



**The Pontis Foundation**  
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*presents*

**Absorption Capacity of Serbia for Use of EU Funds:  
Practical Lessons from Slovakia**

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## **EXECUTIVE SUMMARY**

Building administrative infrastructure in the pre-accession period is of very high importance for EU accession countries to efficiently manage pre-accession fund financial instruments and thus prepare for EU structural funds. Institutions and human resources dealing with programming, implementation and evaluation of EU funds in a particular country represent the key benchmark of absorption capacity of an individual state. They are the indicators of a country's readiness to spend the allocated EU funds fully and in an effective and efficient manner. The practical experience of EU Member States from the fifth enlargement (2004 and 2007), and particularly the experience of one country analysed here – Slovakia - in management of EU funds shows that this preparatory phase is of enormous importance for the creation of efficient and adequate capacities for absorption of EU funds in the country and for the future. It is of the utmost importance that a policy of strengthening administrative capacities for EU fund management is developed as a priority at the highest political level. The greatest challenges, as Slovak experience shows, can be observed within the public sector, in particular regarding professional and qualified staff, followed by inter-ministerial coordination, delays in projects and strategy preparations. In addition, preparedness of regional and local structures and civil society involvement in monitoring and securing transparency of fund allocations proved crucial. Research has shown that Serbia is already facing similar problems with CARDS and in the early stages of IPA use. The Serbian government must therefore show clear political support for the creation of necessary structures for management of EU funds in the country in order to avoid delays in preparation and secure efficient and transparent use of financial resources from the IPA components III, IV and V in the 2007-2013 budgetary period. If political and other conditions are met, Serbia should be administratively and institutionally prepared to use available EU funds, although this will depend to the greatest extent on available human resources and capacities at all levels and the appropriate involvement of all stakeholders.

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# **Absorption Capacity of Serbia for Use of EU Funds**

## **Practical Lessons from Slovakia**

### **1. Introduction**

Since 2000, Serbia, as a potential candidate country for EU membership, has been able to use EU financial pre-accession instruments for implementing political, economic, social and institutional reforms within the framework of the Stabilization and Association Process. In recent years a lot of effort has been invested in the creation of a national institutional structure able to efficiently co-ordinate reforms supported through EU funded projects. Serbia, as a potential candidate country, can currently use resources of 200 million EUR on average per year from the IPA pre-accession fund - about 0.7% of its national GDP. Taking into account the upper limit according to which each EU member state can receive resources from structural funds is equal to a maximum of 3.6% of its GDP, Serbia theoretically as an EU member state could, at current GDP levels, receive a maximum 1.2 billion EUR per year. However, the experience in previous EU enlargements has been that many candidate countries, especially during the early post-accession years, have faced difficulties in absorbing EU funds from the EU budget. The major problems in using allocated EU funds have been lack of a coherent long-term strategy of national development at government level, lack of resources to co-finance projects, inefficient or in some cases absent horizontal and vertical coordination among ministries and different levels of governance in countries. Finally, a lack of skilled human resources engaged in management of EU funds in national, regional and local administrations has also been a problem. Therefore, this policy paper aims to provide practical recommendations for improvement of absorption capacities in Serbia in the future period of EU accession based on analysis of different aspects of absorption capacities in Slovakia related to the use of EU pre-accession funds.

### **2. Practical experiences related to absorption of pre-accession EU funds in Slovakia**

#### **2.1. Pre-accession period (1990-2003)**

After becoming an independent state in 1993 the Slovak Republic began the challenging process of economic transition and institutional reforms. However, there were subsequent numerous problems and lack of experience and administrative capacities seriously hampered this process. Despite these initial problems related to transition and structural reforms, Slovakia applied for EU membership in 1995. During nine years of reforms Slovakia managed to create administrative structures capable of implementing legislation harmonized with the *acquis* and fulfilled all necessary requirements for EU membership in May 2004. The aforementioned reforms have been implemented with the support of EU pre-accession instruments for economic development (PHARE), environment and transport (ISPA) and agricultural and rural development (SAPARD).

In the period 1990-2007, the European Commission, via the PHARE program, committed 717.6 million EUR to Slovakia. By the end of 2007, 661.8 million EUR had been contracted

and 656 million EUR paid. The absorption rate of PHARE funds in the period 1990-2006 in Slovakia was 91.42%<sup>1</sup> (Annex 1).

