

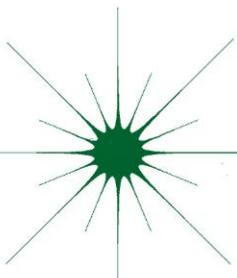


# Comparison of Croatia and Bosnia and Herzegovina rural development funding absorption

On behalf of:



UDRUŽENJE "SAVJET ZA ZELENU GRADNJU"  
Bosnia I Herzegovina



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## Croatia's progress through the Accession Process

In seeking to understand the reasons for Bosnia's failure to qualify for IPARD funding, it is useful to compare Bosnia's recent history with that of Croatia; in particular the relative success of each country in the accession process.

Accession is a process made up of many steps and a country requires unanimity of purpose to navigate it successfully and Croatia's planned accession in July 2013 will be the culmination of nearly a decade and a half of concerted effort. By comparison, BiH has made few steps forward in the same period, despite starting the Stabilisation and Accession Process (SAP) at the same point; as the timeline below shows.

	Croatia		Bosnia	
	Accession Timetable	Funds	Accession Timetable	Funds
2000	Stabilisation and Association Process (SAP) launched	CARDS	Stabilisation and Association Process (SAP) launched	CARDS
	Becomes Potential Candidate		Becomes Potential Candidate	
2001	Interim SAA signed			
2003	Apply for EU membership			
2004	EC confirm application Becomes candidate country			
2005	SAA enters in force; Negotiations begin	SAPARD		
2006	Legislative screening concluded			
2007	IPA Programme commenced	IPA (I-V)		IPA (I & II)
2008	Negotiation on acquis chapters continues		Interim SAA (IA) Signed	
2011	Accession Treaty signed			
2012	Referendum			
2013	Planned Accession			

Table 1 - Comparative accession timeline for Croatia and Bosnia from 2000 to 2013 (main stages highlighted in colour.)

## The Funding landscape prior to IPARD



The immediate post war period was dominated by physical reconstruction, with the EU's support to the former Yugoslav states up to 2000 totalling €5.5bn; nearly half of which was allocated to Bosnia alone - €2.16bn<sup>1</sup>. The SAP was first proposed in 1999 as a means to create a path towards accession for all countries in the region; it included 5 countries (Albania, Bosnia, Croatia, FYR Macedonia and Serbia/Montenegro) and whilst it was acknowledged that each country had its own specific circumstances, the expectation was that all should be able to make broadly similar progress towards candidacy and accession.

In 2000 the EU established the CARDS programme to provide funds to support the SAP process; with a budget of €4.65bn from 2000-2006. The CARDS programme was a broad based national capacity building programme and included relatively little agriculture and rural spending. However, Croatia's progress with the accession process meant it was able to justify increasing levels of investment during the programme period, including funds for veterinary inspection, safe border controls and agricultural and rural capacity building, whilst the levels allocated to Bosnia declined, as the chart below shows.

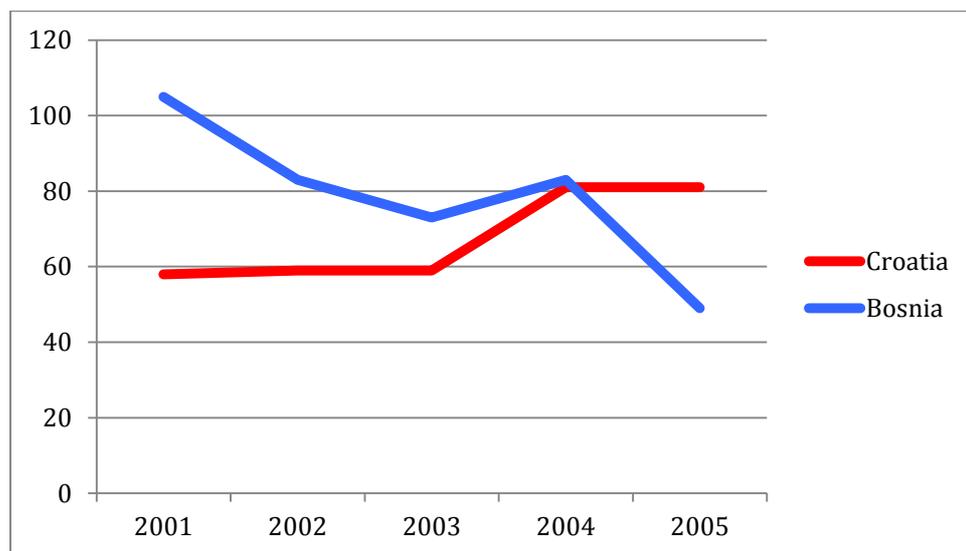
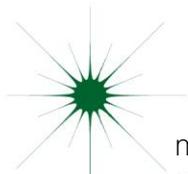


