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# **THE ACCESSION OF THE REPUBLIC OF CROATIA TO THE EU THE PAST, THE PRESENT, THE FUTURE**

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## ***Abstract***

*The contemporary European integration processes are accompanied by numerous theories and activities, confrontations or approvals that can conditionally be divided into two groups, depending on the starting point of examination of each aspect of integration. The principal differences are reflected in the approach to examination of the very phenomenon, regardless of whether it is analysed from an economic or political viewpoint and the extent of the obligatorily transferred part of national sovereignty to EU authorities. In the latest development of integration processes in the European Union and other European integrations, political, economic, social and cultural significance of the particularities of individual European countries has largely been taken into account; however, the activities were directed to transferring a part of economic and political sovereignty to joint EU bodies in order to function more effectively. It is important for future economic and social development of the Republic of Croatia to form economic and political connections with European and other world integrations, especially economic ones. Until the democratically oriented government of the Republic of Croatia came into power, many mistakes had been made by the earlier political system, which had been fully insulated from the European integration processes. On its way to Europe, Croatia did not receive adequate assistance and support of more developed Western countries until January 3<sup>rd</sup>, 2000, and*

*this especially relates to the EU integrations that had jointly defined the guidelines Croatia needed to follow in order to access the social and economic system of the Western world and accept its values. The subject of this paper are the effects of EU accession and the consequences reflected on the economic situation in the country, as well as the good and bad sides of integration processes.*

***Key words: European integrations, the European Union, pre-accession funds, structural and cohesion funds, economic and political conditionality***

## 1. INTRODUCTION

During the development of European integrations, the biggest problems emerged around the issue of national i.e. state sovereignty. Relatively quickly, it was learned that further development of integrations, i.e. individual integration and development processes and objectives, cannot be achieved without sacrificing part of their own sovereignty and its transfer to bodies of the integrated community. Disputes were revolving around this particular issue. Representatives of some Member States, especially of conservative or right-wing political parties, had difficulties coming to terms with these requirements. The issue which was the hardest to accept was that of reduced legal sovereignty of individual states and the conditions of the conclusions of the Community, i.e. its obligatoriness for the Member States, without which functioning of the integration is impossible. In fact, without strong legal integration background, there is no economic power.

International economic integrations have occurred recently and are a result of the doctrine of liberal world market. The main hypothesis: The origin of first economic integrations coincides with the time period when leading countries of the world rapidly implemented and developed their relations on the doctrine of liberal world market. PH1: Activities of the first international economic integrations were based on the attitudes and views which encouraged joint economy and appearance on the third markets. PH2: Integration activities were based on three dominant views: first – requirement for safe and free navigation on the rivers and the sea, free use of the existing waterways; second – the need for everyone to use and deliver news and information under the same conditions; third – simpler legal protection of copyright and protection of industrial creativity and property.

The objective of this paper is to analyse the default processes for integration into the European integrations, especially into the European Union, that promote comprehensive changes to the adjustment of current institutional framework, various policies, and primarily the legal system of the country. The benefits of accepting the new system should primarily be reflected on political

and security level. The scientific contribution is reflected in the development of scientific thought about the needs of joining the European Union, which brings a number of advantages in co-operation with various international institutions and organisations, especially at the global level. Stronger groups present themselves more successfully than individual countries. The contribution of this paper is reflected in the presentation of the most important facts for Croatia concerning the accession to European integrations and more free access to markets of member countries of such integrations, especially the EU market. According to recent experience of countries that went on the same path, transition changes will result in certain expenses and, at first, even a decline in the national income, but further development will undoubtedly encourage stronger overall national development. Croatia started moving into this direction, and is today part of the EU (Samardija, 2000).

Scientific methods used in this paper are methods of systematic analysis, dialectical and logical method, mostly in the combination inductive-deductive, and vice versa, deductive-inductive. Also used were quantitative and qualitative methods with methods of comparison of temporal and spatial characteristics.