In the period 2000-2003, approval was given for 30 projects funded via the ISPA fund in the sectors of environment, transport and technical assistance with a total value of 637,451,738 million EUR in Slovakia. Total ISPA contribution was 362,145,739 million EUR. The absorption rate of ISPA funds in Slovakia in the period 2000-2003 was appx. 30% (Annex 2 and Annex 3).<sup>2</sup> By the end of 2006 appx. 60% of ISPA committed funds for Slovakia had been paid out.<sup>3</sup>

The total allocation for Slovakia in the period 2000-2004 from the SAPARD fund was 77 million EUR and 327 projects were completed by the end of 2004 i.e. one third of the total number of approved projects<sup>4</sup>. The absorption rate of SAPARD funds for Slovakia was 41.5% as of the end of 2004 (Annex 4)<sup>5</sup>.

## **2.2. Main challenges in using pre-accession assistance in Slovakia**

Various European Commission Evaluation Reports show that the PHARE financial instrument to a large extent has been effective in influencing change and modernization of infrastructure, practices and procedures in all sectors. PHARE implementation in Slovakia is considered to have been particularly successful in areas such as the environment and internal market. However, some sectors were problematic, such as cross border co-operation, agriculture, social affairs and human resources development. It is important to emphasize the significance of the Twinning type projects which were successfully used in many priority areas and helped Slovakia to prepare for the implementation of EU policies and laws.<sup>6</sup>

As in most candidate countries, the public sector in Slovakia has experienced major problems in recruiting and retaining highly qualified and motivated staff capable of managing EU funds effectively and efficiently. In addition, a huge administrative and human capacity problem was observed in regional and local public administration and among applicants. Relevant studies related to candidate countries' absorption capacities reveal that the best overall performance regarding available personnel was in Hungary and Estonia and the worst in Slovakia. Slovakia had planned to engage 424 people in the most important institutions responsible for managing and implementing Structural Funds, but there were only 189 present in 2003 (45% of the total planned staff). Taking into account the total amount of Structural and Cohesion funds allocated for Slovakia in the period 2004-2006 it appears the Slovak administrator had to successfully absorb on average 3.7 million EUR while in comparison the Hungarian administrator had 0.9 million EUR to manage and the

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<sup>1</sup> European Commission, Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information Brussels, 2008

<sup>2</sup> Mini ISPA report 2000-2003, European Commission DG REGIO, Brussels, February 2004

<sup>3</sup> Report from the Commission Annual Report on the Cohesion Fund (2006) com(2007) 678 final, Brussels, 2007

<sup>4</sup> Stanislav Buchta PhD, Regional aspects of SAPARD programme implementation in the Slovak Republic,, AGRIC. ECON. – CZECH, 51, 2005 (12): 539–546

<sup>5</sup> Commission Staff Working Document Annex to the SAPARD Annual Report – year 2004 {com(2005) 537 final}, Brussels, October 2005

<sup>6</sup> Commission staff working document Annexes to 2004 report on PHARE {com(2005)701 final} Brussels, 2005

Estonian 0.6 million EUR.<sup>7</sup> A lack of human resources caused concern and drew criticism from the European Commission as to the adequate preparation of the Slovak Republic for EU Cohesion policy. The Slovak government reacted by launching intensive recruitment programmes in all relevant ministries and set aside additional financial resources to increase salaries of employees working with the EU agenda in order to prevent staff levels fluctuating.<sup>8</sup> As a result the number of newly employed staff was even higher than the European Commission had recommended, but it was difficult to recruit staff with adequate knowledge, experience and background or to train them in a short period of time. All these problems which were related to a lack of administrative capacities posed a threat to efficient and sound implementation of the 2004-2006 programme.<sup>9</sup>

Additionally, weak administrative capacity for absorption of EU funds in Slovakia was caused by problems in inter-ministerial coordination, persistent lags in legislative adaptation while other problems delayed the preparation, coordination and adoption of necessary strategic and project documentation. For example, there were substantial difficulties regarding ISPA environment projects in Slovakia as, largely because of a lack of suitable projects, it took two years to start the projects.<sup>10</sup>

