, the Croatian strategic development framework 2006-2013 as well as sectoral strategies wherever appropriate, with a focus on those areas most important for accession negotiations also in the light of the screening reports and subsequent negotiations in the different chapters of the acquis.

As in previous years, projects were also appraised according to the sequencing of assistance in a given sector, the capacity of the beneficiary institution for implementation and the maturity of the projects based on the quality of the submitted documentation at the time of establishing the financing proposal.

²¹ Adapted from European Commission's description of priorities(EC(k))

-Under the *political criteria*(1st heading of the MIPD 2008-2010), the importance of reforming the judiciary system was addressed by the projects "Support to the reform of criminal proceedings" and "Development of the probation service". The projects "Enhancing the capacities of the civil society sector for the monitoring of implementation of the EU Acquis" and "Support to Romas" contributed to progress in the area of human rights and the protection of minorities. The public administration reform was addressed with the project "Implementation of the General Administrative Procedures Act".

- Under the *economic criteria*(2nd heading of the MIPD 2008-2010), and considering the vital role of the development of statistics in providing relevant and accurate information and monitoring the reforms in many sectors, a project on selected statistical areas will be supported.

- As concerns the *ability to assume the obligations of membership*(3rd heading of the MIPD 2008-2010), assistance under IPA 2008 was concentrated on areas of activity with a large volume of legislation to be transposed and implemented in preparation for the structural funds as well as for the investment requirements in the acquis.

This concerns the following chapters: Food safety, veterinary and phytosanitary policy; Fisheries; Transport policy; Energy; Social policy and employment; Regional policy and coordination of structural instruments; Justice, freedom and security; Environment.

- *Supporting programmes* in 2008 (4th heading of the MIPD 2008-2010) continued providing assistance in capacity building, strategy development, project preparation and implementation support as well as acquis implementation through a "Facility for Project Preparation and Reinforcement of Administrative Capacity".²²(EC(I))

In **2009** -Priority Axes *Part I*

Consists of 20 projects of the programme that are grouped under 4 strategic priority axes - *political criteria, economic criteria, ability to assume the obligations of membership, and supporting programmes*. These projects have been selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, as well as with the Strategy Paper for all the Enlargement Countries and the Croatia 2008 progress report adopted on 5 November 2008, the multi-annual indicative planning document (MIPD) 2009-2011 for Croatia, the Croatian strategic development framework 2006-2013 as well as with different sectoral strategies wherever appropriate, with a focus on those areas most important for accession negotiations also in the light of the screening reports and subsequent negotiations in the different chapters of the acquis.

As in previous years, projects were also appraised according to the sequencing of assistance in a given sector, the capacity of the beneficiary institution for implementation and the maturity of the projects based on the quality of the submitted documentation at the time of establishing the financing proposal.

Priority Axes 2009 *part II*

This programme consists of one project, "Preparatory measures for the Life Long Learning and Youth in Action programmes", which contributes to the 4th priority axis, "Supporting Programmes", of the Multi-Annual Indicative Planning Document(MIPD) 2009-2011 for Croatia. Supporting Programmes may indeed provide for capacity building to reinforce institutional capacity for the management of the Lifelong Learning and Youth in Action programmes. (EC(m))

²²Adapted from European Commission's description of priorities (EC(I))

The two parts were divided by the Commission in order to differentiate the supporting programme from the 3 main axes with the first part of programming of IPA funding in 2009.²³

In **2010** - Priority Axes

Given its advanced stage of membership preparations, IPA programming exercises for Croatia focus on remaining assistance needs relevant for assuming membership obligations.

The 13 projects of the IPA 2010 National Programme are grouped under the four strategic priority axes defined in the Multi-Annual Indicative Planning Document(MIPD) 2009-2011 for Croatia: political criteria, economic criteria, ability to assume the obligations of membership, and supporting programmes.

They have been selected by taking into account their compliance with the Accession Partnership adopted on 12 February 2008, the Enlargement Strategy Paper and the Progress Report.

The projects proposals have also been assessed against the background of the 2009 National Plan for the integration of the Republic of Croatia into the EU, the Croatian strategic development framework 2006-2013, as well as sectoral strategies wherever appropriate.

As in previous years, projects were also appraised according to the sequencing of assistance in a given sector, the implementation capacity of the potential beneficiary institution and the maturity of the project proposals. The screening of draft proposals by the Croatian authorities themselves has improved over the last years but needs to be further strengthened.²⁴(EC(n))

In **2011**- Priority Axes

The priorities while remaining the same in 2011, got regrouped and assembled in a fewer projects.

Part I of IPA funding under the National component is as described by the Commission:

"This programme consists in one project, "Connecting the Croatian Customs Administration (CCA) to the Common Communication Network and Common System Interface (CCN/CSI)", which contributes to the 3rd priority axis "Ability to assume the obligations of membership", in the area of the customs union, of the Multi-Annual Indicative Planning Document (MIPD) 2009-2011 for Croatia. This single-project programme, under the IPA 2011 national programme "Part 1", is needed to allow for the connection of the Croatian Customs Administration (CCA) to the Common Communication Network and Common System Interface (CCN/CSI) of the European Union already in the first quarter of 2011."(EC(o))

Part II - The IPA 2011 National Programme – it will contribute to addressing the following priority highlighted in the Commission's Progress Report 2010 in relation to chapter 22 "Regional Policy and Coordination of Structural Instruments":

"Preparations for implementing the cohesion policy need to be significantly strengthened by enhancing administrative capacity and project preparation (especially on transport and the environment) [...] Implementation of major projects is lagging behind, due to low quality of projects applications and tender documentation. [...] Progress with preparing an adequate, mature project pipeline needs to be enhanced."

The programme will contribute to addressing the funding priorities identified in sector 3 "Environment and Climate Change" and sector 4 "Transports" of the MIPD 2011-2013 for Croatia.(EC (O2))

²³ Priority axes for 2009 -Adapted from European Commission's description of priorities(EC(m))

²⁴ Adapted from European Commission's description of priorities(EC(n))

Part III- The programme's strategic reference is the Multi-Annual Indicative Planning Document(MIPD) 2011-2013. Priorities selected for the MIPD 2011 – 2013 aim at supporting the strengthening of the rule of law, public administration reform, and preparation for the implementation of the EU cohesion and agriculture and rural development policies. To achieve these priorities, the Commission is focusing its assistance primarily on the following sectors: Justice and Home Affairs and Fundamental Rights, Public Administration Reform, Environment and Climate Change, Transports, Private Sector Development, Social Development, Agriculture / Rural Development.²⁵(EC (O3))

SERBIA:

In case of Serbia in **2007** within the first component the following priorities were identified in line with the Multi-Annual Planning document for the period 2007-2009:

Priority 1: Political Requirements

- Support to public administration reform at the local level with an emphasis on fortifying central-local government relations to ensure the effective implementation of central government policies.

Priority 2: Socio-Economic Requirements

- GDP growth rates, into new employment generation opportunities

Priority 3: European Standards

- Law approximation in sectors such as environment and agriculture²⁶(EC(p))

In 2008

The objectives of the IPA 2008 programme were determined by the priority axes contained in the Multi Annual Indicative Planning Document (MIPD) 2008-2010 for Serbia and they are in line with the recommendations of the Enlargement strategy and the requirements of the SAA.

These priority axes are: *Political Criteria*, *Economic Criteria* and *Ability to assume obligations of membership*, and they correspond to the broad IPA objectives of assisting Serbia to implement the necessary reforms needed to fulfill the EU requirements, to make progress in the Stabilization and Association Process and to lay the foundations for fulfilling the Copenhagen criteria.

In line with the 2008-2010 MIPD, funding resources are weighted to reflect Serbia's short, medium and long-term needs to meet EU accession demands. Therefore the IPA support was based on an assessment of the fast-changing political environment in Serbia. To that end, under IPA 2008, there was a greater emphasis on the *political criteria*, particularly in terms of supporting municipalities by means of a Municipal Infrastructure Support Programme.

The programme contains 37 projects, of which 36 are grouped under the 3 strategic priority axes and 1 project provides the support activities for the programme.²⁷(EC(q))

²⁵ Priorities for the year 2011 adapted from Commission's official description (EC(O1-2-3))

²⁶ Adapted from European Commission's description of priorities(EC(p))

²⁷ Adapted from European Commission's description of priorities(EC(r))

In 2009

The 2009 national programme general budget support initiative was constructed by taking into account Serbian needs at social and political level without forgetting the European integration path. This programme as in 2008 focused on the following priority axes:

(a)*Political requirements*: including capacity building of the Directorate for Confiscated Property and improving the system of Criminal Asset Confiscation; developing sustainable solutions for refugees and displaced persons and civil society development;

(b)*Economic requirements*: focus on areas that will help to generate employment including measures to support implementation of the national cancer screening programme; improvement of the preschool education in Serbia (IMPRES project) and transport infrastructure through upgrading corridor X and corridor VII;

(c)*Ability to assume obligations of membership*: includes support to consumer protection, fight against swine and rabies diseases and technical assistance to hazardous waste treatment facility;

(d)The last priority axis consists in project preparation, technical assistance, and other support measures.

Table 6 : Allocations per Axis in 2009

	TOTAL IPA in EUR million	
Axis 1. Political criteria	17,15	24%
Axis 2. Economic criteria	40,35	57%
Axis 3. Approximation membership	11,50	17%
Axis 4. Support activities	1,55	2%
Total	70,55	100%

(EC(r))²⁸

In 2010

The IPA 2010 National Programme for Serbia is as always focused on and committed to achieving the objectives set out in the Multi-Annual Indicative Planning Document (MIPD) 2009-2011.

The impact of the economic crisis on Serbian budget posed a serious challenge for Serbia's administrative capacity which could negatively affect its EU integration process and the necessary conditions for the implementation of some assistance projects.

The IPA component I allocated for 2010 € 186.2 million. In addition to this assistance , € 12 million support was provided for activities in the areas of Education (Tempus programme with € 7 mil) and Nuclear Safety and Radiation Protection (€ 5 mil). It is for this reason that the 2010 National programme for Serbia amounts to €174.5 million, which is considerably more than in previous years.

The 2010 national programme under component I as in the case of the programme for 2009, took account of Serbia's current needs at social and political level. This programme focus on the following priority axes:

(a) *Political criteria*: Public Administration Reform, support for preparation of IPA component III, support for municipalities, Treasury capacity building, fight money laundering and terrorism, alignment of Serbian penal system with EU standards and support for civil society.

(b) *Socio-economic criteria*: Education, implementation of the strategy for the fight against drugs / reduction of supply, support for South and South West Serbian municipalities, development of

²⁸ Table and description of priorities adapted from the official descriptions provided by the Commission (EC(r))

palliative care services, integrated innovation support programme, navigability of the Danube River (preparation of necessary documentation, removal of unexploded ordinances), supervision of road construction works on Corridor X, digital broadcasting switchover in Serbia.

(c) *Ability to assume obligations of membership*: Migration (capacity-building of relevant institution and prevention of illegal migration), market surveillance system for non-food and food products, support for agriculture and rural development, Serbian farm accountancy data network, support for the role of the Serbian National Reference Laboratories (SNRL) in the food chain, strengthening the environmental inspectorate, support for the energy sector.

(d) The last priority axis consists of project preparation, technical assistance and other support measures.

Table 7: Allocation per axis in 2010

	TOTAL IPA in EUR million	
Axis 1. Political criteria	54,12	31%
Axis 2. Economic criteria	75,30	43%
Axis 3. Approximation membership	42,78	25%
Axis 4. Support activities	2,00	1%
Total	174,20	100%

In 2011

As in case of Croatia, in Serbia also in 2011, as well as in the previous years, the priorities of IPA actions remained more or less on the same grounds as they did in 2007. The priorities identified in the National Plan are always based on those stated in the Multi Annual Planning documents and are also in line with the needs of SAP. In year 2011 in particular: The main priorities identified for IPA assistance over the period 2011-2013 are to:

- 1) *Strengthen the rule of law and public administration;*
- 2) *Overcome the economic crisis and improve competitiveness;*
- 3) *Support social inclusion and reconciliation.*

With the aim of concentrating IPA support on the main priorities identified in the progress reports while increasing ownership by the beneficiary country, the Commission will focus its assistance on a selected number of sectors: Justice and home affairs; Public administration reform; Social development; Private sector development; Transport; Environment, Climate change and energy; as well as Agriculture and rural development. These sectors were selected in consultation with the relevant stakeholders.

Nevertheless, with a view to assist Serbia implement the EU acquis, specific projects may also support activities that fall outside the scope of the above mentioned sectors if particular needs are identified.

Under the programme for 2011, a specific focus was placed on Public administration reform and Social development, in order to meet the accession criteria and facilitate Serbia's hopes of becoming a candidate country in 2012

Table 8: Allocation per sector in 2011 National Programme

The planned allocation per sector under the 2011 National Programme is as follows:		
	Total IPA in EUR million	
Justice and Home affairs	11,95	7%
Public administration reform	26,3	15%
Social Development	32,1	18%
Private sector development	18,5	10%
Transport	13,8	8%
Environment, Climate change and energy	38,6	21%
Agriculture and rural development	6,0	3%
Other EU acquis and horizontal activities	31,3	18%
TOTAL	178,55	100%

(EC(s))²⁹

2. Cross-border cooperation

The second component of IPA funding represents an important help to the project of regional development. It supports the collaboration between candidate and potential candidate countries and with EU Member States. It may also fund participation in transnational cooperation programmes (under the Structural Funds) and Sea Basin programmes (under the European Neighborhood and Partnership Instrument or ENPI). (EC(t))

This component also plays an important role in establishing better relations between the countries of Ex-Yugoslavia, which also brings to the better stabilization in the region, and helps especially the EU members which are in the neighborhood. The funding and projects are administered jointly through a shared management system. It is important to denote that in the programmes with the member states, leading role in preparation and monitoring of the program lies with the steering committees which are placed in those member states, while the countries beneficiaries of IPA (in this case Croatia and Serbia) have the leading role in preparing and implementing the programmes.

Cross-border cooperation covers cooperation in joint projects of two or more cross-border project partners, participants from the regional level. Funds are awarded on the basis of mutual competition for allocation of grants to advance the priorities set out in cross-border and transnational programmes. Also important is the fact that the maximum amount of IPA funds allocated for the project partners is 85% of the total project amount, while 15% of the project partners have to co-finance with their own funds.³⁰

²⁹ Table and description of priorities adapted from the official descriptions provided by the Commission (EC(t))

³⁰ Main applicable EU regulations for cross-border collaboration:

- Council Regulation (EC) **No 1085/2006** establishing an Instrument for Pre-accession Assistance – the IPA general regulation;
- Commission Regulation (EC) **No 718/2007** of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance – the IPA implementing regulation;
- Articles 98, 99, 100, 101 and 102 of Council Regulation (EC) **No 1083/2006** for financial corrections;

In case of Croatia, 18 of its 21 regions have boundaries shared with regions of other states, which make them acceptable areas for the cross-border cooperation. Between 2007-2013 six individual programmes have been foreseen for this component. The following part will present the areas included in the programmes, the priorities set by the joint committees and the financing for the time period of 2007-2009.

Within this component the six programmes that regard Croatia's case include:

Three with Member states...

1. Slovenia-Croatia

The Operational Programme contains a development strategy and its implementation arrangements for the eligible area comprising NUTS level 3³¹ regions along the Slovenian-Croatian border: Pomurska, Podravska, Savinjska, Spodnjeposavska, Jugovzhodna Slovenija, Notranjsko-kraška, Obalno-kraška and Osrednjeslovenska regions in Slovenia and Međimurje, Varaždin, Krapina-Zagorje, Zagreb, Karlovac, Primorje-Gorski kotar, Istria and City of Zagreb in Croatia.(EC(u))

The main priorities of the programme for period 2007-2011 defined by the Joint committees and EU Commission were:

- 1) Economic and social development
- 2) Sustainable management of natural resources
- 3) Technical assistance

In addition to these priorities, the programme had two horizontal themes –‘Human Resources Development’ and ‘Information Society’—being integrated wherever deemed appropriate. Human resources development relates to formal and informal types of education and training for project participants (partners, target groups).(SI-HR document)

Between 2007-2009 for financing the partner activities between these two countries in cross-border cooperation IPA made available €7,9 million, which was then straightened by the national contributions.

• Articles 27 to 34 of Commission Regulation (EC) **No 1828/2006** setting out the rules for the implementation of Regulation (EC) No 1083/2006 and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council for irregularities;

• Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) **No 1605/2002** and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) **No 2342/2002**, as well as **Commission Decision C (2006) 117** of 24 January 2006 for procurement.(EC (u))

³¹ NUTS - The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU for the purpose of the collection, development and harmonisation of EU regional statistics and socio-economic analyses of the regions.