## **2. INTERNATIONAL INTEGRATIONS AND THEIR LEGAL ORGANISATION**

Contemporary international law reflects on the creation, operation and development of new types of international integrations. At the time the first integrations and economic or political organisations were created, such creations were regarded with suspicion and were denied the status of an international entity. However, as time passed, their number and power grew, which confirmed the importance and reasons for their existence. Further development of the legal doctrine and direct active practice of international law strongly influenced the direction of recognising the status of international associations and international integrations, and various other organisations, which resulted in a heavy influence of international integrations in solving global political and economic issues. It is evident that the interest of some world countries to participate in their work has been increasing, especially for membership in their economic structures (Hurwith and Lequesne, 1991).

The historical origins of economic and political connections of various countries date back to a century ago, while rapid expansion and efficient operation of international integrations in the modern sense only appeared around the 1950s. Such rapid economic development was fueled, among other things, by two world wars in the same century and people's desire not to repeat such calamities. World peace was seriously threatened throughout the century, and this was the main impetus to the leading countries of the winning alliance to closely connect and forget their petty disputes, and prevent a start of a new war by the operations of international integrations. In addition to providing a framework for

the development of world peace, it is the task of integrations to, within the framework they operate in, solve economic, political, and other issues crossing the borders of individual countries by their very existence. Today, there are only a few countries that are non-members of world integrations. By becoming integration members, countries connect economically and politically and cooperate with other countries on the basis of the same or similar interests. They are working together in some of the integration bodies that carry out the objectives set up by the founding acts of the integration (Andrassy, 1990).

The instruments of action of international integrations such as: powers of integration, number of bodies, relationships between the members, relationships with non-member countries, and relations with other integrations vary from integration to integration. However, they share the activity of integration of various fields of activity.

### **3. THE STABILISATION AND ASSOCIATION AGREEMENT**

Since its independence, the Republic of Croatia has recognised the need to get economically and politically closer to European integrations, in particular the European Union as the most important European integration. The course of development of the negotiations of the Croatian government with the European Union formally started quite late, in 1995, after the establishment of the Croatian state sovereignty. This is when the first meetings of professional bodies of Croatia and the European Union were held. Technical negotiations in the framework of the Trade and Cooperation Agreement covered three sets of issues, in three important agreements: the Trade and Cooperation Agreement which should be associated with the financial protocol, followed by the Transport Agreement, and the Coal and Steel Agreement. After numerous delays, on 6/11/1996, Croatia was admitted to the Council of Europe, which should have opened the possibility of further negotiations with the European Union and the conclusion of the Cooperation Agreement.

Although it is not an integration, the procedure of joining the Council of Europe is the first step that every European country must fulfil to access the European political and economic life, and only then is the possibility of joining the European Union considered. The Council of Europe is a regional inter-governmental organisation of political character founded in order to achieve a greater unity between its members by preserving the ideals and principles of their common heritage, in order to harmonise their economic and social interests (the first paragraph of the first Statute of the Council of Europe). The cooperation and realisation of these interests is achieved by signing the conventions and joint actions in the economic, social, cultural, scientific, legal and administrative field and in the field of protection of fundamental rights, freedom and democracy. The Council of Europe is one of the few international organisations accessed by an

invitation sent to a potential member state. In addition to general obligations, such as prohibition of abuse of the right to vote and to respect the decisions of the bodies of the Council of Europe, each country is obliged to align its activities with the objectives of the organisation and participate in the financing of the organisation in the amount determined according to the population size, while associate members provide the amount determined by the Committee of Ministers (the first paragraph of the first Statute of the Council of Europe). The Republic of Croatia was admitted to the Council of Europe on 6/11/1996 and committed itself to the following: .