Moreover, there was a serious case of mismanagement of European pre-accession assistance which came under scrutiny from the European Commission and OLAF in 2001. The problem was that procedures for selection of project proposals at the deputy prime minister's office responsible for the coordination of pre-accession PHARE funds were not transparent and efficient. This case raised huge public debate because without clear and efficient rules there was a risk that similar cases could very well occur again which would lead to the suspension and withdrawal of EU funds allocated for Slovakia. Additionally, the partnership principle in using EU funds in Slovakia was not adhered to sufficiently since there were complaints from some regions and NGOs that they did not have enough information on available pre-accession funds allocated to Slovakia and were consulted late-on when the programming process was almost finished<sup>11</sup>. As a reaction to these developments, the NGO sector in Slovakia came up with an initiative to establish regulations which would ensure transparency of decision-making and prevent corruption in the use of Structural Funds in Slovakia. Furthermore, the Slovak NGO sector established an independent team for monitoring EU funds in order to ensure transparent EU fund administration and compliance with the partnership principle through adequate involvement of municipalities and NGOs in EU fund management in Slovakia.

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<sup>7</sup> Andrej Horvat, Gunther Maier, Regional development, Absorption problems and EU Structural Funds; Some aspects regarding administrative absorption capacity in the Czech Republic, Estonia, Hungary, Slovakia and Slovenia

<sup>8</sup> Vladimír Benc Readiness of the Slovak Republic for EU regional policy, Conference Almanac- Readiness of Candidate Countries for EU Regional Policy, Slovak Foreign Policy Association SFPA, 2003

<sup>9</sup> Slovakia and Cohesion Policy, Karol Frank, Veronika Hvozdíková and Vladimír Kvetan, From Policy Takers to Policy Makers-Adapting EU Cohesion Policy to the Needs of the New Member States, Swedish Institute for European Policy Studies, September 2005

<sup>10</sup> Slovakia and Cohesion Policy, Karol Frank, Veronika Hvozdíková and Vladimír Kvetan, From Policy Takers to Policy Makers-Adapting EU Cohesion Policy to the Needs of the New Member States, Swedish Institute for European Policy Studies, September 2005

<sup>11</sup> European Commission (2003c, Annex); Annex to the Communication on the Implementation of Commitments undertaken by the Acceding Countries in the Context of Accession Negotiations on Chapter 21 – Regional Policy and Co-ordination of Structural Instruments; Commission Staff Working Study, COM(2003) 828, Brussels, 16 July, 2003

### **2.3. Early post-accession period (2004 – 2006)**

On the basis of the decisions of the Copenhagen European Council of December 2002, 1.1 billion EUR was allocated to Slovakia from EU Structural Funds and some 0.6 billion EUR from the Cohesion Fund. Implementation of Structural and Cohesion funds has been carried out under the sole responsibility of Slovak authorities applying national procurement rules since October 2004.

In terms of the absorption of the 2004-2006 funds, Slovakia was not particularly efficient in the first two years. By the end of 2006 cumulative execution rates were 36.3% of the total budget available. At the same time, for example, Estonia, Slovenia and Hungary reached rates of 51.4%, 51.4% and 49.7% respectively. The average execution rate for the 10 new EU member states by the end of 2006 was 39.3%.<sup>12</sup>

However, by the end of 2008 - the fifth year of implementation of 2004-2006 programmes - Slovakia had reached a cumulative execution rate of 93.4% while the 10 new EU member states had an average cumulative execution rate of 94.8% - one percentage point below the 10 new EU member states' average execution rate. In addition to this it should be noted that in 2007 and 2008, 15 out of 25 EU countries registered N+2 de-commitments but only one of them was an EU-10 country: Slovakia. In Slovakia's case only one Objective 3 program was affected by an N+2 de-commitment of 8 million EUR in 2007 and 2008. Moreover, Slovakia has had N+2 de-commitments higher than the EU-25 average of 0.68%.<sup>13</sup>

In its first year after accession, Slovakia continued to implement both pre-accession and post-accession assistance to address the remaining needs related to institution building for the implementation of the acquis, in line with the Extended Decentralized Implementation System (EDIS). As already outlined, institutional and administrative capacities were suboptimal during the pre-accession period and apparently deficient for simultaneous implementation of two different EU financial instruments (pre-accession and Structural Funds) in the first years of Slovak EU membership.