NUTS 1: major socio-economic regions

NUTS 2: basic regions for the application of regional policies

NUTS 3: small regions for specific diagnoses

(Eurostat)

2. Hungary-Croatia

The eligible area lies on the South-Western border of Hungary and North-Eastern border of Croatia. The two countries are separated by the River Drava forming the greatest part of the common border. On the Croatian side, in addition to border counties – Međimurska, Koprivničko-Križevačka, Virovitičko-Podravska and Osječko-Baranjska – four other counties expressed their interest to participate in the present Programme with Hungary. The bilateral Task Force of the Programme decided on its meeting on the 27th of September 2006 in Pécs(HU) that besides NUTS III level regions along land borders between Hungary and Croatia, in line with Article 97 of the draft IPA Implementing Regulation, the following four NUTS III level regions will participate in the Programme: the Counties of Varaždinska, Bjelovarsko-bilogorska, Požeško-slavonska and Vukovarsko-srijemska.(EC(v))

Five specific priorities were defined for the cross-border cooperation in the region:

- 1) Increasing environmental stability and attractiveness of the Drava Valley and surrounding natural and rural areas.
- 2) Creating sustainable joint regional tourism product of the Mura-Drava-Danube zone and in surrounding natural and rural areas
- 3) Synergetic and co-operative economies of both sides
- 4) Developing and managing common cultural heritage to promote cultural values, traditions and to develop tourism
- 5) Utilizing advantages of intense cultural and educational interaction between people, educational and civic organizations

The total amount between 2007 and 2009 dedicated to these projects within IPA was €6,4 million, without including the national contributions.

3. Adriatic region/Italy -Croatia

This is somewhat of a special cooperation scheme, since it includes more than two region countries. Within this part of the programme eligible areas for cross-border cooperation at EU external borders are defined by the territorial derogation³² in accordance with Article 97 of the IPA Implementing Regulation and they apply to Italy, Slovenia, Croatia, Bosnia and Herzegovina, Albania, and Montenegro. To sum up three EU Member States (Italy, Slovenia and Greece), one Candidate Country (Croatia) and three potential Candidates Countries (Bosnia and Herzegovina, Montenegro and Albania) are participating in the programme. Additionally, a phasing out participation by Serbia is envisaged for joint projects in the field of institutional co-operation³³.

³² Territorial derogation - authorities with territorial jurisdiction, territorially competent authorities

The Programme admits derogations to the territorial eligibility rule for adjacent areas to eligible territories up to the limit of 20% of the amount of the Community contribution to the Programme. This means that in case this limit is reached, the JMC will not finance, totally or partly, expenditures incurred in territorial derogation areas. (adriatic)

³³ In phasing out position, because Serbia after the separation with Montenegro no longer has a sea exit.

Table 9: Eligible areas in Adriatic region programme

Italy	Nuts 3	Pescara, Teramo, Chieti, Forli-Cesena, Rimini, Ravenna, Trieste, Gorizia, Udine, Pesaro-Urbino, Ancona, Macerata, Ascoli Piceno, Campobasso, Foggia, Bari, Brindisi, Lecce, Venezia, Rovigno, Padova
Slovenia	Nuts 3	Obalno-kraška
Greece	Nuts 3	Kerkyra, Thesportia
Croatia	Equivalent Nuts 3 areas	Dubrovnik-Neretva, Istra; Lika-Senj; Primorje-Gorski kotar; Šibenik-Knin; Split-Dalmatia and Zadar
Bosnia and Herzegovina	Equivalent Nuts 3 areas	Bileća, Čapljina, Čitluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubinje, Ljubuški, Mostar, Neum, Nevesinje, Posušje, Prozor/Rama, Ravno, Široki Brijeg, Stolac, Berkovići, Tomislavgrad, Trebinje and istočni Mostar
Montenegro	Equivalent Nuts 3 areas	Bar, Budva, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Tivat, Ulcinj
Albania	Equivalent Nuts 3 areas	Fier, Durres, Lezhe, Shkoder, Tirane, Vlore
Serbia	Whole territory (phasing out)	

For this part of the programme, including more beneficiaries, also the financing was more substantial than in the previous two examples amounting to €17,9 mil for the time period 2007-2009. (EC(x))

...and three programmes with potential candidates:

4. Croatia-Bosnia and Herzegovina

The border between Croatia and Bosnia & Herzegovina extends almost over 1,000 km, and despite the heterogeneity of the area, bordering regions are facing similar challenges regarding the economic and social situation which was created after the Yugoslavia's dissolution. This programme seeks to rehabilitate the former cross-border links and activities while addressing some of the common socio-economic and environmental issues.

Table 10 :Eligible areas in the regional programme Croatia - BiH

Programming area	Relevant articles of the Draft implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)	
	CROATIA	
	Article 88 Eligible area	Article 97 Adjacent area
Vukovarsko-Srijemska County	*	
Brodsko-Posavska County	*	
Sisačko-Moslavačka County	*	
Karlovačka County	*	
Ličko-Sanjska County	*	

Zadarska County	*	
Šibensko-Kninska County	*	
Splitsko-Dalmatinska County	*	
Dubrovačko-Neretvanska County	*	
Osječko-Baranjska County		*
Požesko-Slavonska County		*
Zagrebačka County		*
Bjelovarsko-Bilogorska County		*
Primorsko-Goranska County		*
	BOSNIA & HERZEGOVINA	
	Article 88 Eligible area	
Economic regions of Bosnia & Herzegovina	<p>North-east: Bijeljina, Teočak, Ugljevik, Lopare, Tuzla, Lukavac, Celic, Brcko, Srebrenik, Petrovo, Gracanica, Doboj istok, Gradačac, Pelagićevo, Donji Zabar, Orašje, Domaljevac-Šamac, Šamac, Modriča, Vukosavlje, Odžak, Bosanski Brod, Derventa, Doboj, Srebrenica, Bratunac, Milići, Han Pijesak, Vlasenica, Kladanj, Šekovići, Kalesija, Osmaci, Zvornik, Banovići, Živinice, Kalesija, Sapna.</p> <p>North-west: Pnjava, Srbac, Laktaši, Celinac, Kotor Varoš, Skender Vakuf/Kneževo, Dobretići, Šipovo, Jajce, Jezero, Mrkonjic Grad, Banja Luka, Bosanska Gradiška, Bosanska Dubica, Prijedor, Oštra Luka, Sanski Most, Ključ, Ključ/Ribnik, Mrkonjic Grad/Vlasinje, Glamoč, Bosansko Grahovo, Drvar, Istočni Drvar, Petrovac-Drinić, Bosanski Petrovac, Bosanska Krupa, Krupa na Uni, Novi Grad, Bosanska Kostajnica, Bužim, Velika Kladuša, Cazin, Bihać.</p> <p>Herzegovina: Prozor/Rama, Konjic, Nevesinje, Gacko, Bileća, Trebinje, Ravno, Ljubinje, Berkovići, Mostar, Jablanica, Kupres, Kupres (RS), Tomislavgrad, Posušje, Široki Brijeg, Čitluk, Slolac, Neum, Čapljina, Ljubuški, Gruda, Livno, Istočni Mostar.</p>	

Table 11 :The programme priorities and measures applied

Priority 1 Creation of a Joint Economic Space	Priority 2 Improved Quality of Life and Social Cohesion	Priority 3 Technical Assistance
Measure 1.1: Joint development of tourism offer	Measure 2.1: Protection of nature and environment	Measure 3.1: Support to Programme Administration and Implementation
Measure 1.2: Promotion of entrepreneurship	Measure 2.2: Improved accessibility of community based services in the border area	Measure 3.2: Support to Programme Information, Publicity and Evaluation
Horizontal Theme: Cross-Border Capacity Building		

For the implementation of this jointly operated programmes IPA has made available €3million for the period 2007-2009, which were then supplemented also by individual national contributions.EC(aa)

5. Croatia-Montenegro

The main challenges of the cross-border area between Montenegro and Croatia is the impact of globalization on regional economy, the introduction of new quality and legal standards as a part of EU accession process, the need to develop competitive economy based on knowledge and new technologies without which regions and business sector are not competitive against bigger markets. As well as the priorities regarding the environmental challenges and challenges in relation to reestablishment of social, cultural and economical connections between two countries which were destroyed because of war .

Table 12: Eligible areas in the regional programme Croatia- Montenegro

Croatia (NUTS III, Counties)		Montenegro (Municipalities)	
Eligible area (Art. 88)	Adjacent area (Art.97)	Eligible area (Art. 88)	Adjacent area (Art.97)
Dubrovnik-Neretva County	Split-Dalmatia County	Herceg Novi Kotor Tivat Budva Bar Ulcinj Cetinje	Nikšić Podgorica Danilovgrad

In improving the quality of life in the cross-border area between Croatia and Montenegro the following priorities were identified in the 2007-2013 programming plan.

Table 13: Priorities in the 2007-2013 programming plan

Table 15: Priorities in the 2007-2013 programming plan	
Priority 1 Creation of favourable enviromental and socio-economic conditions in the programming area by improvement of the co-operation in the jointly selected sectors and good neighbourly relations in the eligible area	Priority 2 Technical Assistance
Measure 1.1: Joint actions for environment, Nature and cultural heritage protection	Measure 2.1: Programme Administration and Implementation
Measure 1.2: Joint tourism and cultural space	Measure 2.2: Programme Information, Publicity and Evaluation
Measure 1.3: Small cross-border community Development project	
Horizontal Themes: Cross-Border Capacity Building Equal opportunities Gender equality and gender mainstreaming Sustainable development and environment protection	

The total financing for this part of the programme between 2007-2009 was of €1,2 mil, topped by the national contributions for the projects.(ec.enlargement)

6. Croatia-Serbia

The importance of a proper collaboration in this region needs no introduction, as for historical reasons these border areas contain one of the most ethnically diverse populations in Europe. Its central position and economic importance is well known. The programme tries to contribute to re-establishing and strengthening of cross-border connections in order to promote good neighborly relations and sustainable economic and social development needed to meet the objectives of the cross-border cooperation component of IPA (Article 86, IPA Implementing Regulation).
EC(ab)

Table 14: Eligible areas in the regional programme Croatia- Serbia

Regions	Article 88	Article 97
	Eligible Region	Adjacent Region
Croatia		
Osijek-Baranja county	Equivalent to the NUTS 3 region	
Vukovar-Srijem county	Equivalent to the NUTS 3 region	
Požega-Slavonija county		Equivalent to the NUTS 3 region
Brod-Posavina county		Equivalent to the NUTS 3 region

Serbia		
Srem district	Equivalent to the NUTS 3 region	
Sout Bačka district	Equivalent to the NUTS 3 region	
West Bačka district	Equivalent to the NUTS 3 region	
North Bačka district	Equivalent to the NUTS 3 region	
Mačvanska district		Equivalent to the NUTS 3 region

In order to achieve better the programme objectives following priorities and measures have been identified:

Table 15: Priorities in the regional cooperation programme between Croatia and Serbia

Priority 1 Sustainable Socio-Economic Development	Priority 2 Technical Assistance
Measure 1.1: Economic Development	Measure 2.1: Programme Administration and Implementation
Measure 1.2: Environmental Protection	Measure 2.2: Programme Information, Publicity and Evaluation
Measure 1.3: People-to-People	
Horizontal Themes: Cross-Border Capacity Building	

For the time frame 2007-2009 within IPA financing €2,4 million were made available for the implementation of this programme.

Croatia is also included in the European Territorial Co-operation trans-national programmes "South-East Europe" and "Mediterranean".

SERBIA:

In case of Serbia's general cross-border collaboration programme, three main programmes are found.

IPA funding finances in case of Serbia the cross-border collaboration with Croatia, Bosnia and Herzegovina and Montenegro, as well as Serbia's participation in the ERDF European Territorial Co-operation transnational programme "South-East European Space" 2007.

Serbia shares its borders with three member states as well (Romania, Bulgaria and Hungary) but there are still no official programmes within the cross-border component of IPA with these countries, but other programmes involving Serbia and these three countries can be found on the regional and local level.

1. Serbia- Croatia

The programme is supported by component II (cross-border cooperation) of the EU 'Instrument for Pre-Accession Assistance' (IPA), under which over €5 million have been allocated for its first 3 years. Additional €1.015 million will be provided by the partner countries, mostly from the programme's beneficiaries in the border region.

The programming area lies on both sides of the river Danube, in the north-east of Croatia (eastern Slavonia) or the north-west of Serbia (western Vojvodina). As said before, for historical reasons the border areas contain one of the most ethnically diverse populations in Europe.

Table 16 : Eligible areas for the cross-border programme between Serbia and Croatia

Regions	Article 88	Article 97
	Eligible Region	Adjacent Region
Croatia		
Osijek-Baranja county	Equivalent to the NUTS 3 region	
Vukovar-Srijem county	Equivalent to the NUTS 3 region	
Požega-Slavonija county		Equivalent to the NUTS 3 region
Brod-Posavina county		Equivalent to the NUTS 3 region
Serbia		
Srem district	Equivalent to the NUTS 3 region	
South Bačka district	Equivalent to the NUTS 3 region	
West Bačka district	Equivalent to the NUTS 3 region	
North Bačka district	Equivalent to the NUTS 3 region	
Mačvanska district		Equivalent to the NUTS 3 region

The priorities and measures identified by this programme in the cross-border collaboration between Serbia and Croatia are as described in the following table.

Table 17: Priorities in the cross-border collaboration between Serbia and Croatia

Priority 1 Sustainable Socio-Economic Development	Priority 2 Technical Assistance
Measure 1.1: Economic Development	Measure 2.1: Programme Administration and Implementation
Measure 1.2: Environmental Protection	
Measure 1.3: People-to-People	
Horizontal Themes: Cross-Border Capacity Building	

The programme as in case with those that regarded Croatia is operated by the joined committees, coming from both interested parties (Croatia and Serbia). The overall IPA funding for this programme in its first years of implementation 2007-2010 was around €5,4 million , €3 million for Serbia and €2,4million for Croatia (as stated before in the section on Croatia). The IPA funding however always represents only 85% of total financing needed for the implementation of the programmes, the remaining 15% are national co-financing.

2. Serbia-Montenegro

The cross-border collaboration programme regarding Serbia and Montenegro is a bit more particular then previous examples given here. The very recent separation of the countries and the demographic situation of the border region, called for very targeted projects.

The programme operated around one priority axes, as defined by the European Commission in its planning document:

"Social and economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity."

Table 18: Eligible areas in the border collaboration programme between Serbia and Montenegro

Montenegro	Serbia
Pljevlja	Zlatiborski okrug
Bijelo Polje	Raski okrug
Berane	
Rozaje	
Plav	
Andrijevica	
Kolasin	
Mojkovac	
Zabljak	
Pluzine	
Savnik	
Niksic	
Total eligible area: 19,432 km²	
Total population : 874,787	
Total border: 249,5 km	
Border crossings : 2 (6)	

As in case of the previous cross-border programmes presented, the decisions about the priorities and implementation of the programme is lead by the Joint committees from Serbia and Montenegro, and also as in the case of other cross-border programmes IPA funding provide the 85% of

total financing for the programmes, while the remaining 15% are provided by the national funding from Serbia and Montenegro.

The financing of the cross-border programme for the time period of 2007-2009 was as shown in the following table.

Table 19: Financing of the cross-border programme for the time period of 2007-2009

		Serbia				Montenegro			
PRIORITIES		Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution
		(a)	(b)	(c) =(a)+(b)	(d)=(a)/(c)	(a)	(b)	(c) =(a)+(b)	(d)=(a)/(c)
2007	1 – Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 – Technical Assistance	50,000	8,824	58,824	85%	60,00	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85%	600,000	105,882	705,882	85%
2008	1 – Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 – Technical Assistance	50,000	8,824	58,824	85%	60,00	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85%	600,000	105,882	705,882	85%
2009	1 – Economic & Social Development	450,000	79,411	529,411	85%	540,000	95,294	635,294	85%
	2 – Technical Assistance	50,000	8,824	58,824	85%	60,00	10,588	70,588	85%
	TOTAL	500,000	88,235	588,235	85%	600,000	105,882	705,882	85%
GRAND TOTAL		1,500,000	264,705	1,764,705		1,800,000	317,646	2,117,646	

EC (ac)

3. Serbia - Bosnia and Herzegovina(BiH)

The overall strategic goal of the programme is:

"To bring together the people, communities and economies of the border area to jointly participate in the development of a cooperative area, using its human, natural and economic resources and advantages."

As in the case of the cross-border collaboration with Montenegro, Serbia's and BiH collaboration programme will be implemented on one major Priority axis:

"Social and economic cohesion through actions to improve physical, business, social and institutional infrastructure and capacity."