1. Upon admission to the Council of Europe (CoE), to sign the European Convention on Human Rights;
2. Within one year after the admission to the CoE, to ratify the European Convention on Human Rights and Protocols No. 1, 2, 4, and 7;
3. From the day Protocol No. 11 enters into force, to recognise the right of individuals to call the European Commission of Human Rights, and the compulsory jurisdiction of the European Court of Human Rights (Articles 25 and 46 of the Convention);
4. To sign within a year and ratify within three years Protocol No. 6 of the European Convention on Human Rights, i.e. to abolish the death penalty in peacetime;
5. To sign and ratify within a year the European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment;
6. To sign and ratify within a year the European Framework Convention for the Protection of National Minorities, the European Charter of Local Self-Government, and the Charter for Regional or Minority Languages, to conduct the policy towards minorities on the principles set forth in the Recommendation of the Assembly No. 1201 from 1993, and include these principles into the legal and administrative system and practice in the country;
7. To implement the recommendations resulting from the opinion of the European Commission for Democracy through law (the so-called Venice Commission), on constitutional law, human rights and freedoms, the rights of national and ethnic communities and minorities, as well as mechanisms for the protection of human rights.
8. To take all necessary measures, including adequate police protection, which will guarantee the safety and human rights of the Serbian population in Croatia, particularly in the former areas under UN protection, to facilitate the return of people who left these areas with the help of specific legal procedures, and to effectively implement their rights to receive their property or compensation;

9. For the purpose of ratification, to study the European Social Charter of the Council of Europe and in the meantime implement the policy in accordance with the principles contained therein;

10. To sign, ratify and in the meantime apply the basic principles of other conventions of the Council of Europe, notably those on extradition, mutual assistance in preventing crime, on the transfer of convicts, money laundering, searching for criminals, robbers and confiscation of illegal gains;

11. To resolve international and internal conflicts peacefully;

12. To strictly keep to its obligations assumed by the Basic Agreement on the Region of Eastern Slavonia, Baranja and Western Sirmium, and to co-operate with the UNTAES in this area;

13. To fully and effectively co-operate in the implementation of the Dayton and Paris Peace Agreement in Bosnia and Herzegovina;

14. To co-operate and assist the Prosecutor of the International Criminal Tribunal for the former Yugoslavia in bringing before the tribunal without delay persons indicted for war crimes, crimes against humanity and genocide;

15. To address the issues of international borders in accordance with the principles of international law;

16. To implement the recommendations of experts of the Council of Europe on the laws pertaining to media, such as Public Information Law, Telecommunications Law, and the Law on the Protection of Market Competition;

17. To continue the procedure of electing the Mayor of Zagreb in accordance with the Constitution and the laws of the Republic of Croatia taking into account the recommendations of the Council of Europe;

18. To continue with the reforms in order for all legislation and its implementation to be in line with the principles and standards of the Council of Europe;

19. To accept the recommendation of the observers of the Council of Europe and other international organisations, before the next elections at the latest, in particular in connection with the special voting block for the diaspora, minority representatives, lists of voters, secrecy of the vote, as well as the need to increase the independence of national radio and television, and to conduct a population census as soon as possible;

20. To sign and ratify the General Agreement on Privileges and Immunities and its additional protocols within one year of the admission to the CoE;

21. To co-operate in the implementation of the Parliament's Order No. 508 (1995) on the honouring of obligations of member states of the Council of Europe, as well as the monitoring process established by the Declaration of the Council of Ministers of November 10, 1994 (the 95<sup>th</sup> session).

The new Croatian government started democratic processes in the country, and the European Commission proposed to the Council of the EU to open negotiations with Croatia on the Stabilisation and Association Agreement (SAA). This was a new form of contractual relations that the EU should develop in the future with the countries of South Eastern Europe. The agreement should include economic and political stabilisation of the region and develop long-term good relationships of countries in the region as well as between them and the European Union in the field of politics, economy and trade. Every country in the region can join the agreement provided that it meets certain political and economic conditions. Croatia was the first country in the region to start fulfilling the set conditions and it was considered that it could start negotiations. The EU Commission drew up a list of directives that had to be agreed on by the negotiating teams of both sides, and they were also used as an official framework for negotiations. Within the framework of the Agreement, provisions were considered on political dialogue, mutual co-operation, harmonisation of legislation, technical assistance, and the creation of the necessary institutional structures to guarantee the implementation of the Agreement. The Agreement should speed up co-operation between the EU and Croatia in various fields and enable its faster integration into EU structures. The Agreement should promote economic and trade co-operation with the opening of free trade zones. In this way, the zones established after the transition period would give rise to faster movement of goods and services, depending on the degree of Croatian preparedness for such activities. The Agreement would also arrange the movement of the labour force, business co-operation, services, methods of mutual payments and capital movements. Croatia needs to align its legislation with the legal system of the EU with particular attention devoted to the internal market. Road and transit traffic should be fully liberalised, as well as the necessary transport infrastructure. Special attention is devoted to mutual co-operation in justice and internal affairs. The EU is obliged to provide Croatia financial and technical assistance for the implementation of the agreed provisions (EUROSCOPE 1996.)