Finally, one very specific characteristic of the Slovakian experience of EU funds use was unprepared regional structures in the EU funds management system. This led to many deficiencies in vertical coordination between managing structures and final beneficiaries. Like other Central and Eastern European countries, Slovakia was a centralized country. As part of administrative reforms, Slovakia decided to introduce self-governing regions (VUC - higher territorial unit) in 2001. However, the delay in implementing the fiscal decentralization reform caused problems connected to the preparation of regional structures for regional development management. It should be stated that in 1998 Slovakia introduced a statistical system of regional classification levels known as NUTS. The introduction of NUTS classification as a formal requirement was sufficient for implementing EU Structural funds in Slovakia. Although administrative regionalization of the country was not necessary for the use of Structural funds, Slovakia has significantly transferred competencies and responsibilities for implementing regional policy to newly established self-governing regions. On the other hand, self governing regions lacked experience of

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<sup>12</sup> European Commission Directorate-General Budget, Analysis of the budgetary implementation of the Structural Funds in 2006, Brussels, May 2007

<sup>13</sup> For the programming period 2000-2006 N+2 de-commitments are regulated by article 31.2 of Council Regulation (EC) N° 1260/1999, known as the N+2 rule. The implementing rules are set in Commission Communication C(2002)1942, as amended by Commission Communication C(2003)2982

programming and planning at regional and local levels and, moreover, there was a shortage of time to build up administrative capacities to participate efficiently in the creation of national programming documents and implementation of Structural funds.

### **3. Capacities of Republic of Serbia for absorption of pre-accession EU funds**

#### **3.1. Lessons learned from programming and implementing EU funds in the 2000 – 2006 period**

The EU gave substantial support to the Republic of Serbia via the CARDS program between 2000-2006. During this period, EU assistance to the Western Balkans amounted to 4.2 billion EUR, of which 1.390,6 billion EUR was committed to the Republic of Serbia. The absorption rate of CARDS funds in Serbia was 85.73% while the ratio between contracted and committed financial allocation was 97.35%. The absorption rate for Serbia is below the average for all Western Balkan countries (87.30 %). Taking into account that implementation of some contracted projects is in progress, it can be expected that there will be higher absorption rates of CARDS funds in Serbia. Sectors with the highest share of total disbursed CARDS funds were the energy sector, which received 31% of all allocated CARDS funds in Serbia, local and municipal government development (10%), economic growth/enterprise development and border management (each 8%) and transport and health (7% and 6%, respectively). All other sectors received 5% or less.<sup>14</sup> Detailed data related to the CARDS funds by country is in the Annex 5.<sup>15</sup>

It is important to emphasize that these high absorption rates have been achieved largely due to the involvement of the European Agency for Reconstruction (EAR) in managing assistance in the region (Serbia, Montenegro, Macedonia and Kosovo under UN 1244). EAR started its operations in 2002 and took over responsibility for the implementation of CARDS in the aforementioned countries. Meanwhile, the Serbian government established a Development and Aid Co-ordination Unit (DACU) within the Ministry of International Economic Relations (MIER) in November 2000. DACU played an important role in helping line ministries prepare and implement priority projects and coordinate donors' assistance. Following changes in the Serbian government in May 2007, DACU was incorporated within the Ministry of Finance as the Department for EU Funds and Development Assistance.

According to evaluation reports related to the implementation of CARDS funds in Serbia the absorption capacity for CARDS funding and pre-conditions for implementing the projects varied across sectors and were rated as moderately satisfactory.<sup>16</sup> However, the initial years of CARDS programming were characterized by inadequate planning and preparation with strategic documents forming a basis for project development very often not in place, thus creating problems during project implementation. Additionally, this situation led to over ambitious project objectives, relatively short project implementation periods and an

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<sup>14</sup> PARTICIP GmbH: Retrospective evaluation of CARDS programmes in the Republic of Serbia, Final Evaluation Report September 2009

<sup>15</sup> Commission Staff Working Document Annexes To 2007 Annual Report On PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information, COM (2008) 880 Final, Brussels, 22.12.2008

<sup>16</sup> PARTICIP GmbH: Retrospective evaluation of CARDS programmes in the Republic of Serbia, Final Evaluation Report September 2009

insufficient beneficiary absorption capacity . Moreover, the political situation in Serbia during this period of CARDS implementation severely slowed down projects' implementation. Horizontal communication between public institutions in Serbia as well as intra-institutional coordination developed weakly. The high turnover of staff for various reasons as well as the frequent change of key project stakeholders within the administration contributed to severe delays in the implementation of some projects.<sup>17</sup>