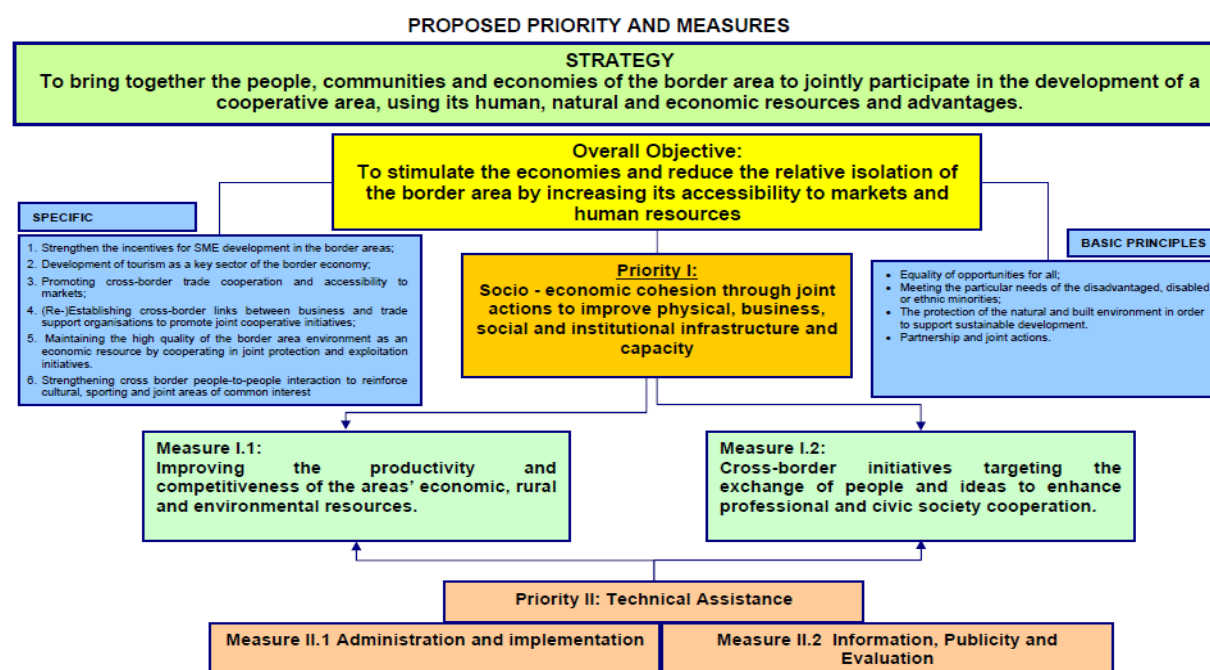
This being the overall aim of the programme, some core elements for the strategy derived from the SWOT analysis, led to the formulation of the following specific objectives, focusing on what needs to be achieved:

1. Improving the institutional frameworks for SME development in the eligible areas;
2. Development of tourism as a key sector of the border economy;
3. Promoting cross border trade cooperation and accessibility to markets;
4. (Re-) Establishing cross border synergies between business and trade support organizations to promote joint cooperative initiatives;
5. Maintaining the high quality of the environment of the eligible area as an economic resource by cooperating in joint protection and exploitation initiatives;

6. Strengthening cross-border people-to-people interaction to reinforce cultural and sporting links and to jointly participate in activities of common interest.

The proposed priorities have been identified by the collaboration of the Joint committees and the EU Commission, presented in the official document of Serbia- BiH cross-border collaboration.

Table 20: Priorities and measures in the Serbia-BiH programme



The Serbian part of the eligible area consists of 31 municipalities, while on the BiH side there are 66 municipalities. This is probably the programme that includes the largest number of municipalities out of all cross-border programmes described. The eligible areas are as presented in the following table provided in the European Commission's official cross-border paper.

Table 21 : Eligible areas for the cross border programme between Serbia and BiH

Bosnia and Herzegovina				Serbia	
Eligible	Km ²	Eligible	Km ²	Eligible	Km ²
Gradačac	218	Vlasenica	234	Sremski	3,485
Brčko District	493,30	Šekovići	202	Mačvanski	3,269
Doboj East	40	Kladanj	325	Kolubarski	2,474
Gračanica	219,50	Pelagićevo	20	Zlatoborski	6,141
Srebrenik	248	Han Pijesak	335		
Celie	136,80	Milići	285		
Lopare	280	Srebrenica	527		
Ugljevik	164	Višegrad	448		
Bijeljina	734	Rogatica	640		
Teočak	29	Sokolac	729		
Sapna	118	Pale	492		

Kalesija	201	Pale Praca	103		
Tuzla	302,35	Novo Goražde	123		
Lukavac	352,66	Rudo	344		
Petrovo	118	Čajniče	275		
Banovići	183	Goražde	248,80		
Živinice	291	Foča Ustikolina	188		
Zvornik	387	Foča	11,15		
Bratunac	293	Kalinovik	678,92		
Donji Žabar	49,30	Orašje	125		
Domaljevac-Šamac	41,70	Šamac	188		
Modriča	297	Vukosavlje	96		
Odžak	158,40	Bosanski Brod	234		
Derventa	517	Doboj	813,90		
Kalesija-Osmaci	71	Trnovo	338,40		
Trnovo RS	138	Dadžići	273		
Istočna Ilidža	28	Ilidža	162		
Istočno Novo Sarajevo	105	Ilijaš	320		
Vareš	390	Breza	73		
Visoko	232	Kiseljak	164		
Fojnica	308	Kreševo	148		
Total		17,612,01 km²	Total	15,370 km²	
Total eligible programming area			32,982,01 km²		
Total population in the programming area			2,967,023,00		
Total border length			382,8		
Total border crossings			8		

As in case of previous financial programming, IPA funding provides for the 85% of the total amount needed for the implementation of the projects within this programme, other 15% are provided by Serbia's and BiH's national funding.

Table 22: Overview of the funding in the period 2007-2009

		Serbia				Bosnia and Herzegovina			
PRIORITIES		Community funding	National funding	Total funding	Rate of Community contribution	Community funding	National funding	Total funding	Rate of Community contribution
		(a)	(b)	(c) =(a)+(b)	(d)=(a)/(c)	(a)	(b)	(c) =(a)+(b)	(d)=(a)/(c)
2007	1 – Economic & Social Development	990,000	194,100	529,411	83,60%	630,000	123,500	753,500	83,60%
	2 – Technical Assistance	110,000	19,412	129,412	85%	70,00	12,353	82,353	85%
	TOTAL	1,100,000	213,512	1,313,512	83,70%	700,000	135,853	835,853	83,70%
20	1 – Economic & Social Development	990,000	194,100	529,411	83,60%	630,000	123,500	753,500	83,60%

	2 – Technical Assistance	110,000	19,412	129,412	85%	70,00	12,353	82,353	85%
	TOTAL	1,100,000	213,512	1,313,512	83,70%	700,000	135,853	835,853	83,70%
2009	1 – Economic & Social Development	990,000	194,100	1,184,100	83,60%	630,000	123,500	753,500	83,60%
	2 – Technical Assistance	110,000	19,412	129,412	85%	70,00	12,353	82,353	85%

* Taken from EC(ad)

Serbia and the ERDF European Territorial Co-operation transnational programme "South-East European Space" 2007.

The ERDF programme was established as one of the priorities of the European Territorial Co-operation objective of the Structural Funds 2007–2013.

Considering their geographical inclusion in two of these homogeneous spaces – South-East European Space and Mediterranean Space – the candidate/potential candidate countries have been invited to participate in the relevant operational programmes. The participating Member States are currently in the process of finalizing the operational programmes for these two spaces under the lead of Hungary (South-East European Space) and France (Mediterranean Space) which are home of the respective Managing Authorities.

Serbia's position places its entire territory in the South-Eastern European Space, and therefore eligible for this programme. The programme sets out a number of objectives and priority axes:

- To support the participation of partners from candidate/potential candidate countries in joint transnational co-operation activities with partners from EU Member States;
- To familiarize candidate/potential candidate countries with territorial co-operation programmes under the EU Structural Funds in view of their implementation upon accession.

The ERDF for South East Europe identifies this particular priority axes:

- innovation
- environment
- accessibility

The programme as other cross-border programmes works on the principle of co-financing, 85% EU IPA funding and 15 % national contributions.

Table 23: Financial overview of funding for the year 2007

	EU – IPA assistance		National Contribution		Total (IPA plus National Contribution)	
	EUR	%	EUR	%	EUR	%
Participation in South-East European Space transnational programme	1,002,805	85%	176,966	15%	1,179,771	100%
TA funds (Maximum of 10% of	111,423	85%	19,663	15%	131,086	100%

total EU IPA funds allocated)						
TOTAL	1,114,228	85%	196,629	15	1,310,857	100%

*Taken from EC(ae)

3. Regional development

The component number three as well as the two following in this particular case study will present only findings on Croatia, because of Serbia's very recent change in status it will not benefit till the year 2013 from these particular funds.

The funds within the third component are meant to help countries' regional development by financing certain investments and associated technical assistance in areas of transport, environment and economic cohesion. These funds are managed by Directorate-General Regional Policy, as they will be once the country enters the EU. The component three as well as the component four are created and adjusted to respect the rules and legislations of structural funds in EU; this implies that the strategic documents and institutions that are in charge of the distribution of funds direct them in the same manner as the Member States do. This is very valuable for the countries in the accession process, because they get to experience and learn the reality of managing funds in the EU. In the following description I will be concentrated on examining the EU document regarding the period of programming 2007-2009, in order to be able to better evaluate the impact of these projects on the accession process.

Within this component of IPA programming and financing in case of Croatia *three main programmes* have been identified:

1) Transport Operational Programme

The TOP covers a three-year rolling period (2007-2009), building on the initiatives funded by previous EU programmes, particularly ISPA. It also offers an outlook on the programming period after 2009.

The present Operational Programme for the 2007-2009 period covers key issues and information, such as general policy and socio-economic context, transport policy background, status of transposition of EU transport acquis into national legislation, transport sector assessment and subsequently, strategies and measures to meet transport sector development needs in line with accession requirements, including indicators to monitor and assess the implementation of the TOP.

In the time period 2007-2009 three main priorities were identified as well as measures to reach the objectives.

Table 24: Priorities for the period 2007-2009

Medium-term needs	Priority Axes	TOP operational objective	Delivered through project under the following measures:
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Increase railway efficiency, reliability and competitiveness	1 – Upgrading Croatia's rail transport system	Increase/ improve interoperability along Rail Corridor X; Improve railway services quality reliability and efficiency along Corridor X	-Line up-grading and modernisation -Improvement of the safety and efficiency of railway operations
Upgrade port infrastructure and improve navigation standards	2- Upgrading Croatia's inland waterway system	Rehabilitate the port of Vukovar and the Sava river waterway – navigational improvements towards category IV navigational status	-Modernization and rehabilitation of river waterways and port infrastructure
Manage the OP and institutional strengthening	3- Technical assistance	Use of EU assistance in a timely and technically acceptable manner	-Programme management and capacity-building and activities connected with future project identification

For the projects regarding TOP between 2007-2009 €71.334.000 million were made available, out of which 53.500.000 (75%) were EU/IPA grants and 17.833.500 (25%) Croatia's contribution. Managing and monitoring of the programme is at the responsibility of the Ministry of Sea, Tourism, Transport and Development. (EC (af))

2) Regional Competitiveness Operational Programme

This programme is strategically aimed at improving Croatia's regional competitiveness. This implies preparing Croatia for a reasonable usage of available financial instruments for improving the competitiveness of less developed regions within the EU. The main backbone in fostering development and growth is in fact the entrepreneurship, or better, the creation of better work conditions and business support to SMEs.

The operational programme for regional competitiveness has identified following priorities and measures:

Priority 1 - Improving development opportunities with the area of developmental disabilities

Measure1.1.business infrastructure

Priority 2 - Strengthening the competitiveness of Croatian economy

Measure2.1.Improving the investment climate

Measure2.2.Technology transfer and support for knowledge-based start-up businesses

Priority 3 - Technical assistance

Measure3.1.Programme management and institutional strengthening ability

Measure3.2.Development of sector studies, preparation of future programming documents and related proposals

The financial value of the RCOP for the time period 2007-2009 was €47 million, out of which Croatia contributed 25 % amounting to €11 million and the rest of €35 million were made available by IPA funding. In charge of managing this Operation is the Ministry of Science and Technology and Ministry of Health and Welfare. The Croatian Employment Service(Priority 1, Priority 2/2.1, Priority 4)and the Agency for Vocational Education(2/2.2 PriorityandPriority3)are in charge of the implementation of the projects..(IPA CRO)

3) Environmental Operational Programme

This Operational Programme is aimed for the use of funds in the environmental sector. Based on the analysis of the situation in this sector in Croatia, waste management and water management were identified as a priority activity for the channeling of funds from the IPA. These activities were chosen due to the fact that waste management systems and water management in Croatia does not fully correspond to the standards of the European Union, and their alignment requires extremely high financial investments.

Within this programme the following priorities and measures were identified:

Priority 1 - Developing waste management infrastructure for establishing an integrated waste management in Croatia

Measure 1.1. Establishment of new waste management on the county / regional level

Measure 1.2. Rehabilitation of "highly unclean locations" ("hot spots")

Priority 2 - Protecting Croatian through improved water supply and Integrated Wastewater Management

Measure 2.1. Establishment of modern water supply systems and networks

Measure 2.2. Construction of waste water from households and industry and sewerage network

Priority 3 - Technical Assistance

Measure 3.1. Programme management and capacity building

For projects in the sector of environmental protection €71.333 million were provided, of which €53,499 million (75%) as a grant from the EU's IPA fund and €17.833 million (25%) provided by Croatia. Management and implementation of operational programmes is under the jurisdiction of the operational structure headed by the Ministry of Environmental Protection, Physical Planning and Construction, which in the field of water management works closely with the Ministry of Agriculture, Forestry and Water Management.(IPA CRO)

4. Human resources development

The fourth component represents a framework for using the funding in areas of employment, education and social inclusion. It tackles the most endangered social groups and adjusts the education system to the needs of the labour market, in order to create new and better quality jobs. The projects within this component have a limited number of priorities, but are of vital importance for social and economic cohesion.

Operational Programme for Human Resources identifies the following priorities and measures:

Priority 1 - Improving access to employment and sustainable inclusion in the labor market

Measure 1.1. Supporting the design and implementation of active and preventive labor market policy

Measure 1.2. Aid effectiveness and quality of Croatian public employment services

Priority 2 - Strengthening the social inclusion of people at a disadvantage labor market

Measure 2.1. Support to groups that are disadvantaged in the access to employment

Measure 2.2. Support to groups that are disadvantaged in the access to education

Priority 3 - Enhancing human capital and employability

Measure 3.1. Further development of the Croatian Qualifications Framework

Measure 3.2. Strengthening the system of adult education

Measure 3.3. Strengthening the institutions responsible for vocational education and training

Priority 4 - Technical Assistance

- Measure 4.1. Preparation of projects
- Measure 4.2. Programme management

For this component and operational programme IPA has made available a total of €38.277.000 (85%) and Croatia added €6.754.769 (15%) from its state budget.

The responsibility of management and implementation of the program is held by the operating structures of the Ministry of Economy, Labor and Entrepreneurship. In managing this OP the Ministry is closely cooperating with the Ministry of Science and Technology and Ministry of Health and Welfare. For the implementation of the projects the Croatian Employment Service (Priority 1, Priority 2/2.1, and Priority 4) and the Agency for Vocational Education (2/2.2 Priority and Priority 3) are in charge.(IPA CRO)

5. Rural development

The Fifth component prepares the candidate states to apply and manage in a proper manner the common agricultural policies of the EU, with a special emphasis on the contribution to sustainable adjustments of agricultural sector and rural areas, as well as to prepare the countries for the implementation of the *acquis communautaire*.

The basis for the use of financial resources for the fifth IPA component is the - Plan for Agriculture and Rural Development 2007- 2013.-**IPARD** Plan. The total value of funds to be used in accordance with the Plan amounts to €184,271,083, of which the IPA provides €102 255 083, and €82.016 million is a financial contribution of end users. During this period, the total financial contribution from the Croatian national budget is €25,355,083 .(IPA CRO)

The IPARD (Instrument for Pre-Accession Assistance in Rural Development) is a specific instrument introduced to facilitate the implementation and financing of projects within the fifth component of IPA. The objectives of IPARD are:

OBJECTIVE 1. To provide assistance for the implementation of the *acquis* concerning the Common Agricultural Policy

OBJECTIVE 2. To contribute to the sustainable adaptation of the agricultural sector and rural areas in the candidate country.