Such form of the agreements was accepted and signed by all the current Member States, but also transition countries of Central and Eastern Europe which have declared their intention to access the EU. Each of the acceding countries had its particularities and the Agreement was adapted to each new accession country, but also represented the interests of the European Union as a whole. Thus, for instance, agreements signed with the transition countries, East Germany, Czechoslovakia, Bulgaria, and Romania were largely characterised by commerce and encouraged liberalisation of industrial products, because at the time, in 1988 and 1989, these countries were largely dependent on the Eastern Bloc and were not interested in the development of democracy and development of a market economic system of the Western type. The concluded agreements on cooperation between the European Union and Hungary and Poland included forms of assistance that should have been provided by the European Union, in order to develop political and economic reforms in these transition countries. This method

of cooperation favoured the entry of these transition countries to the EU market, and both parties to the agreement achieved the status of the most favoured nation in their economic markets. Agreements regulate gradual abolition of various restrictions standing in the way of better mutual co-operation, and, in particular, imports of various products to the European Union. The Agreement encouraged the abolition of the limit for GATT member countries until 1994, while restrictions for other countries were lifted by 1995, with a focus on the elimination of all forms of discrimination and encouraging reciprocal exchange (Hurwitz and Lequesne 1991, 303-312). After successful admission to the Council of Europe, the next step of the Croatian Government was to join the World Trade Organisation - WTO. After several attempts, and with full support of the US government and other friendly countries in the West, this was achieved at the conference in Geneva on 17/07/2000. Thus, Croatia became the 139<sup>th</sup> member state of this important world organisation.

Croatia's joining the WTO will boost more rapid adjustment of the national legal system to West European legal norms and standards, and thus open possibilities for faster accession to the European Union and other European integrations. That would be the most important step on this path. Along with the procedure of joining the WTO, Croatia should also access the V Protocol of the General Agreement on Trade in Services, which is important for the regulation of financial services (Radočević 1998). For now, the Protocol is not compulsory for the Member States, but is set as binding for new accession countries among which is also Croatia. The acceptance of the Protocol should not be a problem for Croatia, because the high level of liberalisation of the financial sector corresponds to the Croatian economic system. By consistent application of the liberalisation of financial activities, Croatia has become integrated into the global financial market, which has led to long-term economic development of the national economy. The Croatian Parliament ratified the Protocol on the Accession to the WTO on 5/10/2000, and 30 days later, Croatia became a member, i.e. on 5/11/2000. For Croatia, accession to the WTO means getting out of the ten years of isolation from the world, with strengthening of economic growth and increase in the standard of living and general development.

EU assistance to interested transition countries through the Agreement is reflected through the assistance in the development of statistical services, agriculture, energy, environment, and transport of the respective countries. Development loans from the European Investment Bank and European Bank for Reconstruction and Development should be pointed out; they plan to invest more financial resources into the development of transition countries. The Agreement between Croatia and the European Union should establish better mutual cooperation on economic, technical, technological and financial basis, industrial cooperation, development of science and technology, agriculture, fisheries, transport, tourism, protection of the environment and improvement of living conditions, encourage the development of human resources, general and vocational education and training, mutual co-operation through statistics,



telecommunications, harmonisation of standards and financial cooperation through the use of financial resources of the European Investment Bank and other financial institutions of the European Union (Weizsäcker et al.,1999).