### **3.2. Challenges of programming and implementing the Instrument for Pre-accession Assistance (IPA) 2007-2013.**

In 2007 the EU introduced a new financial instrument for the pre-accession process for the period 2007-2013. During this budgetary period pre-accession funding is channeled through a single, unified instrument, the Instrument for Pre-accession Assistance (IPA), designed to deliver focused support to both candidate and potential candidate countries. As a potential candidate country the Republic of Serbia is able to use IPA components I and II. According to the IPA Framework Regulation, IPA components III, IV and V are available only to EU candidate countries which have established a certified Decentralized Implementation System (DIS) for EU funds.<sup>18</sup> According to the 2010-2012 Multi-Annual Indicative Financial Framework (MIFF) the allocation for the Republic of Serbia is around 1.2 billion EUR for the period 2007-2012. Taking into account the annual average allocation it can be assumed that the total allocation will be appx. 1.4 billion EUR for the period 2007-2013.<sup>19</sup> IPA is being implemented by the EU Delegation in Belgrade, which has also taken over responsibility for ongoing CARDS assistance from the European Agency for Reconstruction, which ceased to exist on December 31, 2008. Moreover, the Serbian government is more actively participating in the programming of IPA funds in Serbia. The EU aims to transfer the management of IPA funds to national authorities under the Decentralized Implementation System (DIS) once the Serbian government develops the necessary capacity to assume this responsibility.

In 2008 the Serbian government adopted the Strategy for Preparation of DIS Accreditation in the Republic of Serbia (DIS Road map). The DIS Road map for the Republic of Serbia is complementary to the IPA Implementing Regulation and sets out the stages leading to the submission to the EC of the accreditation request for the conferral of management powers with ex-ante control. According to the DIS road map, the deadline for achieving DIS accreditation is December 2011. The establishment of institutional structures, with the exception of the Audit Authority, and key appointments of a national IPA coordinator

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<sup>17</sup> European Agency for Reconstruction, Evaluation (EU/11/052/07) Institutional Capacity Building support (Serbia), June 2008

<sup>18</sup> IPA consists of 5 components: IPA I - Institution Building and Transition Assistance: involves institution building measures and associated investment, as well as transition and stabilisation measures still necessary in the Western Balkans. It is delivered through annual national and multi-beneficiary programmes; IPA II - Cross-Border Cooperation: supports cross-border cooperation at borders between candidate/potential candidate countries and between them and EU countries. It may also fund participation of beneficiary countries in Structural Funds' trans-national co-operation programmes and Sea Basins programmes under the ENPI as appropriate; IPA III - Regional Development: finances investments and related technical assistance in the areas of transport, environment and regional competitiveness; IPA IV - Human Resources Development: is designed to strengthen human capital and help combat exclusion similar to the ESF in Member States; IPA V - Rural Development [referred to as IPARD]: serves to emulate post-accession Rural Development programmes by financing rural development-type measures, similar in nature to these programmes, though smaller in scale.

<sup>19</sup> Communication from the Commission to the Council and the European Parliament Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2010-2012, Brussels, 5 November 2008

(NIPAC), strategic coordinator for regional development and human resources development components (SCO), competent accrediting officer (CAO), national authorizing officer (NAO) and national fund (NF), were carried out as required by the DIS Road map. However, several issues were identified that might cause problems in meeting set deadlines for DIS accreditation.

Firstly, without clear unconditional political support for the creation of DIS structures, Serbia will lose the possibility to use funds from IPA components III, IV and V in the budgetary period 2007-2013. This is under the assumption that Serbia acquires the status of EU candidate country in the meantime. However, the government and all ministries must individually provide clear political support to all DIS stakeholders and show an understanding of the crucial role that they play in the successful management of EU funds in Serbia. Taking into account that several other structures such as the National Investment Plan (NIP) and network of regional development agencies were created in the last few years there is a persistent danger of creating unnecessary parallel structures for the management of budgetary and EU funds in Serbia. This situation constantly jeopardizes efficient use of EU funds in Serbia and slows down the efficient establishment of DIS structures.

Secondly, there is an issue related to the recruitment of adequate personnel for efficient functioning of DIS structure. This problem is related to current civil service salary scales that are low for the type of high quality staff urgently required for adequate functioning of DIS institutions. Moreover, current restrictions on the employment of civil servants due to Serbian government obligations in the framework of an IMF financial arrangement could be a serious obstacle to progress towards meeting the set deadline for DIS accreditation. Therefore, it is of the utmost importance that the government provides competitive remuneration levels as well as an attractive career path for civil servants dealing with the management of EU funds in the country. Additionally, it is necessary to establish the recruitment and training mechanism of staff engaged in various DIS institutions as quickly as possible to provide the necessary numbers and quality of required personnel.

