Special report 14/2011 (2011 discharge): Has EU assistance improved Croatia’s capacity to manage post-accession funding?

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The Committee on Budgetary Control adopted the report by Tamás DEUTSCH (EPP, HU) concerning the Special Report No 14/2011 of the Court of Auditors entitled “Has EU assistance improved Croatia’s capacity to manage post-accession funding?”

Members note that the special reports of the Court of Auditors provide information on issues of concern related to the implementation of expenditure, and are thus a tool for Parliament in the exercise of its role as the discharge authority. They welcome the Court's conclusions and in particular its finding that "overall EU pre-accession assistance to Croatia is making a significant contribution to Croatia’s progress in building up its administrative capacity for managing increased EU funding post accession".

Members stress, however, that the Court of Auditors concludes that "**the assistance has only been partially successful so far in achieving its objectives and further progress in capacity building has to be supported** in a number of key areas both before and after accession".

In light of experience in previous enlargements, Members call for the setting in place of measures to ensure that similar risks for Croatia could be avoided:

- **inadequate absorption levels** on a number of recent programmes;
- adequacy of external audit and internal control capacity;
- stability of the procedures in programmes for funding;
- transparency issues and the need to improve the awareness of stakeholders and the general public;
- questions of efficiency, effectiveness and economy in use of funds, through performance evaluations.

They endorse the Court of Auditors' recommendations, and invite the Commission and the Croatian authorities to work closely together so as to increase the priority given to **building up procurement capacity** by implementing plans for on- and off-the-job training. They call for, in particular, 1) the **further development of the assessment of project effectiveness**, as well as the building up of a portfolio of mature projects to be able to fully absorb the increased post-accession funding available; ii) the **strengthening of anti-corruption measures**.

Acquis: Members arre critical of the fact that a number of points remain outstanding in several chapters of the *acquis* (e.g. public procurement) and that there are certain weaknesses in the internal controls of public finances.

Further efforts are needed in certain fields, in particular agriculture and rural development, where the rate of absorption of SAPARD and IPARD funding is poor. There are also delays in the implementation of pre-accession aid.

Overall, Members are critical of the **low level of administrative capacity** in Croatia and recall that the objective of pre-accession aid is to **strengthen the capacity in candidate countries to absorb funding from the Union in an efficient and transparent manner**.

Members invite the Commission to maximise the potential for institutional learning and capacity-building in candidate and potential candidate states, notably by further aligning the procedures of pre-accession assistance with those used under the existing Structural Funds.

Members also welcome:

- the establishment, in December 2011, of the Croatian Ministry of Regional Development and EU Funds;
- the establishment of a sound financial management and control system;
- the new Act on Public Procurement that has entered into force, ensuring increased transparency.

Lastly, Members urge the Commission and the Croat authorities to accord greater priority to the fight against corruption in the entire accession process.