These objectives are to be met by implementation of *9 different measures* under *3 priority axes*:

Axis 1 - Improving Market Efficiency and Implementing Community Standards

Measures:

1. Investments in agricultural holdings to restructure and upgrade to the EU standards
2. Investments in processing and marketing of agriculture and fishery products to restructure and upgrade to the EU standards
3. Supporting the setting up of producer groups

Axis 2 - Preparatory actions for implementation of the agri-environmental measures and Leader

Measures:

4. Preparation for implementation of actions relating to environment and the countryside
5. Preparation and implementation of local rural development strategies

Axis 3 - Development of the Rural Economy

Measures:

6. Improvement and development of rural infrastructure
7. Development and diversification of rural economic activities
8. Training
9. Technical assistance

EC(ag)

The responsible for the management of the fifth component is the Ministry of Agriculture, Forestry and Water Management, Directorate for Sustainable Rural Development, and the implementing body is the Directorate for Market and Structural Support in Agriculture-Rural Development, also at the Ministry of Agriculture, Forestry and Water Management.

ON THE IMPLEMENTATION AND DELEGATION OF RESPONSABILITIES IN THE IPA:

After a short overview of the priorities set out by the EU in regards to the financing of development projects in Serbia and Croatia, some important issues in regards to the gestation and management of the funds must be addressed.

In the context of pre-accession programmes, the Commission transfers and delegates part of the enforcement responsibilities to the beneficiary country³⁴. The management and control in the beneficiary country consist of the following instances: the national programmes are common to all the National Aid Coordinator and the NAO, heading the National Fund. National Aid Coordinators are responsible for coordinating the preparation and implementation monitoring program and the national authorizing officer is responsible for the overall financial program implementation.

Of course the operating structure differs from programme to programme and is responsible for devising and implementing programmes and enforcement measures and projects within the program. Within it, it is necessary to establish systems of management and control and internal audit. In addition to internal audits, implementation of programmes are subject to external audit by the beneficiary countries as well as audit bodies of the European Commission, in cases where there is reasonable suspicion of irregularities and fraud and the European Court of Audit. Each program also has a supervisory committee that discusses and decides on changes within the program.(GEU CRO)

Table 25: responsibilities and structure of control mechanisms in IPA

Phase: operation of pre- accession programs	Responsibility/ system management and control	
	EU	Country beneficiary
Programme establishment	Council (and EU Parliament)	Responsible for accreditation
Programming	European Commission (Member States)	National IPA coordinator, Operative structures - the implementing agency Managing Authority, the Project Implementation Unit

³⁴ this is known as decentralized management

Programme implementation	European Commission Council (Member States)	National Authorizing Officer(NAO), The National Fun - Implementing Agency (IA), Project Implementation Unit(PIU) or the governing body and certifying(including intermediary bodies)
Revision	Auditors of the European Commission The European Court of Auditors	Internal audits of the Operating Structures The audit body
Monitoring	European Commission Council (Member States)	National IPA coordinator Operating structures Monitoring board
Programme evaluation	European Commission(mostly through contractual evaluators)	National IPA coordinator Operating structures

In order to conclude this chapter, which was intended to explain the type of programmes (and the projects implemented within those) that are included in the support that the EU provides to the countries ,potential members for the EU. While the programmes of assistance and collaboration are many and various, and the number of project is extensive, I tried presenting the ones that were most influential in helping Croatia and Serbia develop and successfully meet the criteria needed for the progress within the accession process. The overview included the priorities addressed by the various programmes which were implemented in these two countries in the past two decades, with the special attention to the IPA programme, which is the most influential instrument that the EU has created for assisting these countries on their way towards prosperity and EU membership. The description provides a broad idea of the priorities and the financing EU has for the development programmes in these two countries, however broad though it is still influential in assessing the influence these programmes have on the general development of the countries, their relationship with the EU and the progress of the accession process.

In the following section I will evaluate the influence these collaboration programmes and EU financing of development projects have on the pace and modalities of the accession process, whether the priorities addressed by these programmes meet the true needs of the countries or they are also influenced by other factors and how they have changed through the years of implementation.

VIII. What effect do these development projects have on the process of accession to the EU of the two countries?

After presenting a short overview of the SAP and of the main programmes financed by the EU in Croatia and Serbia these past years within the SAP process, I would like to assess the whole process more critically and pay more attention to the particularities related to the programming of these development projects in the two countries. Creating, programming and managing the development programmes and projects is a very complicated process, which includes a big number of stakeholders, variables to be considered and a lot of SWOT³⁵ analyses throughout the whole process.

Considering these particularities I found necessary to explore the accession processes of Croatia and Serbia a bit better, with the additional attention dedicated to exploring the value of the development projects in the advancement of this process.

1. SAP Requirements - criteria and conditionality

a) SAP - shortly on the needs of Accession process

The Stabilization and Association Process (SAP) represents EU's flagship policy in the Western Balkans. The inclusion in the process and the signing of the Stabilization and Association Agreements represent for the countries included a great incentive for pursuing further development. Within the process the relationship of the countries and the EU is also identified, which becomes extremely important for their position on a global scale.

After carefully examining the documentation available on the SAP one can draw some general conclusions. It refers to a rather wide range conceptualization of political stabilization (peace agreements, reconstruction, refugee return, ICTY cooperation and regional cooperation), does not give any concrete promises regarding the association (meaning the membership in EU) and in certain matters it lacks clearly formulated benchmarks. This said the SAP is also faced with a lot of challenges in the area of the Western Balkans. Working on a bilateral basis, approaching every country in the Western Balkans individually, but requesting regional cooperation and stabilization make for quite a contradicted set of priorities. The process is also highly conditioned by the lessons learned by the Commission in the accession processes of Romania and Bulgaria and by the division in the Council about whether the EU should further enlarge.

These general conclusions are indeed very general. It remains that the SAP is a complicated but very important and influential instrument that the EU applies to its relationship with these countries and a very powerful motivation force for these countries to seek further progress in all the areas interested by the process.

As stated in various occasions the conditionality plays the biggest role in the SAP and it also shows where its priorities lie. The SAP, while trying to help the countries stabilize and develop, must always keep track of the EU's best interests and protect itself from possible security or economic threats. The troubled relationship between the stabilization and association indeed lies in the heart of

³⁵ SWOT analysis - strength, weakness, opportunity, threat analysis.

this process. This is why the conditionality is the biggest point in the SAP and why it is so largely discussed among the academics.

In the Communication issued by the Commission in 2006 "The Western Balkans Countries on the road to the European Union" the reasons behind the SAP were defined in the main points:

- 1) It acknowledges that the prospect of the EU membership based on the *conditionality* could serve as a strong driver of reform in the region
- 2) It stressed the need for establishing bilateral relationships among the countries of the region
- 3) Outlined the development of a flexible country by country approach based on assistance programmes and contractual relations that would embrace a large number of issues, such as conflict reconstruction, technical assistance and approximation with EU legislation. (Gordon, 2009)

As addressed already in the first point, the conditionality is somewhat of a starting point in the definition of the EU's relation to these countries. As stated by Gordon (2009) "The first stage of the conditionality for participating in SAP is comprised in the common principles outlined in the 1996 Regional Approach and the conditionality criteria laid down at the 1997 Council, which incorporated both general conditions as well as a number of individualized country demands." "The overall "big issues" conditions would be the cooperation with the ICTY (already described in precedence), regional cooperation, respect of democratic principles, human rights and minority rights, the creation of stable judiciary systems and the rule of law, the privatization of state owned property and the advance towards a stable market economy. It was important to name these "big issues" categories again, because they underline the EU's priorities also in the distribution of financial assistance and the setting of programmes priorities and ultimately the selection of projects. As stated by Smith(2002) the conditionality within the SAP"[r]efers to the fulfillment of the conditions determined by the priorities of the promise of technical and financial assistance, association agreements, and ultimately membership to influence the conduct of both non-member and non-candidate countries".

Underlining and defining the whole SAP process (as already previously stated) are the Stabilization and association agreements, the legal binding documents that define the obligations and set objectives for the countries in order for them to be able to apply for the candidacy and start the accession negotiations. The SAAs are structured as a long list of chapters negotiated with the accession candidates, these chapters are to be brought to a state of legal compliance with the *EU acquis*, and proof of implementation.(Emerson, 2008)

As stated by the General Affairs Council in 2001 "The mechanisms of the Agreements themselves will enable the EU to priorities reforms, shape them according to models, to address and solve the problems, and to monitor implementation".

In the following table, borrowed from Emerson's paper on EU policy towards the Western Balkans. (Emerson, 2008), we can see what the features of the EU - Croatia Stabilization and Association Agreement are, and this will provide also the framework for the comparison between the SAP priorities and the programing and financing of development programmes and projects.

Table 1: EU - Croatia Stabilization and Association Agreement

Title I – General principles

- Respect for democratic principles and human rights
- Six year implementation

Title II – Political dialogue

Title III – Regional cooperation

- Cooperate with other SAA states, including free trade agreements

Title IV – Free movement of goods

Chapter I - Industrial products

- free trade in maximum of six years
- quantitative restrictions abolished immediately
- customs duties abolished immediately, but for selected products phased out over 3 to 6 years
- special protocols for textiles and steel

Chapter II – Agriculture and fisheries

- quantitative restrictions abolished immediately
- EU abolishes customs duties immediately, with exceptions
- Croatia abolishes customs duties progressively
- special protocol for wines and spirits
- for fisheries protective measures possible if serious market disturbance

Chapter III – Common provisions

- standstill prohibiting new customs duties, and fiscal discrimination
- anti-dumping provision
- general safeguard clause in event of serious injury or market disturbances

Title V – Movement of workers, establishment, supply of services, capital

Chapter I - Movement of workers

- no discrimination in treatment of legally employed Croatian or EU workers respectively

Chapter II – Establishment

- treatment no less favourable than own companies or any third country
- right to employ key personnel of Croatian or EU nationality respectively

Chapter III – Supply of services

- freedom to supply cross border services to be allowed progressively after four years
- special protocol for road transport, progressive harmonization of EU acquis

Chapter IV – Current payments and movement of capital

- direct investments free
- real estate purchase in Croatia to be liberalized after four years
- after four years determine modalities for full liberalization

Chapter V – General provisions

- if serious balance of payments difficulties, restrictive measures possible

Title VI – Approximation of laws and competition rules

- gradual approximation, especially on fundamental elements of Internal Market acquis
- competition: respect Articles 81, 82, 86 and 87 of Treaty (EU acquis)
- state aid schemes: align within three years
- intellectual property rights: align on EU acquis within three years

- open public contracts within three years
- standardisation: gradual achievement of conformity
- consumer protection: alignment on EU acquis encouraged

Title VII – Justice and home affairs

- rule of law: cooperate over reinforcement of institutions
- visa, border control, asylum, migration: cooperate
- illegal migration: obligation of re-admission
- money laundering: cooperate
- illicit drugs: cooperate
- criminal matters: cooperate

Title VIII – Cooperation policies

- economic policy: gradual approximation on policies of Economic and Monetary Union
- statistics: cooperate towards EU acquis
- financial services: cooperate to improve supervision and regulation
- investment promotion and protection: cooperate
- industrial cooperation: aimed at modernisation
- tourism: cooperate
- customs: approximation on EU acquis
- taxation: cooperate
- social security and employment services: cooperate
- agriculture: gradual harmonization on EU veterinary and phytosanitary acquis
- education and training: cooperate
- culture: cooperate
- audio-visual field: harmonise on EU acquis
- telecommunications: align on EU acquis immediately
- information society: cooperate
- transport: development Trans- and Pan-European corridors
- energy: develop regulatory framework in line with EU acquis
- nuclear safety: cooperate
- environment: cooperate, with continuous approximation on EU standards
- research and development: cooperate
- regional and local development: cooperate e.g. over cross-border regions

Title IX – Financial cooperation

- grants and loans to support the Stabilisation and Association process

Title X Institutional and final provisions

- Stabilisation and Association Council to supervise the agreement, and resolve disputes
- Parliamentary Committee establishes with European Parliament and Croatian members
- agreement concluded for unlimited period
- Interim Agreement: allows entry into force of free trade provisions before ratification completed

Having in mind the previous section on the development programmes and projects financed and supported by the EU, and seeing the objectives described within the SAA chapters, the priorities and interests the EU has in regards to the accession process and those that are underlined in the programmes due indeed come together forming the EU's agenda for the countries of the Western Balkans.

The conditionality of these requests in order for the countries to further progress in their accession process is indeed closely followed by the EU's financing of programmes which help the countries cope with the extensive financial burden of the reforms.

Although the programmes follow all the above named strategic and conditional objectives, some trends can be observed. The financing and the number of projects dedicated within various categories of IPA and previous development programmes do show that EU supports certain aspects more than others.

We will explore the objectives set out for Croatia and Serbia within the SAP and how the development programmes are related to these objectives in the following sections.

b) EU towards Croatia and Serbia

After the general presentation of the SAP's conditions and objectives, we go back to the comparative case study of development programmes and projects financed by the EU within their accession process.

The accession process of these two countries and their relations with the EU are place in a short time framework. The Yugoslavia reality and the dissolution of the same followed by the troubled '90s and civil wars put EU's position towards the Western Balkans to a big challenge.

The imminent closeness to other Member States, the geographical and strategical importance of the region and economic interests, pushed the EU in the last decade to make substantial efforts to get this region closer to its Western neighbors and the EU. In the beginning of the past decade (2000-2010) with the democratic changes in governments of both countries the EU reaffirmed its relations with them and embarked on the journey which is hoped to end with a few more yellow stars being added to the blue flag.

One of the main decisions regarding the EU - Croatia and EU - Serbia relations was in fact that the EU after a long history of one country relations now looked at them as separate entities and implemented separate and diverse policies. Although the region and the countries still remain highly conditioned by their past, the EU tried to define its approach on the basis of their willingness to respect the international law, human rights, democracy and their willingness to adopt the EU aquis.

This approach has highly influenced the development of the accession process of both Croatia and Serbia. The countries have been in the past decade regularly assessed by the Commission and their readiness to reach further phases in the accession process has always been hardly judged, both because of the EU skepticism about further enlargement, and because of the regional and internal situations of the countries and their communist background.

For the need of assessing the countries' state regarding the various "big issues" of EU aquis and later for the state of implementation of SAP, the Commission has always provided its opinions, individual progress reports and Multi - Annual Indicative Programming and Financing Frameworks. These documents represent the basis for EU's decision making in regards to Croatia's and Serbia's progress and for the financing of development programmes.

c) Requirements of the SAP - Multi-annual planning - Country strategies

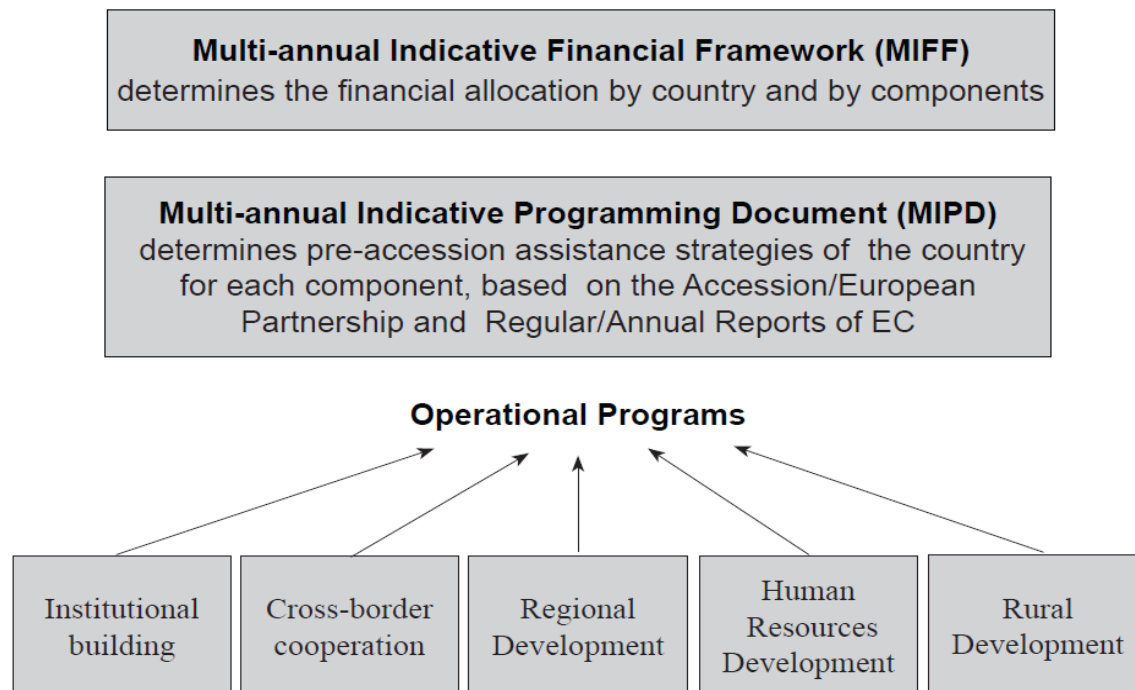
In regards to the comparison between the two countries in this section the difference is quite easily noticeable. By visiting the official EU enlargement pages that indicate the key documents of EU's collaboration with the two countries, an extensive number of documents can be found for Croatia, while a considerably smaller one is found for Serbia. This is also another consideration to what the progress in accession process means, the reports on Croatia, especially the ones that regard the final stages of Croatia's accession process are quite detailed and specific.