One of the obligations that Serbia assumed under the Stabilization and Association Agreement is to submit data on the level of GDP per capita to the European Commission, harmonized at the NUTS II level over a period of four years. The existence of NUTS classification is the first condition for the use of EU Structural Funds following Serbia's EU accession, however it is not that important for the use of pre-accession funds.<sup>20</sup> The recently adopted and amended Law on Regional Development envisaged the introduction of statistical regions in Serbia according to the EU's NUTS classification. The introduction of statistical regions equivalent to the NUTS classification was designed to help identification and policy targeting of economic problems at local and regional levels. However, it is still uncertain whether EUROSTAT will approve the suggested statistical regions as they are defined in the aforementioned law. But if Serbia eventually decides to establish administrative regions on its territory as well as statistical regions, it should be noted that due to lack of administrative capacities newly established administrative structures will not be capable of efficiently managing EU funds at regional level for a certain period of time.

Moreover, the Serbian government's experience in the initial years of using IPA funds and during preparation for IPA components III and IV showed that technical documentation for large investment projects at local level were not completed in a number of cases. In order to develop a pipeline of potential projects, line ministries must be very proactive in

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<sup>20</sup> Ognjen Miric, *The Regional Policy of the European Union as an Engine of Economic Development, European Movement in Serbia*, Belgrade, 2009

cooperation with relevant stakeholders at local, regional and national level and improve inter-sector cooperation with other line ministries during the programming and implementation of IPA funded projects.

One of the major challenges related to the efficient use of EU funds in Serbia is a lack of evaluation culture and consequently domestic evaluation expertise. The Serbian government should therefore actively encourage the development of local, independent evaluation expertise wherever it is lacking, or at least not in accordance with international quality standards. It would be very useful if the government, as an initial step in building domestic evaluation and monitoring capacities, outsourced evaluation of specific national, regional and local policies to domestic research institutions.

Moreover, it is important to emphasize that to date there has not been a single case of misuse of EU funds recorded in Serbia. However, the risk of corrupt behavior increases as management powers over EU funds are conferred to national authorities. DIS structures dealing with procurement and contracting necessary for project implementation are especially exposed to various pressures from interested stakeholders.

#### **4. Conclusions and recommendations**

Taking into account the objectives, instruments and precisely defined mechanisms for management of EU funds, it is not difficult to conclude that the success of their management depends exclusively on the capacities of the candidate countries to take the opportunities that the EU funds provide. Slovakia's practical experiences in the process of preparation for management of EU funds show that in spite of a relatively long preparatory period significant difficulties were still encountered in the initial years of EU membership (2004-2006). This illustrates that the preparatory phase of a candidate country is of enormous importance for the creation of efficient capacities for absorption of EU funds in the country. Moreover, it is of utmost importance that a policy for strengthening administrative capacities for using EU funds is quickly adopted at the highest political levels. Additionally, Slovakia's experiences show that efficient absorption of structural funds depends largely on the success of reforms of administration at national level reflected in a strengthening of administration to define efficient frameworks for managing long-term sector policies, enhancing inter-ministerial coordination, qualitative defining of national development programmes and improving human resource capacities to implement them. The key to success was timely recruitment and adequate salaries of staff engaged in administrative structures assigned for EU funds management. Here it is important to note that continuity in personnel is very important as it enables the administration to build up a knowledge curve and helps new staff reach certain levels of knowledge as soon as possible.

Slovak practical experiences are of extreme importance for the ongoing process of creating administrative structures in Serbia for management of EU funds. Clear and unconditional political support from the Serbian government and all line ministries individually for all DIS stakeholders and understanding the crucial role they play in the successful management of EU funds in Serbia is fundamental. Moreover, due to the constant danger that each new government could change the role of institutions dealing with preparations for management of EU funds, it is important to note that creating unnecessary parallel structures for management of budgetary and EU funds in Serbia constantly endangers the efficient use of EU funds and delays the efficient establishment of DIS structures. Therefore, without clear political support to the creation of DIS structures, Serbia could delay its preparation for

efficient and transparent use of EU funds and lose the possibility to use financial resources from the IPA components III, IV and V in the 2007-2013 budgetary period.