A very important issue for the Croatian economy is that of export and import quotas and tariff barriers towards the European Union, which have been developed for years, since the time of former Yugoslavia, and after this community had fallen apart, the European Union set up a special quota treatment for Croatia, Bosnia and Herzegovina and Macedonia, and in 1995 for Slovenia. The quota treatment is extremely unfavourable for the Croatian export structure (*Europska unija - gospodarsko i političko okruženje Hrvatske*, 1994). The new agreement should regulate access of Croatian products to the EU market, provided that Croatia opens its market for products of the EU Member States with the application of the right of the most favoured nation, while the European Union agrees to reduce their protective tariffs on Croatian products and services. The road to full membership is relatively long, requiring many adjustments and contains the four steps that Croatia, as well as all other full Member States must pass. The first step is the signing of bilateral free trade agreements, followed by access to the common market, and the adaptation of all legal and economic regulations of the acceding countries to the common market, and finally, the country's accession to the monetary union as the peak of cooperation between the EU and accession countries. In a relatively short time, Croatia concluded the Cooperation Agreement with the European Union, which was ratified by the Croatian and EU bodies, and on July 1, 2013, the Republic of Croatia became the 28<sup>th</sup> member of the European Union.

Countries that adopt the Associate Membership Agreement are granted the status of an associate member of the European Union and begin preparing for the second phase, full membership in the European Union. The objective can be divided into several levels, of which the most important are the following (Džamić 1994):

- establishing the basics and creating the appropriate structure for further political cooperation;
- fostering a stronger expansion of commercial exchange and further alignment of mutual economic bonds between the acceding countries and the European Union with the intention of encouraging further economic development of new accession countries;
- opening new opportunities for financial, technical, and other assistance to the new accession country;
- opening new possibilities for more thorough economic cooperation with all EU Member States and final integration of new countries into all EU structures, provided that the new country meets all the necessary requirements;
- particular attention should be devoted to cultural co-operation of the new country with permanent EU Member States.

The importance of European agreements for new countries is reflected in further liberalisation of the commercial exchange with the European Union and the reduction or complete abolition of customs and other restrictions to the given time period of ten years. In this period, the new acceding country rapidly makes many changes in its legislation, standards, financial activities, and other important segments of social and economic activities, with the aim of better adjustment to the EU. The effects of the conclusion of the Agreement with Croatia have reflected on many parts of the political and economic structure, especially on the effects of foreign trade after the elimination of tariffs and other non-tariff restrictions on further growth or decline of Croatian imports and exports.

#### **4. INCENTIVES FROM PRE-ACCESSION FUNDS**

Croatia cannot in the near future dispose of a sufficient amount of equity capital that would cover its developmental economic needs, or its economic investments. For this reason, it will be forced to receive various kinds of foreign capital into its economic system, and one of such forms are incentives through EU funds. In fifteen years, Croatia received from the EU about 1,6 billion EUR to fund various projects as a beneficiary of the IPA instrument for pre-accession assistance 2007-2013. IPA is an assistance programme for candidate countries and potential candidates in order for them to align their national legislation with the *acquis communautaire* of the EU and to strengthen their capacities for the implementation of new laws and regulations. The amount of 93,5 million EUR was allocated for the IPA programme in 2013, and the programme consists of the following components: Transition assistance and building of institutions, cross-border co-operation, regional development, human resources development, and rural development (IPARD). IPA was replaced by the following programmes: CARDS Community Assistance for Reconstruction, Development and Stabilisation, PHARE represents a pre-accession instrument intended for candidate countries located in Central and Eastern Europe as the programme of assistance in preparing for EU membership; ISPA is the EU assistance programme funded by the European Commission in order to assist the candidate countries in their preparations for EU membership, and is related to projects from the field of environmental protection and transport; the SAPARD programme is intended for improvement of the farms and processing of agricultural products; LIFE is a financial instrument supporting environmental and nature conservation (retrieved from: <http://www.entereurope.hr>).