Coming back to the Strategy papers and Multi-annual planning and programming in regards to the development projects, the biggest importance certainly lies in defining the needs of the countries and the critical areas in which the financial assistance and the transfer of knowhow is needed. However it has been addressed by more than one academic paper that these needs sometimes are undermined by EU's agenda and its economic and political interests.

However the importance of the Multi-annual programming documents is not to be overly criticized as it provides a valuable framework and strategies for a better definition and implementation of development projects. The Multi - Annual Financial Framework as well as the Indicative Programming document are especially significant in the IPA programming, (as stated before). All of them are based on the strategies and allocation of financing previously defined in the Multi annual programming documents.

The following table shows the relation of the Multi-Annual Indicative Financial Framework and Multi - Annual Indicative Programming documents relation to the five IPA components. The hierarchy relationship is quite clear, financing being the first decision, overall strategies being the second and the division of the previous two in IPA categories (and then subsequently also in specific projects) being the last.

Table 2: Multi-Annual Indicative Financial Framework



*borrowed from Gjorgjievski (2008)

Enlargement strategy/Country Strategies however, represent a different set of information available in the Multiannual documents. They address the key challenges that the EU's Enlargement policy faces in the country. It also addresses the issues of financing assistance (it refers to the Multi-Annual Indicative Planning Documents (MIPDs)) and puts forward a set of conclusions and recommendations that are to be followed in relation to the policies regarding the enlargement process of the countries. The Enlargement strategy documents therefore include specific "under/documents" which include the assessment of countries progress in the enlargement process. These "under/documents" report to the Council on how the country advanced in the previous period in regards to all the "big issues" (political and economical criteria, EU standards etc.) categories, and they are extremely important and detailed, because Council's opinions are formed on the grounds of what these reports indicate.

These documents always address the objectives indicated by the SAP and the importance of implementing them for the further progress of the countries, they set up frameworks for development projects and form the opinions of the officials in Brussels and provide incentive to the countries in achieving better results in order to have better progress reports and gain more financing.

After indicating the various instruments of EU relations with countries in accession process, I would like to dedicate more attention to the way SAP has developed in the two countries of the interest in this comparative case study, Croatia and Serbia.

2. Croatia and SAP

a) Historical background EU-Croatia

The following table adapted from the European Commission's web-site for enlargement shows the key data in Croatia's accession process towards EU:

Table 3: The key dates in Croatian accession process

Table key dates EU - Croatia	
22 January 2012	Referendum on EU Accession, 66% of the citizens in favour of EU accession
9 December 2011	Signature of the Accession Treaty
6 December 2011	Council adopts the decision on admission of Croatia
12 October 2011	Favorable opinion delivered by the European Commission on Croatia's accession to the European Union and adoption of the last Progress Report
30 June 2011	The last of the 35 negotiating chapters is closed
12 June 2006	First chapter of the accession negotiations - science and research - formally opened and provisionally closed at an Accession Conference (ministerial level).
20 October 2005	'Screening' stage of accession negotiations begins.
3 October 2005	International Criminal Tribunal for the former Yugoslavia (ICTY) Chief Prosecutor assesses Croatia is now fully cooperating with ICTY. Council concludes last remaining condition for starting negotiations is met. Accession negotiations are launched the same day.
16 March 2005	EU postpones start of accession negotiations but adopts framework for negotiations with Croatia
1 February 2005	Stabilisation and Association Agreement (SAA) enters into force
December 2004	European Council sets 17 March 2005 as start date for negotiations conditional upon full cooperation with the International Criminal Tribunal for the former Yugoslavia
June 2004	European Council confirms Croatia as candidate country
April 2004	European Commission issues positive opinion on Croatia's application for EU membership application
June 2003	- Thessaloniki European Council confirms accession perspective of Western Balkans countries, including Croatia
21 February 2003	Croatia applies for EU membership
29 October 2001	Stabilisation and Association Agreement signed
November 2000	Zagreb Summit launches the Stabilisation and Association Process (SAP) for five countries of South-Eastern Europe, including Croatia
June 2000	The Feira European Council states that all the SAP countries are "potential candidates" for EU membership.

Croatia is today seen as somewhat of jewel of EU's enlargement policies and strategies in the Western Balkans, because of the swift changes achieved in the country during the last two decades. In fact the imminent membership is the biggest proof of that, Croatia has been meeting the EU policy goals and objectives and has meet most of the conditions preset.

However its relationship with EU has not always been calm waters. The relationship in fact does not go far back, like for example with Turkey. In the '90s after the breakout of Yugoslavia and the civil wars that followed, the relationship slowly started to form after the recognition of Croatia as an independent state by most of Member States. Even that event did not go that smoothly because even after Germany indicated it would support Croatia's independence as well as Slovenia's, the UK and France did not really agree with it right away because of the issue of respect of minority rights, and therefore the acceptance of Croatia came on conditional basis.

The independence in Croatia saw the raising power of the relatively undemocratic Croatian Democratic Union (HDZ) with President Franjo Tudjman³⁶ at its front. Tudjman was a war hero, and he easily became the first Croatia's president.

Tudjman guided Croatia on nationalist grounds, celebrating its new independence and the history that was not related to Yugoslavia and Serbia. As stated by Field (2000) Tudjman tried to allay the fears of Serb minority in Croatia (which after the wars considerably diminished), by giving formal apology for the II World War time Ustaša³⁷ regime, which estimably killed around one sixth of Serbian population in Croatia, but his actions, statements and the celebration of the Croatian victory in Operation Storm did not ease the Serbian population and contributed to advance the immigration flow towards Serbia already in act. He also used most of the state-owned media and financial means to support his political interest and carrier and in that way failing to show intentions of meeting western democratic standards. In 1997 elections he obtained 61% of the votes, which better showed his power in Croatia, and Croatia's desire to still glorify the recent events. Its government, the "non democratic" reforms and the failure of guaranteeing the Serbian refugees a safe return home, made him quite unpopular and criticized by the international community (Field 2000). The biggest change, and somewhat of a turning point in Croatia's relationship with the EU and the rest of the world came just after Tudjman's death in 1999 and with the new round of elections in 2000. The situation in Croatia started changing with the election of Stipe Mesic³⁸ as the president of Croatia in February 2000 which together with Prime minister Ivica Racan³⁹ launched an effective and powerful public diplomacy to demonstrate Croatia's readiness to join the EU (Massari, 2005). It started with big reforms as soon as they entered the office, issuing an immediate invitation to 300,000 ethnic Serb refugees to come back to their homes (Field, 2000). They inherited a Croatia in a very bad economical state, lacking considerable financial help in order to implement the reforms needed for the progress of the relations with EU.

Croatia's accession process and its relations with EU streamlined from this point on. Croatia signed the Stabilization and Association agreement in October 2001 and presented its official application for membership on 21 February 2003. The European Council granted Croatia with a candidate status in June 2004 after a positive evaluation made by the Commission on the state of affairs in the country. However, soon after the accession negotiations were blocked because of Croatia's failed attempts in delivering the war criminal Ante Gotovina⁴⁰ and its insufficient collaboration with the ICTY. It took more

³⁶ Franjo Tudjman (14 May 1922 – 10 December 1999) was a Croatian politician and country's first president since the independence from Yugoslavia. (Wikipedia)

³⁷ Ustaša - Croatian Revolutionary Movement (fascist) from the II World war

³⁸ Stipe Mesic - born 24 December 1934) is a Croatian politician who served as the second President of Croatia, 2000 to 2010.(Wikipedia)

³⁹ Ivica Racan-24 February 1944 – 29 April 2007) was a Croatian career politician, leader of the League of Communists of Croatia (SKH) and later Social Democratic Party (SDP) from 1989 to 2007. He also served as Prime Minister of Croatia from 2000 to 2003, during which he headed two centre-left coalition governments.(wikipedia)

⁴⁰ Ante Gotovina born 12 October 1955) is a former Senior Corporal of the French Foreign Legion and former Lieutenant General of the Croatian Army who served in the Croatian War for Independence.[1] He was indicted in 2001 by the International Criminal Tribunal for the former Yugoslavia, accusing him of a "joint criminal enterprise" in an effort to expel Krajina Serbs from Croatia in 1995 during Operation Storm.[2] After spending four years in

than a year for the accession negotiations to start again. This was also facilitated by the fact that in the meantime the general Ante Gotovina was captured, and therefore the main ICTY conditionality issue was somewhat loosened.

EU's strategies for Croatia considerably changed with its candidate status and the opening of accession negotiations. The financing of CARDS projects, the strategies for adjusting Croatia's policies and legislation to that of the EU as well as straightening of the administrative systems and local governance were the main priority. In this process the twinning programmes that followed the CARDS programme helped in the needed transfer of the knowhow, and helped Croatia in adopting relevant legislations to change its administrative structure and hierarchy, promote regional co-ordinate management and develop a strategic approach with regards to the domestic implementation of the respective *acquis* (Trauner, 2009).

In Croatia's case the combination of incentives, the prospect of eventual membership and the application of conditionality principles (mostly regarding ICTY) pushed the country to reform faster and adopt the *acquis* in appropriate manner. The accession process was surely not an easy ride all the time - Croatia's progress was complicated by various issues, such as the insistence of Slovenia, an EU member state on the two countries' border issues to be dealt with prior to allowing Croatia's accession process to the EU to continue. Though in the current time all of these issues seem to be successfully tackled, Croatia finished its accession negotiations on 30 June 2011 and on 9 December 2011 it signed the Treaty of Accession to become EU's 28th member. The ratification process, by the Parliaments of all 27 EU member states, is expected to be concluded by the end of June 2013, and then entry into force and the effective accession of Croatia to the EU is now expected to take place on 1 July 2013.

b) Particularities of the accession process and difficulties encountered in implementing the programmes

In Croatia's case the difficulties in the accession process considering other Western Balkans countries indeed do not seem so many. Apart from a step back faced before political changes in the 2000 and the difficulties regarding the ICTY condition, Croatia's path towards the EU went on a regular pace following all the steps. However, the process might seem a bit long if compared to the countries of the previous enlargement, but that is because of the particular conditions that were introduced for the Western Balkans countries, the lessons learned by the EU with the previous enlargements and the outbreak of the financial and EU crisis in the midst of the accession process.

In regards to the difficulties encountered in the implementation and definition of development programmes the story is not that short.

Revising the previous chapter and analyzing the documents regarding the Multi-annual planning it is easily noticeable that the biggest problem encountered since the beginning was the fact that Croatia was not in possession of appropriate systems and institutions which could handle the implementation of the projects. This called for the attention first to be placed in the area of the construction of sustainable mechanisms that could facilitate the distribution of finances and most importantly direct the investments in the right direction, where mostly needed. However it is obvious that a serious progress has been made in addressing the issues of weak state institutions, economic backwardness, regional disputes and lack of appropriate infrastructures in Croatia.

The SAP initially having to deal with the notion of 'Stability' dedicated a lot of resources in the areas of post - conflict stabilization, democratic transition, decentralization, market privatization and

hiding, he was captured in the Canary Islands on December 7, 2005. On April 15, 2011, he was found guilty on eight of the nine counts of the indictment and sentenced to 24 years of imprisonment by the ICTY.

institution and capacity building. These issues are all addressed in the projects financed under the CARDS and PHARE programmes.

The main challenges as addressed by Enlargement strategies and programming of development assistance have always been: state building, good governance, the rule of law and civil society development.

With IPA, Croatia already a candidate country experienced a higher level of financing, but has also seen a bigger weight put on its shoulders. The IPA programming is based on the bilateral cooperation between the EU and the beneficiary country and requests for the national authorities to be responsible for appropriate managing of the programmes, while still providing directions and monitoring of the same.

It is constructed around the need for a large number of stakeholders to be involved both on the local and national level, it request the active participation of final beneficiaries in all phases of programming in order to better tackle the main problematic issues. At the first view this does not seem like such a problematic request, but in the post communist countries which were characterized by a very centralized power in which local and regional institutions did not have much responsibility about how much financing they would get or how they would develop, this was a big change, that needed to be addressed in appropriate manner. The twinning programmes help in this matter largely, the transfer of the knowhow to local governments and institutions on how to attract more project financing and how to construct and manage the projects was very important in Croatia's general implementation of these projects. Of course the twinning programme was not the only one that influenced these changes, since the early stages of programming the EU identified this problem and helped Croatia in various campaigns for educating local authorities and private sector on how to apply for the financing of their projects, and also on what is a good project that can attract this kind of investment. TAIEX programme should also not be ignored, because it was the programme set up essentially as a part of the accession strategy to help the countries bring their systems in line with EU's legislation. The programme proved to be very successful in providing the technical assistance needed for Croatia to improve its systems and adopt easier the challenges of accession process .

These are the main problems that came out when studying the various types of documents regarding the implementation and evaluation of development programmes. EU's identification of priority areas for the faster progress of the accession process will be identified in the following section.

c) Major trends in financing the projects (what gets most attention)

As can be noted by assessing the level of financing and type of priorities set out by IPA in the last five years, in the first phases of programming the biggest attention and therefore the biggest percentage of financing went to the projects regarding the transition assistance and institution building, most of it went to the projects which were directed at enhancing governance, encouraging administrative and judicial reform, strengthening the rule of law, the fight against corruption and organized crime, promoting human rights, protecting minorities and developing civil society. These areas were identified as priorities because of their essential role for the advance of the accession process and improvement of general development of the country.

In assessing the documents for the most recent development programming some shifts in the priorities and financing can be denoted.

In case of Croatia particularly, more and more attention has been put in helping the country adopt the needed legislative and economic instruments that would facilitate its absorption in the Union.

Especially in the view of the negotiations of various chapters (examples: *science and research, education and culture, economic and monetary policy, enterprise and industrial policy, customs,*

intellectual property rights, services, company law, statistics, financial services, financial control, information society and media, consumer and health protection, external relations, financial and budgetary provisions, TENs, transport, energy, free movement of workers, social policy and employment, free movement of goods) IPA priorities have slightly shifted towards the last three components. Special attention has also been directed in helping Croatia meet the last benchmarks before the accession proceeds to fulfillment, such as judiciary and fundamental rights and competition policies for which it has been identified that Croatia must make final efforts to meet the outstanding elements of the opening benchmarks, as well as the need for Croatia to comply with all legal obligations under the Stabilization and Association Agreement (SAA). (EC(aj))

Comparing the stages of the development of the accession process, it is quite understandable that it has come to this shift as the process advanced, initially having to deal with post conflict situation, insufficient capacities for the absorption of funding, the lack of knowhow and the weak institutions EU priorities in funding the projects lay in these areas. With the introduction of IPA in 2007, Croatia, already a country candidate had in confront to its neighbors a more advanced mechanisms which allowed it to use more efficiently the funds allocated in the five components. Today in the face of its imminent accession, most of the funding in the past period was directed in helping Croatia meet the final benchmarks set out by the SAP.

3. Serbia and SAP

a) Historical background EU- Serbia

The following table adapted from the European Commission's enlargement web site shows the most important events in the Serbia's accession process towards EU.

Table4: Key dates of the Serbian accession process	
Key dates in Serbia's path towards the EU	
1 March 2012	European Council confirms Serbia as a candidate country
14 October 2011	the European Commission delivers its Opinion on Serbia's EU membership application
31 January 2011	Serbia hands over the replies of the European Commission questionnaire
14 June 2010	EU member states decide to start the ratification process of the SAA
22 December 2009	Serbia submits its application for EU membership.
19 December 2009	Entry into force of visa liberalisation for Serbian citizens travelling to the Schengen area.
7 December 2009	Council decides to unblock the Interim Agreement on Trade and Trade-related issues.
7 July 2008	Following 11 May parliamentary elections, formation of a new government; European integration set as a key priority.
7 May 2008	Commission hands over to the Serbian government the Road map on Visa liberalisation, set up with the aim of achieving a visa free regime for Serbian citizens wishing to travel to Schengen countries.
29 April 2008	The Stabilisation and Association Agreement (SAA) and the Interim Agreement on Trade and Trade-related issues between Serbia and the EU is signed in Luxembourg.
18 February 2008	Council adopts the revised European partnership for Serbia.
1 January 2008	Entry into force of the Visa Facilitation and Readmission Agreement between Serbia and the EU.
7 November 2007	The SAA with Serbia is initialed.
13 June 2007	SAA negotiations with Serbia resumed, following a clear commitment by the country to achieve full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), and concrete actions undertaken by the country that have matched this commitment.
3 May 2006	SAA negotiations called off due to lack of progress on Serbia's co-operation with the ICTY.
October 2005	Launch of the negotiations for a Stabilisation and Association Agreement.
October 2004	Council conclusions open up a process for a Stabilisation and Association Agreement.
June 2003	at Thessaloniki European Council, the Stabilisation and Association Process (SAP) is confirmed as the EU policy for the Western Balkans. The EU perspective for these countries is confirmed.
2001	First year of the new Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme specifically designed for the SAP countries.
November 2000	“Framework Agreement Federal Republic of Yugoslavia-EU for the provision of Assistance and Support by the EU to the Federal Republic of Yugoslavia”. Serbia benefits from Autonomous Trade Preferences from the EU.
June 2000	Feira European Council states that all the SAP countries are “potential candidates” for EU membership.
1999	The EU proposes the new Stabilisation and Association Process (SAP) for five countries of South-Eastern Europe, including Serbia.
1997	Regional Approach. The EU Council of Ministers establishes political and economic conditionality for the development of bilateral relations.