Figure 1 – Annual allocation of CARDS funding from 2001-2005

Croatia has made steady progress with the SAP, successfully clearing all its technical and political stages, including completing the negotiation on all 33 chapters required. In the 12 years since the establishment of the SAP, BiH has achieved the equivalent of Croatia's first 12 months. The implications of this poor level of progress towards the country's stated aims of accession are not simply political or technical; there are also - and arguably this is the most important effect - financial implications for every rural community, every farmer and every Bosnian taxpayer. The story of Bosnia's underperformance in comparison to Croatia has continued; and whilst Croatia has

<sup>1</sup> CARDS Assistance programme to the Western Balkans – Regional Strategy Paper 2002-06; European Commission External Relations DG, executed under Council Regulation (EC) No 2666/2000, December 5 2000



made the hard choices necessary to bring its citizens the benefit of EU membership, Bosnia has made little or no progress.

### The 2007-13 IPARD programme

The chart below shows the funds that have been contracted to and disbursed to farmers and other rural businesses in Croatia since 2007, when the IPARD programme came into force. Total investment over the life of the IPARD programme (2007-13) is planned to exceed €300m; all of which will be paid directly to farmers and rural communities in Croatia. In addition €25m was allocated through the 2005-06 SAPARD programme; meaning that €325m will have been made available directly to Croatian farmers and rural communities between 2005 & 2013 at a time when no EU funds whatsoever have been made available to their Bosnian counterparts. According to the last Farm Structure Survey there are 132,000 Agricultural holdings in Croatia (with over €1200 output pa; Source: Eurostat; Farm Structure in Croatia; June 2010). This means that the EU funds made available to date equate to approximately €2,462 per holding.

There is a simple relationship between the chronology shown in Table 1 and the funds that have become available in Croatia. Bosnia's failure to achieve candidacy status means it has not yet become eligible for IPARD funding. Conversely, Croatia made sufficient progress from 2001 onwards to become eligible for IPARD funds in 2008 and for funds to flow to farmers from that point onwards.

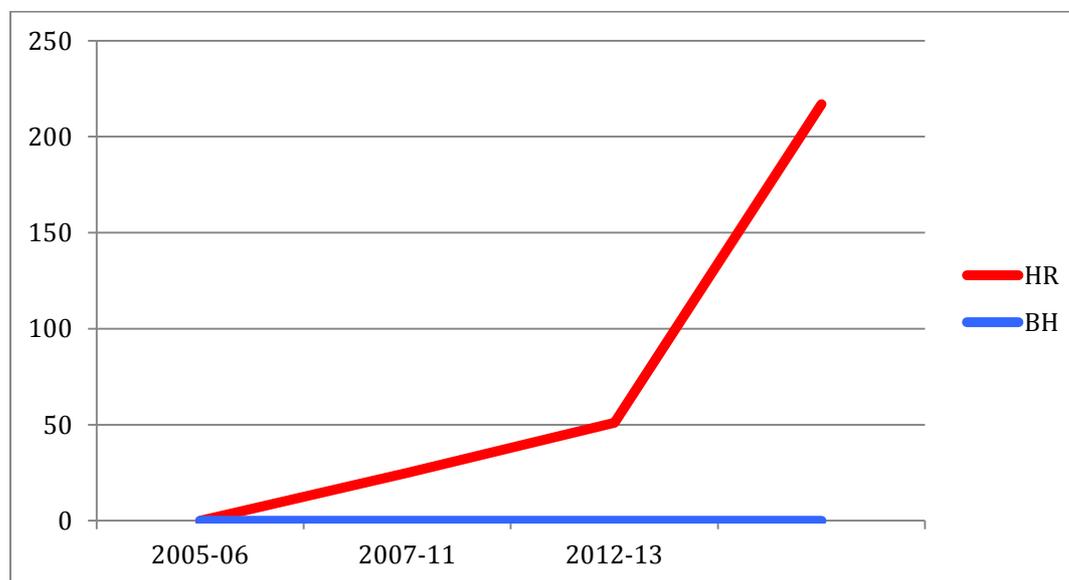
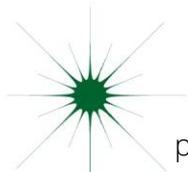


Figure 2 – Cumulative spend of SAPARD & IPARD funds 2007 - 2013

A similar chart could be constructed to show how much more the EU has been able to invest into agriculture and rural development *administration* in Croatia than has been possible in BiH. It would show a similar picture, as Croatia's technical and political



progress and agreements have enabled the EU to invest directly in the structures that are necessary to manage the funds.