Moreover, the current restrictions on employment of civil servants due to Serbian government obligations as part of an IMF financial arrangement could be a serious obstacle to progress towards meeting the set deadline for DIS accreditation (December 2011). Therefore, it is of utmost importance that the Serbian government should take steps necessary to create competitive remuneration levels and define an attractive career path for civil servants involved in EU accession and IPA management activities. Additionally, a recruitment and training mechanism for staff for various bodies should be set up as quickly as possible to provide the necessary number and quality of required personnel.

EU funds management experience in Slovakia shows the necessity for the adequate involvement of NGOs and other relevant stakeholders in monitoring structures in order to reaffirm the transparent use of EU funds and prevent corruption. Although there has been no recorded case of misuse of EU funds in Serbia, Slovakia's experience is extremely important because with the conferral of management powers over EU funds to national authorities the risk of corrupt behavior in administration rises.

Moreover, experience in Slovakia and Serbia in initial years of IPA fund use and during preparation for IPA components III and IV showed that technical documentation for large investment projects at local level was not completed in a number of cases. Therefore, in the process of Serbian European Integration the capacities of the above-mentioned key partners must be built up as they do not always dispose information in a timely fashion due to their condition. Therefore, national administration has an obligation to enhance their capacities so they can be included adequately in the country's EU funds management system. Strong and capable partners can exert influence on national administration to define higher quality development policies, improve planning and programming processes, and define and prepare better and higher quality projects.

Furthermore, in the process of meeting all necessary conditions for successful absorption of EU funds in Serbia the Serbian government must meet obligations assumed under the Stabilization and Association Agreement to introduce NUTS classification and submit data on the level of GDP per capita to the European Commission over a period of four years. Finally, it is of utmost importance that the Serbian government make sufficient efforts to overcome one of the major challenges in establishing efficient administrative capacities - a lack of evaluation and impact assessment culture. The Serbian government must therefore actively encourage development of local, independent evaluation expertise found in the private or NGO sector.

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## ANNEX 1 - PHARE FUNDS BY COUNTRY 1990 – 2007

(in EUR million)

Partner country	Commitments (in EUR million)	Contracts (in EUR million)	Payments (in EUR million)	Contracts/Commitments (%)	Paym./Commitments (%)	Paym./Contracts (%)
Bulgaria	2,359.60	1,786.30	1,522.90	75.70	64.54	85.25
Czech Republic	917.2	836.4	824.2	91.19	89.86	98.54
Croatia	144.6	61.4	9.6	42.46	6.64	15.64
Cyprus (*)	338	101.8	71.7	30.12	21.21	70.43
Czechoslovakia	230.5	231.8	228.9	100.56	99.31	98.75
East Germany	34.5	28.9	28.9	83.77	83.77	100.00
Estonia	346.8	311.3	307.8	89.76	88.75	98.88
Hungary	1,480.10	1,376.80	1,356.50	93.02	91.65	98.53
Latvia	423.6	381.2	376.8	89.99	88.95	98.85
Lithuania	810.3	760.9	743.7	93.90	91.78	97.74
Malta	57.1	46.4	41.6	81.26	72.85	89.66
Multi-country programmes	3,357.00	2,829.40	2,178.20	84.28	64.89	76.98
Poland	3,996.00	3,657.50	3,607.40	91.53	90.28	98.63
Romania	3,670.00	2,942.80	2,344.40	80.19	63.88	79.67
Slovakia	717.6	661.8	656	92.22	91.42	99.12
Slovenia	360.3	326.7	321.5	90.67	89.23	98.41
Turkey	1,861.90	1,219.60	922.7	65.50	49.56	75.66
<b>Total</b>	<b>21,105.30</b>	<b>17,561.00</b>	<b>15,542.70</b>	<b>83.21</b>	<b>73.64</b>	<b>88.51</b>

Source: European Commission, Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information Brussels, 2008

## ANNEX 2 - ISPA FUNDS BY COUNTRY 2000-2003

(in EUR)