Today with the recently awarded candidate status, Serbia's prospective of joining the EU seem more real than ever before. Having improved its collaboration with the ICTY in the past years and implemented major reforms to its political, administrative and legislative system as well as in the area of liberating the market after 50 years of socialist centralized politics, Serbia has been awarded the candidate status, which will in the future certainly help the country adopt further changes needed to successfully adapt to the challenging environment in the EU.

However as in the case of Croatia this has not been an easy road. Serbia has an even shorter timeframe of effective collaboration with the EU than Croatia. The events that followed the dissolution of Yugoslavia saw Serbia as the country still trying to keep the communist heritage alive and the state of Yugoslavia together, and not in a peaceful way.

After the wars ceased Serbia and Montenegro's (at the time FYR) transformation into a normal democratic state proved to be extremely difficult, with Slobodan Milosevic⁴¹ at the top of the State and with the creation of its own power circle, it seemed difficult that any democratic changes would come to Serbia, which lead to the introduction of serious sanctions by most of the countries of the west (there for all of the EU member states at the time). The sanctions led to a serious economic isolation of the country and drastically slowed any of its prospects for prosperity. After the signing of the Dayton agreements the sanctions loosened a bit, but the country stayed isolated for international help and collaboration, due to the Milosevic's undemocratic leading of the country and because of the internal instability. In 1999 Serbia became breaking news again, with the disturbances in Kosovo no longer being ignored by the international community. The NATO bombardments lasted from March 24 till June 11, 1999. The bombardments were in a certain sense the last wake-up call the whole Serbian community needed in order to take the power in their hands and demand the overthrow of Milosevic. After the signing by Milosevic the terms for international peace plan on the 3rd June 1999 Kosovo became an UN protectorate. Milosevic's rule continued only till the 5 October 2000, when following his attempt of denying the win of Vojislav Kostunica⁴² on the routine elections in September his removal was echoed across cities in Serbia resulting in his defeat after days of general protests in Serbia. The following period is of great significance in contemporary Serbian history and its relations with the EU. The election of democratically and EU oriented government, headed by Kostunica and Zoran Djindjic⁴³ was a very important moment. Montenegro's government at the time pushed the idea of independence on to the new elected government in Serbia, mostly driven by the desire to exclude themselves from the throwback of Milosevic's politics and gain more international attention. In 2002 the 'Belgrade Agreement'(supported by the EU) created a temporary solution for the issue, creating a union between Serbia and Montenegro until 2006 when a referendum in Montenegro decided for the country's independence from Serbia. This issue is very important in the aspect of development programmes because the EU had to come up with two separate strategies for Serbia and Montenegro at the time, even if they were still officially one country. The EU adopted the principle of separated negotiations on the economic chapters of the SAA process, the so called 'twin-track'. Before 2006 Serbia's cooperation

⁴¹ Slobodan Milosevic (20 August 1941 – 11 March 2006) was the President of Yugoslavia (SFRY) and Serbia from 1989 until 1997 and President of the Federal Republic of Yugoslavia from 1997 to 2000. (Wikipedia)

⁴² Vojislav Kostunica (born 24 March 1944) is a Serbian politician, statesman and the president of the Democratic Party of Serbia., he succeeded Milošević and served as a president from 2000 to 2003. He also served two terms as the Prime Minister of Serbia, from 2004 to 2007 and from 2007 to 2008.(Wikipedia)

⁴³ Zoran Djindjic (1 August 1952 – 12 March 2003) was a Serbian politician who was the Prime Minister of Serbia from 2001 until his assassination in 2003. He was the Mayor of Belgrade in 1997, and long-time opposition politician and a doctor in philosophy.(Wikipedia)

with the EU was quite limited and conditioned by its issues of statehood and not so stable political atmosphere, as well as by its cooperation with ICTY.

The troubles inherited from Milosevic's regime and the needs for tackling the problems fast and efficiently ended up creating conflict between the parties on the political scene, and as a result slowed down Serbia's integration towards the EU, seeing how only at the end of 2004 Serbian Parliament was able to pass the resolution on the EU consensus (Massari, 2005).

However, after a period of stagnation and troubled collaboration with the EU in regards to the ICTY conditionality and the respect of human rights and minorities, Serbia has finally resumed SAA negotiations with the EU in June 2007, followed by its adoption in November and the entry in force of Visa facilitations from the 1st of January 2008. This showed the EU's appreciation of Serbia's efforts in meeting the requested criteria. Following this, on 29 April 2008 Serbia officially signs the SAA with the EU followed by the EU's official visa liberalization. The most important moment though was the actual ratification of the SAA process which gave Serbia a green light to press a fast forward button and apply all the reforms needed to meet the criteria set out by the EU. The efforts Serbia made in the past period, mostly under the IPA programming finally awarded it with a candidate status as of March 1st 2012.

The future of development projects and programming in Serbia will be greatly improved by the newly acquired status allowing Serbia to access all five components of IPA financing.

b) Particularities of the accession process and difficulties encountered in implementing the programmes

Serbia's accession process is indeed very particular. Never has the EU been faced with a country of such historical background and regional importance that was so problematic to include in the accession process. The EU at the beginning of 2000 showed clear interest in including Serbia in the accession process as soon as the needed democratic (government) changes were adopted. However, even with the new democratic government in place, the process of inclusion turned out to be quite complicated and long. The inclusion of Serbia in the ongoing development programmes turned as difficult also. The country devastated by the wars and the poorly led economic and social politics made during Milosevic's rule, needed above all help in reconstruction and stabilization. The unstable economics, socialist heritage and the demographic issues regarding its union with Montenegro and the problem of Kosovo, made Serbia a big challenge for the EU foreign and enlargement policies.

The EU has indeed tried to approach the issues in the timely matter, requesting in all instances a bigger collaboration and efforts from Serbia as well. With the introduction of the 'twin-track' approach for Serbia and Montenegro it showed that the EU had truly grasped the realities on the ground and tried to implement two different and more direct policies for collaboration in trade, economy and other relevant sectors.

Serbia has also been a thriving example of how the respect of the conditionalities influences the accession process. All of the important advances in the process of accession were in a certain way rewards to the efforts made by Serbia in different conditionality aspects, but mostly its collaboration with the ICTY and on the regional level.

As in the case of Croatia in Serbia as well the biggest problem in implementation of the development programmes was the lack of administrative and legislative capacities. Serbia not being included in the previous programmes of EU assistance (Phare and others) welcomed the CARDS funds as of 2000, which have indeed placed a large amount of allocations in adoption of legislative frameworks to bust and strengthen the administrative and implementing capacities in Serbia (Trauner, 2007).

Although Serbia has been granted large amount of financing within the CARDS programme (probably the country with the biggest allocation in the region⁴⁴) divided among hundreds of projects across all sectors, the allocations followed strictly the political objectives set out and identified by the EU as priorities. And it was only with the signing of the SAA and the introduction of the IPA that the responsibility of identifying the priorities and objectives, as well as the managing of the projects by the local authorities has shifted towards Serbia.

Within IPA framework, even if only for the first two components, large amounts of financing have been directed towards Serbia. IPA priorities now closely follow the needs identified by both Serbia and the Commission for the further advance of the accession process. Leaving slowly the needs of reconstruction and stabilization behind, Serbia has as of 2008/2009 entered a new era regarding the priorities for allocation of development funds. The priorities of supporting Serbia in public administration reforms, decentralization and fortification of the role of local authorities, the growth of GDP rates and the approximation of legislation to that of the EU have showed great results over the last years. The EU has been quite diligent in requesting that the criteria of full collaboration with the ICTY and regional cooperation were met. The emphasis on the regional cooperation has been mostly supported by the second component of the IPA programming 'Cross border cooperation'. This component played a very significant role in the last years in helping Serbia re-establish better relations between the countries of Ex- Yugoslavia, which is very significant for the stability and economic growth of the whole region and the EU as well.

A clear connection can be made between the advance of the accession process and the trends of financing and implementation of the development programmes. The tackling and identifying of important development problems, larger investments in strengthening the administrative and legislative systems in Serbia, as well as the investments in infrastructure and regional cooperation, have helped Serbia pass from a potential candidate country to a candidate country in a matter of four years. Now with the next round of multi-annual planning and the advancement in the accession process, Serbia can look forward to even bigger range of development projects also within the other three components of the IPA programming. This will allow Serbia to address better also the issues regarding the managing of structural funds, especially in the very important economic sectors such as agriculture and transports.

c) Major trends in financing the projects (what gets most attention)

In case of Serbia, the major trends in the financing of the projects for the same period previously assessed for Croatia, are somewhat different. Conditioned by its status in the accession process and by the pace of implementation of needed reforms, Serbia has seen much less structural investments in its economy and more in areas of administration and legislation reforms, which were needed in order to progress in the planning of more ambitious development programmes.

However in assessing the period of implementation of IPA programme, shifts in the priorities can be noted. While in the first two years the priorities are of somewhat more general character, after 2009 the objectives and priorities become more and more specific and detailed. Probably influenced by the financial crisis in the programming of IPA in 2010 and 2011 the biggest support has been given to Serbia in order to help it overcome the economic crisis and improve its competitiveness. Also a more specific focus has been placed and a bigger financing that were allocated to help Serbia implement the needed reforms in public administration and social development areas, in order to gain the candidate status in 2012.

⁴⁴ Excluding Croatia which was for the last period of CARDS programming also eligible for the pre-accession funding.

When the accession negotiations start in the future, I believe another big shift is to be expected in the way the priorities are identified and the finances assigned, because of the benchmarks Serbia will have to concur within the various negotiating chapters.

4. Comparing the realities: Croatia - Serbia:

The SAP is one of the most valuable instruments EU has in encouraging prospective member countries to implement reforms and get closer to acquiring EU acquis. As Elbsani (2008) also indicates, the additional conditionalities identified in the SAP have put additional load on the accession process and slowed and delayed the road to integration.

Characterized by its bilaterism and the priority of regional stabilization and cooperation, the SAP sometimes seems a bit conflictual. However, the fact that the bilateral approach was adopted allowed some countries to proceed with the accession process faster than others.

The conditionality introduced by the SAP, gained much attention in the academic works. Being identified as 'the cement of SAP' by the Council itself, it became fast the driving force of the EU relations with these countries, it upgraded these relations and extended financial assistance. Financial assistance was guided by the SAP's purpose of not just association but before all stabilization. In fact, the initial stages of the assistance programming were characterized mostly by EUs desire in stabilizing the region and internal situations in the Western Balkan countries, it only shifted its priorities with the time and with the advance of the reforms. Some critics have also criticized the fact that SAP does not offer many intermediate offers to the countries, which could make the countries more secure of their path towards the EU. This and the fact that within the SAP there is quite an ambiguous commitment to the membership, probably make the process slower and leaves it open to the dynamics of what goes on in the EU and the Balkans (Elbasani, 2008).

In the case of the assessment of the influence of the development assistance and programming on the accession not many critics can be issued, the EU has through the years been the biggest supporter of the reforms in the Western Balkans. It has tried to identify the priorities beneficial both for the general development of the countries, the process of accession and the EU itself. Of great significance in this identification during the years were the annual reports and the Multi-annual programming documents. Introduced by the European Commission, they carefully list achievements and determinate priorities and indicated frameworks for the distribution of finances in the consecutive years. The individual country reports are also of great significances within the SAP because they provide detailed analysis on the state of affairs in different sectors, which help the programming of development projects and make the allocation of funds much easier.

Regarding the two countries assessed in the study, Croatia represents somewhat of a golden example of EU's policies towards the Western Balkans. Its road towards the EU, even if troublesome at times, moved at a steady pace since the 2000 political changes in the country. The fact that Croatia has been benefiting from EU's funding of development projects since the mid '90s has helped the country achieve the goals of accession more quickly. Even if at first the financing of the projects was mostly concentrated within a wider issue of stabilizing and fostering democratic transitions in the Western Balkans area, Croatia managed to step out as an example in what good EU relations and cooperation can mean. The signing of the SAA and the candidate status have significantly influenced the pace of the association process. Development assistance being EU's most powerful instrument in encouraging countries to take action in implementing the reforms needed, seems to have worked quite fine in Croatia's case. In the last progress reports Croatia has been adjudicated as a country with well functioning economy, with functioning institutions and respect of the human rights, and almost all

chapters of the negotiations have been successfully closed. However, the closing of the chapters and the advance in the progress still do not mean 100% Croatia is ready for what EU membership applies. Even if EU has significantly lifted the conditionalities in the accession process, with the current EU crisis and the economic set back of some of the older members, one must wonder if Croatia will be able to swim successfully in the EU waters, adopt the *acquis* through and through and manage the structural funds properly.

In case of Serbia the accession unfolds quite differently. The country, having faced total exclusion and another conflict at the end of the '90s, made its improvement of EU relations much harder. The spillover effects from the conflict, the unresolved territorial issues and a general lack of economic and social instruments to face the reforms and improve democracy, made Serbia a difficult challenge for the EU.

The EU welcomed at open arms the political changes occurred on 5th October 2000, and slowly started changing its policies towards Serbia. The desire to include Serbia in the accession process first needed to be preceded by serious programmes of assistance for reconstruction and stabilization in the county and in the region. This was done within the CARDS programme implemented in Serbia through the European Agency for Reconstruction. During the implementation of CARDS, big number of issues was addressed and Serbia saw its general development levels rise. However, it was only with the signing of the SAA and the meeting of the criteria of ICTY collaboration that Serbia gained improved status in its relations with the EU, and truly started the accession process.

With IPA programme Serbia was introduced to a series of new priorities and gained bigger % of financing for the development projects across different sectors, even if initially the allocations were mostly concentrated in administrative and legislative reforms and other capacity building projects. However, as the programming went on these priorities shifted and became more specific, distributing more equally the allocation of finances across all sectors.

This chapter I tried explaining how the accession process has developed in the two countries, how is their relationship with the EU and how have they and the EU considering these realities approached the implementation of the programmes (difficulties and priorities). This was important in order to understand the relationship between the EU, the countries, the programmes and the progress of the accession process. In conclusion it can be said that all are tightly connected and serve the requirements of SAP, the EU policies and the need of the countries in both development aspect and in the aspect of the accession process. Too which measure and how coherent on the other hand these relationships always are it is hard to say.

IX. What is the effect of development programmes and projects on the general development of Croatia and Serbia?

The following section is introduced in order to show the state of development of the two countries concerned by this comparative case study. For "general development" here is intended the country's economic, social and infrastructural development.

The assessment I will provide is based on comparison of various development indicators (GDP most importantly and FDI ⁴⁵) to the way EU's financing of development projects developed between 2000-2011 in the two countries.

Although this cannot be regarded as true indicator of the connection between the two, I believe this kind of assessment from my part is needed in order to better understand the role EU investments play in the development of these countries, and how this development then influences the pace of their accession process.

1. Indicators and reports on Croatia's and Serbia's development in the time period 2000-2010

In order to better grasp the way development has progressed in these two countries, I resourced to the official documents of the Commission and statistics provided by Eurostat, countries' national banks and statistical institutions, world bank and other relevant local and international institutions. Although numbers are not always the best indicators of how well a country is develop and how the wealth is distributed, they sure help grasp the differences between countries and help the assessment process.

a)- Presentation in tables of development indicators - - TABLES

The following tables will show some of the main indicators regarding the development of the countries in the period 2000-2010(2011 for the GDP growth). Even if not the only indicators of progress of the countries, these economic indicators are in a certain sense the most important ones when assessing the countries' development. The selection of this time framework is important because it follows the countries' development after the big democratic changes occurred in 2000 and the relations with the EU reinforced.