It should be noted that the 2007-13 IPA programme has supported a small investment (totalling €5.5m) in Bosnia's agricultural and rural development administration, however this is significantly less than the comparable investment in Croatia and has achieved significantly less progress – Croatia's Payment & Control systems have been accredited to run all the measures available to them – BiH has to surmount very significant challenges before it can achieve this level of competence.

#### IPA I and IPA II

Component	2007	2008	2009	2010	2011	2012	2013
Transition Assistance & Institution Building	58.1	69.9	83.9	100.7	102.7	102.7	103.5
Cross-border Co-operation	4	4.9	5.2	4.7	4.7	5.2	5.3
TOTAL	62,1	74.8	89.1	105.4	107.4	107.9	108.8

Looking forward, the IPA allocation for BiH will be much lower for the 2014-20 period, than the €655m allocated for the current funding period; (200-13 budget figures are presented for illustrative purposes).

#### Table: IPA I Allocations to Bosnia & Herzegovina 2007-13 (Source EU Delegation)

Most recent estimates are that approximately €300m of this budget will be spent by the end of the current programming period, i.e., the end of IPA I; which would leave more than €350 unspent money. There are many reasons why this large underspend exists; however the inability to reach the technical agreements in the agriculture and rural development sector is a significant factor.

Regarding IPA II, the budget figures are yet to be set, however, the current draft allocation is in the region of €300m; i.e. less than half of the current allocation. Again, a significant factor in setting this much lower figure is that there is insufficient evidence that BiH will reach the internal agreements necessary to put appropriate delivery structures in place to trigger the sectoral support for agriculture and rural development.

The unfortunate but inevitable consequences of poor performance in spending IPA funds has led to declining levels in current investment, lower levels of future investment and a wider loss of credibility of BiH, as a place to invest.

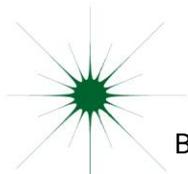


## Overall Consequences

The consequences of the current situation regarding the SAP and IPARD are:

- BiH farmers and rural communities have not been able to access any IPARD funds to date, whilst Croatia's farmers have access to the equivalent of €2,462 per holding.
- Intended final beneficiaries have little or no experience of EU investment in the agriculture and rural development sector and therefore do not understand the potential benefits.
- Funds that could have been given to BiH farmers and rural communities have been lost, reabsorbed into the EU budget and either spent elsewhere in the W Balkans, for instance in Croatia, or have been spent elsewhere in the EU.
- From next year Croatia's farmers and rural communities will be able to access much larger funds; whilst the amounts have not yet been agreed, the annual amounts of funding going to the Croatian agricultural and rural programmes will grow exponentially.
- Unless and until agreement can be reached on IPARD structures that will allow funds to flow; farmers and rural communities will continue to be unable to access these funds that are intended to improve their social and economic circumstances.
- There is a low level of confidence in the capability of BiH institutions to reach agreement that will satisfy EU requirements. In the absence of the changes necessary to fulfil EU technical requirements, the accession steps set out in Table 1 will not be addressed and the investment available to BiH farmers and rural communities will remain stuck at €0.

This paper has focused on the financial implications of the failure to set up functional state level structures with regard to EU funding for farmers and rural communities. In reality, this is only part of the picture, as funds from other International Finance Institutions and International donors are also affected negatively, by this lack of progress. Whilst it is impossible to put a figure on this investment; it would be fair to suggest that many millions of euros have been affected, as decisions to invest were halted, never started, or simply went elsewhere. There is a knock on effect of this situation in that it has created a negative investment environment, which has meant that the social and economic progress that would have been levered by such investment has not taken place. As a result the economic opportunities that should have been created do not exist and the ability of these investments to address poverty and promote sustainable rural livelihoods has not been tapped. It is therefore fair to assume that the sum of €2,462 per farm



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Regulation (EC) No <a href="#">2257/2004</a>	02.01.2005	OJ L 389 of 30.12.2004
Regulation (EC) No <a href="#">2112/2005</a>	28.12.2005	OJ L 344 of 27.12.2005
Regulation (EC) No <a href="#">2666/2000</a>	07.12.2000 - 31.12.2006	OJ L 306 of 07.12.2000