Country	No. of Projects	Total ISPA Contribution 2000-2003	Commitments 2000-2003	Payments 2000-2003	Paym./Comm. in %
Bulgaria	23	614,987,930	427,996,647	61,320,339	14.3%
Czech Republic	27	506,363,960	292,949,325	90,040,157	30.7%
Estonia	26	180,360,637	119,353,016	33,274,334	27.9%
Hungary	37	656,089,655	368,861,516	114,401,401	31.0%
Latvia	25	310,241,258	194,900,872	50,657,171	26.00%
Lithuania	31	283,139,399	217,005,484	71,195,935	32.80%
Poland	70	2,587,295,972	1,454,286,240	376,213,808	25.90%
Romania	38	1,442,993,221	1,002,173,553	136,354,966	13.60%
Slovakia	30	362,145,739	195,299,550	58,740,465	30.10%
Slovenia	17	86,548,637	67,126,052	22,014,156	32.80%

Source: Own calculation based on The Mini ISPA report 2000-2003, European Commission DG REGIO, Brussels, February 2004

**ANNEX 3 - ISPA PROJECTS APPROVED FOR SLOVAKIA IN 2000-2003**  
(in EUR)

Sector	No. of Projects	Total Eligible Cost	Total ISPA Contribution 2000-2003	%	Commitments 2000-2003	%	Payments 2000-2003	Paym./Comm. %
<b>Environment</b>	23	318,222,738	186,956,539	51.6	96,344,180	49.3	13,489,135	14.0
<b>Transport</b>	6	317,779,000	173,739,200	48.0	97,505,307	49.9	44,091,330	45.2
<b>EDIS</b>	1	1,450,000	1,450,000	0.40	1,450,000	0.80	1,160,000	80.00
<b>TOTAL</b>	<b>30</b>	<b>637,451,738</b>	<b>362,145,739</b>	<b>100</b>	<b>195,299,550</b>	<b>100</b>	<b>58,740,465</b>	<b>30.10</b>

Source: The Mini ISPA report 2000-2003, European Commission DG REGIO, Brussels, February 2004

## ANNEX 4 - SAPARD FUNDS PER COUNTRY 2000-2003

Country	Commitments Total AFAs 2000-2003	Payments from the Commission			in % of available funds	RAL*
		Total payments made as of 31.12.2003.	Payments made in 2004	Payments made since start		
1	2	3	4	5=3+4	6=5/2	7=2-5
Czech Republic	92 787 704	40 244 716	38 571 066	78 815 782	84.9	13 971 922
Estonia	51 043 119	26 656 148	19 865 374	46 521 522	91.1	4 521 597
Hungary	160 039 127	9 482 800	26 189 720	35 672 520	22.3	124 366 607
Lithuania	125 448 234	35 555 028	52 155 143	87 710 171	69.9	37 738 063
Latvia	91 883 502	29 289 588	38 112 006	67 401 594	73.4	24 481 908
Poland	709 409 786	163 638 979	171 223 384	334 862 363	47.2	374 547 423
Slovenia	26 650 758	7 222 230	11 737 745	18 959 975	71.1	7 690 783
Slovakia	76 915 845	9 376 760	22 524 598	31 901 358	41.5	45 014 487
<b>Total</b>	<b>1 334 178 075</b>	<b>321 466 249</b>	<b>380 379 036</b>	<b>701 845 285</b>	<b>52.66</b>	<b>632 332 789</b>

Source: Commission Staff Working Document Annex to the SAPARD Annual Report – year 2004 {com(2005) 537 final}, Brussels, October 2005

## ANNEX 5 - CARDS FUNDS BY COUNTRY 2000 – 2007

(in EUR million)

Partner country	Commitments	Contracts	Payments	Contracts/Comm. %	Payments/Comm. %	Paym./Contracts %
Albania	292.30	245.20	183.40	83.89	62.74	74.80
Bosnia & Herzegovina	481.8	460.2	411.6	95.52	85.43	89.44
Croatia	196.1	180	172.4	91.79		95.78
Former Yugoslav Republic of Macedonia	299.2	287.6	264.1	96.12	88.27	91.83
Kosovo	1030.3	1025.3	977.8	99.51	94.90	95.37
Montenegro	90.4	126.8	122.1	140.27	135.07	96.29
Serbia	1390.6	1353.8	1192.2	97.35	85.73	88.06
Regional Programme	456.50	421.40	375.40	92.31	82.23	89.08
<b>Total</b>	<b>4237.1</b>	<b>4100.2</b>	<b>3699.1</b>	<b>96.77</b>	<b>87.30</b>	<b>90.22</b>

Source: European Commission, Commission Staff Working Document Annexes to 2007 Annual Report on PHARE, Turkey Pre-Accession Instrument, CARDS and Transition Facility Country Sections & Additional Information Brussels, 2008