The following tables have been created using the data available in World bank databases.

The first set of tables concerns the development in various sectors for the time frame 2000-2010 (not annual). They show some general trends in the countries' development for the period in which they have also benefited from the support for development for the EU (and others) and that is why I found it was important to include them in the research in order to gain an insight into the situation of the countries.

Table 1: World Bank's data for Croatia profile measuring various development indicators

Data Profile Croatia					
	2000	2005	2008	2009	2010
World view					
Population, total (millions)	4,43	4,44	4,43	4,43	4,42
Population growth (annual %)	-2,9	0,1	0,0	-0,1	-0,2
Surface area (sq. km) (thousands)	56,5	56,6	56,6	56,6	56,6
GNI, Atlas method (current US\$ (billions))	23,10	43,06	60,96	61,16	61,37

⁴⁵ For FDI the following IMF definition is used : FDI is " a cross-border investment in which a resident in one economy (the direct investor) acquires a lasting interest in an enterprise in another economy (the direct investment enterprise)" - <http://www.imf.org/external/np/cmcg/2003/eng/091803.pdf>

GNI per capita, Atlas method (current US\$)	5.220	9.690	13.750	13.810	13.890
GNI, PPP (current international \$) (billions)	47,43	66,33	87,13	84,32	82,55
GNI per capita, PPP (current international \$)	10.720	14.930	19.650	19.040	18.680
Environment					
Forest area (sq. km) (thousands)	18,9	19,0	..	..	19,2
Agricultural land (% of land area)	20,9	21,6	23,0	23,2	..
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	0,6	..
Improved water source (% of population with access)	99	99	99	99	99
Improved sanitation facilities (% of population with access)	99	99	99	99	99
Energy use (kg of oil equivalent per capita)	1.760	2.005	2.049	1.965	..
Electric power consumption (kWh per capita)	2.840	3.476	3.878	3.712	..
Economy					
GDP (current US\$) (billions)	21,52	44,82	69,91	63,44	60,85
GDP growth (annual %)	3,8	4,3	2,2	-6,0	-1,2
Inflation, GDP deflator (annual %)	4,6	3,3	6,1	3,3	1,0
Agriculture, value added (% of GDP)	6	5	5	5	6
Industry, value added (% of GDP)	29	29	28	26	27
Services, etc., value added (% of GDP)	65	66	67	68	67
Exports of goods and services (% of GDP)	42	42	42	35	38
Imports of goods and services (% of GDP)	45	49	50	39	39
Gross capital formation (% of GDP)	19	27	31	27	23
Revenue, excluding grants (% of GDP)	35,7	34,7	34,6	33,8	32,9
Cash surplus/deficit (% of GDP)	-5,3	-2,4	-0,8	-3,0	-4,3
States and markets					
Time required to start a business (days)	..	29	22	22	7
Market capitalization of listed companies (% of GDP)	12,7	28,8	38,3	40,4	40,9
Military expenditure (% of GDP)	3,1	1,6	1,9	1,8	1,7
Mobile cellular subscriptions (per 100 people)	23	82	133	137	144
Internet users (per 100 people)	6,8	33,1	50,4	56,0	60,1
Roads, paved (% of total roads)	85	..	87	91	..
High-technology exports (% of manufactured exports)	9	11	8	10	9
Global links					
Merchandise trade (% of GDP)	57,3	61,0	64,1	49,9	52,4
Net barter terms of trade index (2000 = 100)	100	95	97	100	101
Net migration (thousands)	-160	-13	..	..	10

Workers' remittances and compensation of employees, received (current US\$) (millions)	641	711	1.361	1.337	1.315
Foreign direct investment, net inflows(BoP, current US\$) (millions)	1.110	1.788	6.028	3.328	427
Net official development assistance and official aid received (current US\$) (millions)	66	123	242	169	151

Table2: World Bank's data for Serbia profile measuring various development indicators

Data Profile Serbia					
	2000	2005	2008	2009	2010
World view					
Population, total (millions)	7,52	7,44	7,35	7,32	7,29
Population growth (annual %)	-0,3	-0,3	-0,4	-0,4	-0,4
Surface area (sq. km) (thousands)	88,4	88,4	88,4	88,4	88,4
Poverty headcount ratio at national poverty line (% of population)	..	..	6,1	6,9	9,2
GNI, Atlas method (current US\$) (billions)	10,53	25,50	39,43	42,01	41,04
GNI per capita, Atlas method (current US\$)	1.400	3.430	5.360	5.740	5.630
GNI, PPP (current international \$) (billions)	43,34	62,56	82,35	79,77	80,89
GNI per capita, PPP (current international \$)	5.770	8.410	11.200	10.900	11.090
Environment					
Forest area (sq. km) (thousands)	24,6	24,8	..	..	27,1
Agricultural land (% of land area)	..	..	57,8	57,8	..
Improved water source (% of population with access)	99	99	99	99	99
Improved sanitation facilities (% of population with access)	92	92	92	92	92
Energy use (kg of oil equivalent per capita)	1.771	2.156	2.299	1.974	..
Electric power consumption (kWh per capita)	4.199	3.922	4.292	4.224	..
Economy					
GDP (current US\$) (billions)	6,08	25,23	47,76	40,15	38,44
GDP growth (annual %)	5,3	5,4	3,8	-3,5	1,0
Inflation, GDP deflator (annual %)	77,4	15,7	12,6	5,6	9,1
Agriculture, value added (% of GDP)	20	12	11	10	9
Industry, value added (% of GDP)	30	29	28	28	27
Services, etc., value added (% of GDP)	50	59	61	62	64
Exports of goods and services (% of GDP)	24	26	31	29	35
Imports of goods and services (% of GDP)	40	47	58	47	51
Gross capital formation (% of	9	24	30	23	23

GDP)					
Revenue, excluding grants (% of GDP)	..	..	39,4	38,9	37,5
Cash surplus/deficit (% of GDP)	..	..	-1,7	-2,8	-3,9
States and markets					
Time required to start a business (days)	..	23	23	13	13
Market capitalization of listed companies (% of GDP)	..	21,4	25,5	28,7	25,2
Military expenditure (% of GDP)	5,5	2,5	2,4	2,3	2,2
Mobile cellular subscriptions (per 100 people)	..	72	126	129	129
Internet users (per 100 people)	..	27,1	37,1	39,9	43,1
Roads, paved (% of total roads)	63	..	48	63	..
High-technology exports (% of manufactured exports)	..	..	..	..	..
Global links					
Merchandise trade (% of GDP)	..	59,2	73,9	60,8	69,0
External debt stocks, total (DOD, current US\$) (mill)	11.499	16.078	30.406	33.111	32.222
Total debt service (% of exports of goods, services and income)	..	..	30,0	37,0	30,9
Net migration (thousands)	-148	-339	..	..	0
Workers' remittances and compensation of employees, received (US\$) (mil)	..	..	2.710	3.936	3.351
Foreign direct investment, net inflows (BoP, US\$) (mill)	52	2.051	2.996	1.936	1.340
Net official development assistance and official aid received (US\$) (mil)	1.134	1.066	973	614	660
Source used for the tables: World Development Indicators database					

Table 3 and 4. Croatia and Serbia GDP growth % 2000-2011⁴⁶

Country Name	Croatia
Country Code	HRV
Indicator Name	GDP per capita growth (annual %)
Indicator Code	NY.GDP.PCAP.KD.ZG
2000	6,75085088
2001	3,32915471
2002	4,87826571
2003	5,37106763
2004	4,15189487
2005	4,2093782
2006	4,98250782
2007	5,15466328
2008	2,21539312
2009	-5,88658149
2010	-0,94351442
2011	0,21003445

Country Name	Serbia
Country Code	SRB
Indicator Name	GDP per capita growth (annual %)
Indicator Code	NY.GDP.PCAP.KD.ZG
2000	5,67649083
2001	5,48121557
2002	4,16993573
2003	2,94135397
2004	9,55532576
2005	5,71713055
2006	4,00816189
2007	5,82822085
2008	4,24283844
2009	-3,11227621
2010	1,367023843
2011	2,208138442

⁴⁶ GDP annual per capita growth indexes taken from World Bank data base

b)-Assessment of Commission's reports, statistics and academic works on the general development of the two countries

Since 2002 the European Commission has been regularly issuing reports of the Western Balkans countries. These reports assess and present data regarding the development of the countries in the past periods. The documents are quite valuable, as they provide a larger image of the situation in the countries regarding the political and economical criteria and adoption of European standards.

In the reports the Commission states its opinion on the progress of the country made in these areas, the importance of these reports for this particular research lies in the fact that they provide the opinion on the development in the areas in which the EU gives substantial financing for development projects.

This said, having in view the most recent Commission's reports for Croatia and Serbia in regards to their progress as well as the reports issued by the organizations such as CIA , IMF and World Bank, following conclusions on the general development of the countries in the past years can be drawn.

Croatia :

With the changes in the government in the 2000 and the death of the President Tudjman in December 1999 , Croatia committed itself more seriously to economic reform and EU accession.

The new government led by the Prime Minister Racan and the President Mesic, carried out a large number of structural reforms. These reforms contributed to the development of the tourism, which surfaced as the main contributing factor in helping the country emerge from recession in 2000. In the first years of the new millennium an overall increase in stability and a stable growth of economy can be noticed. This improved economic rating of the country and led to the diminishing of the interest rates, from which the citizens and the economy both further benefited.

However, some issues persisted through the last decade. The unemployment was around 22% in late 2002 due to many overdue bankruptcies and the transformation of the economy, which saw a lot of old firms and big employers close. The unemployment rate has since this peak in 2002 steadily declined, influenced by the improvement in the industrial production and rising GDP through the years. Since Croatian economy is heavily interdependent on other economies of Europe, negative trends in EU economies also have a negative impact on Croatia. That is why Croatia has not been spared of the financial crisis, its close links to the European economy have seen the spillover effects onto Croatia's economy.

Through the last 10 years or so most of the economic indicators have remained quite positive.

This also contributed to the country's accession process towards the EU. In the reports of the Commission regarding the progress of the country, some major concerns and shortcomings are identified. Such are the agricultural policy, the slow reforms in the judiciary and organizational system in the main institutions as well as big external debt. Even if since early 2005 the foreign debt has declined in growth, a lot of interventions have been made by the central bank. This was also introduced because of the abrupt slowdown in the economy in 2008, from which Croatia is still recovering.

When going through the various reports issued on the state of development of Croatia, some main problems or breaks in its development still remain:

- even if Croatia is a small country (population wise) it has high unemployment rate

- it also has a growing trade deficit and an uneven regional development (also accentuated by its geographic structure (many islands))
- a challenging investment climate (which influences the FDI)
- a need for more structural reforms
- a very high foreign debt
- not enough expansion of the export sector
- too big-reliance on tourism revenue which contributes to the unstable economic growth⁴⁷

Serbia:

After the changes in the power structure following the Milosevic overthrow in October 2000, Serbia started an economic liberalization process and started experiencing fast economic growth. GDP per capital (nominal) went from \$1,160 in 2000 to \$5,897.768 in 2010⁴⁸. The progress was also rewarded by the gaining of candidate status from the European Union in March of 2012. Without any doubt the European Union is Serbia's most important supporter and trading partner. Having presented the table(2) a general trend of GDP per capita growth can be noted since 2000. However, Serbia has not been spared the spillover effect from the crisis, which has certainly slowed its economic growth in the past years. At present, the main economic problems as noted by the Commission and other international organizations is a very high unemployment rate (23.7%, November 2011) and a large trade deficit (\$7.2 billion, 2009)⁴⁹.

Since 2000 and more in the recent years, Serbia has seen an increasing amount of foreign direct investment, including investments from some of the world's biggest companies like US Steel, Carlsberg, Coca Cola, Nestle, Microsoft, Siemens and others. Certainly the biggest amount of FDI's comes from countries within the EU.

Serbia still has what is deemed as a transitional economy and many institutional reforms are needed in order to improve it. The economy needs to get stronger in order for it not to rely so much on the foreign investment. Some of the most important developments in the last 10 years certainly include Serbia's progress towards EU membership, the signing of the Stabilization and Association Agreement with in May 2008, the full implementation of the Interim Trade Agreement with the EU in February 2010 and the gaining of the candidate status in April 2012. Apart from the EU, Serbia is also pursuing membership in the World Trade Organization, and accession negotiations are coming to an advanced stage.

However, more structural reforms are defiantly needed to ensure that Serbia's progress remains on a good track and that its prosperity is not just short term and on weak basis. Long-term and stable prosperity should be the goal for all future reforms and developments. In the last years Serbia has been harshly affected by the economic crisis, but it seems like it is slowly recovering. This can be seen by

⁴⁷ The assesion of Croatia's development has been based on the country reports from the European Commission and CIA (cia(a)) (EC (ak))

⁴⁸ IMF (Serbia)

<http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/weorept.aspx?sy=2008&ey=2015&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=49&pr1.y=10&c=942&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC&grp=0&a=>

⁴⁹ Data from Serbian statistical authority:

<http://webzrzs.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=951>

the indicators that show an economic growth in 2011 of 2.0%, following a modest 1.0% increase in 2010 and a 3.5% contraction in 2009. High unemployment and stagnant household incomes are ongoing political and economic problems.

Serbia's relation with IMF -Serbia has over the years had a bit of troubled relation with the IMF, the presence of the harsh conditionalities IMF demands and Serbia's troubles in keeping up with them has made the implementation of the agreements slow and indeed troublesome. In September 2011 Serbia signed a new \$1.3 billion Precautionary Stand By Arrangement with the IMF . However, the programme already got suspended in early 2012 because the budget approved for the year deviated from the parameters set by the programme.

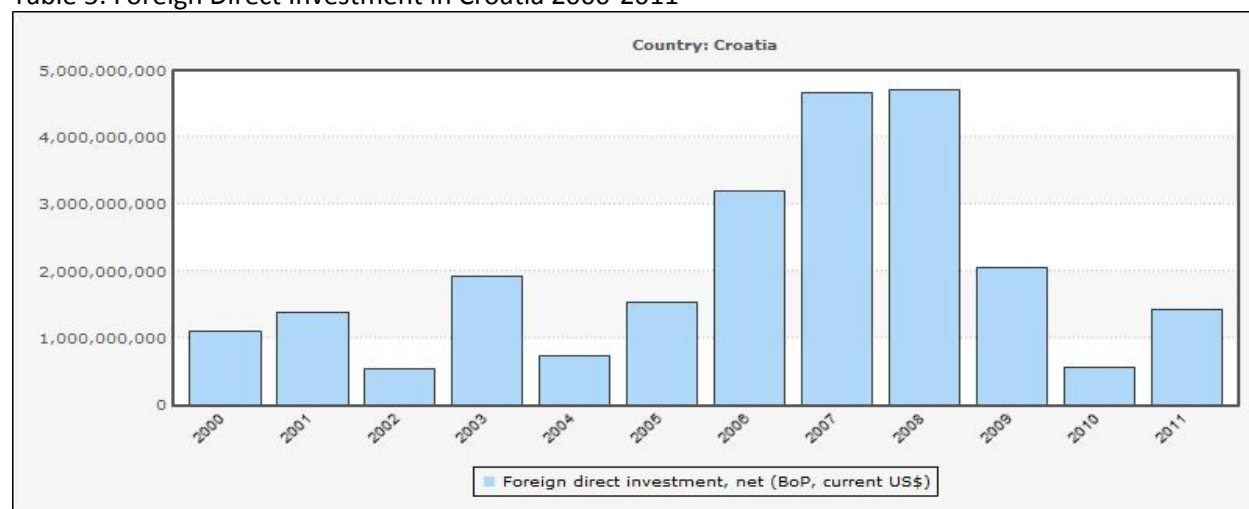
In 2010 Serbia adopted a long-term economic growth plan that calls for a need of quadrupling the exports over ten years and improving the investments in the basic infrastructure.

The main challenges as identified in both the Commission's reports and the country reports of other international organizations (World Bank, IMF and CIA)are:

- the high unemployment rates and the need for job creation
- the inadequate burocratic system including high government expenditures for salaries, pensions and unemployment benefits(socialist heritage)
- a growing need for new government borrowing
- attracting new foreign direct investment (as it has come to a stagnation period following the financial crisis)
- improving the relationship with IMD
- creating a more efficient judicial system
- fighting the high levels of corruption
- improving the situation of minorities and the respect of human rights
- preventing the progressive aging of population.⁵⁰

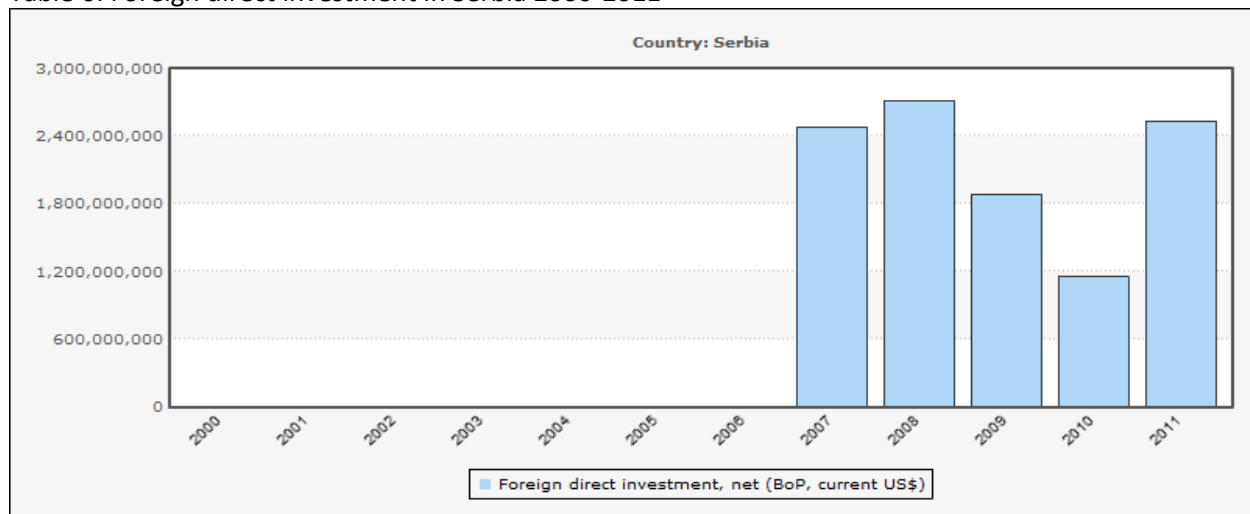
c) FDI (Foreign Direct Investments) - their influence on the economy and connection with the accession process

Table 5: Foreign Direct Investment in Croatia 2000-2011



⁵⁰The assesion of Serbia's development has been based on the country reports from the European Commission and CIA (cia(b)) (EC (al))

Table 6: Foreign direct investment in Serbia 2000-2011



*source : World Bank⁵¹

I decided to address the issue of Foreign Direct Investments separately, because of their importance and close connection to the accession process and the relation of the EU and these two countries.

Deichman et al. (2003) indicate that according to the World Bank a Foreign Direct Investment can be regarded any investment made by foreigners which involves at least 10% of management control from the investors. The FDIs are an important factor in today's economical reality. They insure the beneficiary countries' companies have a long lasting interest in investing in their country and in this way contribute to economical stability in the country. Nowadays in the global economy FDI and its stocks are around 28% of global GDP⁵².

However, in difference to the countries in the previous round of enlargement the countries in the Western Balkans did not manage to attract as much foreign capital.

Out of all the countries in the area of the Western Balkans, Croatia has had the most success in attracting FDI, which has helped it record higher levels of economic growth and facilitated its accession process. The main investors in Croatia are Member States from the EU, which also shows the EU interest in the country's development.

In the countries that are in the accession process, the support from the EU plays a major role in the possibility to attract foreign capital. The good (or bad) reviews on a country's inner stability, infrastructures, institutions and other factors, influence the way foreign investors look at it.

In case of Serbia, the situation is a bit different. Having lost almost 10 years of good international relations and being for years deemed as an unstable country, Serbia still today has problems in attracting foreign investors. However, since the beginning of the transition towards a stable market economy in the last years Serbia has been attracting always growing amounts of foreign investments (around 25 billion dollars since 2001⁵³). Most of the investments have come in the last 5 years or so, which follows also the progress made by the country in the accession process towards the EU. Having said that it is not surprising that, as in case of Croatia in Serbia as well, the main investors come from within the EU. The main sectors which attract the foreign investments are financial

⁵¹ Even if the table doesn't show there were some FDI before the 2007 in Serbia, however more significant amounts to be compared are in fact after 2007

⁵² http://en.wikipedia.org/wiki/Foreign_direct_investment

⁵³ http://www.siepa.gov.rs/site/en/home/1/investing_in_serbia/strong_fdi_figures/

intermediation, manufacturing , wholesale and retail, real estate, transport and communications. Serbia has been awarded for its Greenfield projects (between 2004-2006) by OECD as the largest investments of this type in South East Europe⁵⁴.

The overall competitiveness of countries like Croatia and Serbia is dramatically improved by the attraction of foreign direct investment and therefore governments tend to make this their priority. However, the problem in both Croatia and Serbia is that they are not really a low cost economy, the wage rates are higher than with their neighbors to the South, but also higher in some cases than some of their neighbors which are already in the EU, like Hungary and Slovenia. This only means that they should try attracting more investments in the sector in which higher academic and vocational skills are needed.

The most important thing to denote is the fact that the EU with its financing of development programmes in these countries surely plays a big role in their ability to attract investment, and therefore a significant role in the way their economies develop.

2. Connection between the accession process, development support programmes and general development trends

With the information processed in the previous chapters a few general conclusions can be drawn about how general development trends of the two countries are influenced by the support received from the EU in the previous decade or so.

While the connection between the strengthening of their relations with the EU and the development trends is more than obvious, the two countries have not benefited from the same type of development programmes and the same amount of financing, which is influential in assessing the difference in their general development.

Croatia's generally higher figures of development, can be connected with the fact it has a longer history of collaboration with the EU than Serbia. The economic indicators show the same, Croatia's position as the most economically advanced country in the Western Balkans can be connected to the fact that it has benefitted from development aid longer and that it has implemented the reforms needed faster, which brought benefits in FDI, industrial development, tourism expansion and has also increased the living standards of its citizens. Although this can all also be stated for the case of Serbia, when compared to Croatia the numbers are significantly lower. Differences in the countries demographic and geographic structure, the slower improvement of international and EU relations after the wars and the still current issue of Kosovo, have significantly influenced Serbia's development in the past decade.

Though the numbers look more and more promising as the accession proceeds, Serbia is still lagging behind Croatia significantly.

The development programmes implemented by the EU in the two countries have straightforward defined sets of priorities around which the selection of projects and the financing of the same revolves. However these are mostly based on the needs identified by the EU in order to get the countries to adopt the *acquis* more rapidly. The facilitation of adoption of the EU standards is a crucial priority in all these development programmes, and while the EU can certainly be seen as a standard

⁵⁴http://www.siepa.gov.rs/site/en/home/1/investing_in_serbia/strong_fdi_figures/

setter for the development parameters, it can also be argued that it sometimes pushes its economic and political agenda before the strengthening of the same.

This stated one cannot ignore the facts and numbers, both Croatia's and Serbia's development and economic indicators have been steadily increasing as the process of the accession has progressed. This can be easily concluded having in mind the priorities set out by the development programmes such as CARDS and IPA and the growing numbers in the sectors these programmes intervened in (such as infrastructure, agriculture, administrative and judiciary systems, employment, education etc).

To conclude I miss state again the fact that relations with the EU are essential in the development of both Croatia and Serbia, and that is why these relations been addressed and prioritized by both governments in the last decade. The desire to join the EU has seen these countries prioritize the reforms which are needed to facilitate the process of accession, which has substantially contributed to their development over the past years. The EU on the other hand has been very helpful, providing help and financial assistance for the structural reforms and improvement of living standards of the citizens in these two countries. It has also helped attract substantial foreign capital into the two countries, which is easily seen by the evaluation of the growth of the FDI in the past years. The EU Member States are the biggest importers of Croatia and Serbia's products, as they are also the biggest investors in their economy. This without doubt is highly influenced by the opinions European Commission and Council give on the progress of the two countries, as well as by the amounts of financing the Commission directs towards them, because it shows the trust and interest the EU has in them, which subsequently makes the investors from the Member States and the world more likely to choose these countries as potential investment targets.

X. Conclusion

Considering the research question "***How have the development programmes financed by the European Union affected the accession process and development in Croatia and Serbia?***", the answer to it even after this research is still a bit vague and unsure. Though there is no doubt that the development programmes implemented in these two countries have indeed influenced significantly the accession process and their development, it still remains a bit unclear how much and how efficiently. The doubt remains due to the fact that the implementation of the programmes is still in a certain sense very young and not a lot of official evaluations have been made about the efficiency of the programmes and on their influence on the general development and on the progress of the accession process in these two countries. However this is exactly what made me to peruse this research. In the research tried to simply compare the progress of the accession process and the general development of Croatia and Serbia and comparing it to the way EU has programmed the financing and priorities of the development programmes . So going back to the essence of the research, some final remarks can be made. I will start by stating what were some of the findings of the comparative case study, addressing also the research that has been done previously on these issues and finally I will give some of my own opinions on what I believe the future holds in store for these two countries and their relations with the EU , as well as some remarks on the changes in the development programmes that are needed in the future.

The future of these two countries is closely linked with the EU and there is no doubt about the EU's influence on their development. The EU's presence is essential in order to keep the countries on a track of positive development and long-term stability. The high degree of economic and trade dependence on the EU makes their future very sensitive on the policies the EU adopts towards them. In fact the adoption of the bilateral relations instead of a common region approach towards the countries of the Western Balkans, has created a set of different policies for each country, and has in that way given them the chance to progress based on their merits.

In this comparative case study has witnessed the differences in the accession process and the implementation and financing of the development programmes in Croatia and Serbia.

The Stabilization and Accession Process in the two countries has proceeded in a somewhat similar way, but with a big time difference. The Stabilization and Association Agreements, made to officialize EU's efforts towards the countries and to outline the countries obligations towards the EU, were an important notion in the study because they represent a design for economic and financial assistance, the cooperation in different policy areas, as well as for the political dialog between the countries and the EU.

The importance of the conditionality criteria set out by the EU for the accession process of these countries has certainly transpired through the whole research, and it has been addressed by almost all the academics studying their accession process. However, in the view of this research the importance of the conditionality was also because of its impact on the development programmes and their financing. In fact, the respect of the conditionalities, especially those related to the cooperation with the ICTY and regional cooperation have influenced the progress of the SAP and therefore also the implementation of the development programmes, mostly by restricting the financing or interrupting them.

By mobilizing substantial financing for modernization, development and reforms in the two countries the EU has influenced both their general development, helped improved their position in the world and facilitated the progress in the accession progress. The main purpose of this research was in fact to connect the trends in financing of the development programmes and projects to the trends in the development of the accession process and the trends of general development in these two countries. In case of Croatia the influences of the development programmes are much more visible than in Serbia. This is mainly because Croatia has benefited from a larger amount of financing and for a longer time period. Croatia has been included in most of the programmes for development assistance in the Western Balkans since the ceasing of the war, while Serbia faced with the sanctions and another conflict at the end of the '90s, become a beneficiary only after the democratic changes stepped in, after October 2000.

Indeed, while Croatia has advanced in both its accession process, expecting the full membership within a year, and in its development, Serbia has been conditioned greatly by the historical events in the '90s, but now finally seems to be on a good track, which is demonstrated by the recently awarded candidate status.

Following the overview of the programmes and accession process presented in this work, it can be identified that the biggest change in policy came with the introduction of IPA programme, which is the most influential instrument that the EU has created for assisting these countries on their way towards prosperity and the EU membership. IPA priorities closely follow those identified by the Multi-annual programming document and Country reports; they address not only the priorities for the accession process, but also those which influence the countries' general development.

After these general remarks on the accession process and the development programmes, I would like to state some of the limitations of the research as well as some consideration on the data available and on the previous academic works and research on the topic.

Indeed, as stated in the introduction part of the thesis, one of my biggest motivations for approaching this kind of research was the fact that I could not find any academic works which have put together the development programming and accession process of the Western Balkan countries in the same work, by evaluating and connecting the two. Since with my previous knowledge I was aware of the significance the financing of these development programmes plays in these countries and in their relationship with the EU, I wanted to connect it to the advancement of their accession process because the subject of enlargement is so important for the EU as well for these countries.

However, in choosing to do this through a comparative study of Croatia and Serbia a few difficulties have surfaced. While processing the data available on the programmes and projects in the two countries, the conclusions I came up with are quite general. The comparison of the two countries was hard because even if the phases of their accession process are somewhat similar, they came with years of difference. This forced the evaluation of the programmes to be done only in the last decade, and more specifically concentrating on those from 2007 onwards. Another problem is that in evaluating and understanding the formulation and design of the development programmes and their financing, one must always bear in mind the geographical, demographical and other characteristics of these two countries, which by these standards do significantly differ. Another problem was the evaluation of the programmes and their priorities. The problem here was the overload of information found for every programme, and their subcategories (ex. IPA components). These problems in the research made the conclusions quite general, since a more detailed and precise evaluation was very difficult to be processed within a thesis format (restriction). However, I believe a connection between the programmes, accession process and general development needed to be made.

Today we are faced with the imminent acceptance of Croatia in the EU, and with Serbia's new status. The countries will now differ even more, because the Croatia will become a user of all EU funds and no longer beneficiary of IPA. Serbia on the other hand is expected in the newest multi-annual programming to become a beneficiary also for the other three categories of IPA (namely: regional, human resources and rural development) which will bring to a reorganization of the priorities and finances. It will of course improve the financing of the IPA programme for Serbia, but some of the categories that previously saw larger financing will see it diminish, while some new will be added and this will lead to a reorganization of financing for the whole IPA programme. Becoming a beneficiary for all five categories as well as gaining more finances I believe will influence positively the progress of Serbia's accession process, but that is to be evaluated in the future.

When looking at previous research on these topics it is obvious that there are a number of variables on which the scholars' analysis has mainly concentrated. Most of these studies examine closely the role of the Commission and its monitoring processes in enlargement countries, the accession process, conditionalities and accession instruments, such as the SAP (Stabilization and Association Process) and IPA (Instrument for Pre-Accession). While these works were of great help in constructing the research and giving the overview of EU's strategies, the comparative case study of the programmes implemented in the two countries was in fact mostly constructed on the data retrieved from official documents from the EU Delegations, EU Commission and Croatian and Serbian local agencies and governmental institutions. So, the conclusion on the influence of the EU investments in these two countries is somewhat of a deduction from the evidence provided during the comparative study of the programmes and that provided on the advancement of the accession process.

In the end I would like to conclude with some remarks regarding the future perspectives of the development programmes implemented in the countries of the Western Balkans.

While the influence of the EU's financing on a positive development of the countries is more than obvious, certain doubts about how the programmes are implemented and on the way the priorities are set out remain. Few of the things like a better share of responsibilities, better monitoring and giving more importance to general development of the countries rather than to the accession process have all been addressed. The EU in fact in its most recent papers regarding the IPA programming has addressed these issues that may be seen as obstacles for a better implementation of the programmes. The EU in the document on IPA programming for the current and following period indicates that serious changes are to be introduced to the functioning of IPA, stating also the possibility that the current pre-candidates might become beneficiaries of the last three IPA components.

Going back to the aim of the research, I would like to conclude my work by stating that since the begging of the research for me the importance of the development programmes on the process of accession was clear. However, it bothered me that there was a lack of academic work linking the two together in the prospect of future EU enlargements in the Western Balkans. The enlargement has always had a huge importance in the EU, which by gaining more members expands its influence, but also gains more responsibility. The enlargement, the cooperation and accession policies on the other hand play a huge role in the countries wanting to become members. Although this relationship without doubt is beneficial it requires a big amount of responsibility from both parties. By presenting the particularities in priority setting, the categories and financing of the development projects I wanted the reader to have a better idea on how the EU sees the countries, what the EU considers to be the most important in their development and also how much of the responsibility for the development of the accession process is shared. In order to draw the conclusion on the relation between the development programing and the progress of accession process I found it was important to state what the process truly entails and all the ways in which it gets limited (conditionalities). In the end the choice to conduct this research in a form of a comparative study I believe added an extra strength to the study, because it shows better the way the EU forms its policies towards these countries and the way they differ and why.

The conclusion to this research can in a certain way be identified by a saying I once read in a Serbian newspaper "When Europe sneezes...we get sick". It is a powerful sentence as it indicates perfectly the importance and the dependence of Serbian (and it is the same for the Croatian) state on the politics and the state of the EU. Today with the European Union going through its existential and economical crisis, this is even more clear. The lack of institutional building (more in Serbia than in Croatia), the still weak and young market economies and the need for big structural changes in many of the vital policy areas indicates that these two countries still need and are counting on more guidance and financial help from the EU, which I hope, even in the current climate will only become more efficient.

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EC(b)

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EC (c)

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EC(d)

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EC (e)

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EC (h)

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EC(i)

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EC(q)

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EC(w)

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EC(aa)

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EC (ad)

http://ec.europa.eu/enlargement/pdf/bosnia_and_herzegovina/ipa/cbc_bih-ser_annex_2-2008_05_29-sent_a2_en.pdf

EC (ae)

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