After the Reonstruction Programme 1996-2000, which was related to reconstruction projects in the areas devastated by the war, followed the CARDS Programme from 2001-2004, which was intended for strengthening the administrative capacity, the available funds amounted to 262,00 million EUR given through 113 projects. In 2004, when Croatia became a candidate country for EU membership, the first-generation programmes became available to Croatia: PHARE, ISPA and SAPARD, through which Croatia received the

amount of 252,00 million EUR for the period from 2005 to 2006. The PHARE programme focused on capacity-strengthening projects for EU membership. In 2005, through 23 project proposals, Croatia received the amount of 71,5 million EUR of grant. In the framework of the programme, in the period 2005-2006, 43 projects worth 167 million EUR were approved. The ISPA programme funded infrastructure projects in transport and environmental protection. In 2005-2006, 60 million EUR were approved for the implementation of two infrastructure projects in the field of environmental protection, one infrastructure project in the field of transport, and three technical assistance projects. All these programmes have a very high rate of implementation of the agreed programmes, which is on average more than 90%. From the IPARD programme (rural development), the Agency for Payments in Agriculture, Fisheries and Rural Development was paid under Measure 202 „Preparation and Implementation of Local Rural Development Strategies“ for the co-financing of 42 Local Action Groups (LAGs) in the amount of 37,8 million HRK in 2014 (downloaded from: <http://www.eu-projekti.info>).

Additionally, Croatia was also involved in various assistance programmes such as CARDS, TEMPUS, the Fifth Framework Programme for Research and Development, and LIFE (Resolution of the COST Senior Officials Committee concerning the enlargement of COST to the Republic of Croatia and Slovenia in 2000).

## **5. CROATIA IN THE EU**

Croatia became a full member of the European Union with full access to various development funds. From July 1, 2013, the available funds from pre-accession programmes have been considered an integral part of the structural funds. In total, Croatia now has at its disposal from the 2007-2013 Cohesion Policy programme 815 million EUR, of which more than a half, 449,4 million EUR, refer to the period after the accession. Access to EU structural and cohesion funds with more than 1,5 billion EUR per year opens better access to the market of 500 million people. In support of the cohesion policy, there are also the European Regional Development Fund, the European Social Fund and the Cohesion Fund. The European Commission concluded the Partnership Agreement with Croatia on structural and European investments, from which during the period from 2014 to 2020 Croatia has at its disposal from structural and financial EU funds the amount of 10,423 billion EUR. Of these, 8,397 is allocated for investments in growth and work places. Allocation for rural development and agriculture in this multi-annual period amounts to 2,026 billion EUR. For maritime and fisheries, there are additional 280 million EUR available, for youth employment initiatives in 2014 and 2015 66,177 million EUR. From the funds allocated for connecting Europe, there are 456,147 million EUR available. The level of utilisation of funds for the operational programmes for the environment, transport and regional competitiveness is only 20%. From that, for

underdeveloped 5,837,500 EUR, Cohesion Fund 2,559,500 EUR, for European Territorial Cooperation (cross-border cooperation) 127,800,000 EUR. In 2014, Croatia was allocated 900 million EUR from the Cohesion Fund, European Social Fund and Regional Development Fund. In addition, there are another available 300 million EUR for agriculture and fisheries, which amounts to about 1,2 billion EUR which must be used within three years. On September 5, 2014, only 70 per cent of the resources from the period 2007-2013 was agreed, and paid only 22 per cent. Payments into the EU budget in 2013 amounted to 1,8 billion HRK (0,6 percent of GDP), of which 0,4 per cent of GDP make payments based on gross national income, and 0,1 per cent based on VAT, according to the analysis. The annual EU membership fee amounts to 3,6 billion HRK, which could in 2014 amount to 1,1 per cent of GDP and it is expected to remain at that level in the next two years. However, so far, Croatia used only a small amount of financial resources from various structural funds at its disposal as an EU Member State. In the first four months of 2014, Croatia paid 222 million EUR to the EU budget and drew 341 million EUR, while the difference appeared due to the advance payment of 150 million EUR for projects in the stage of implementation, but also because of the direct payments for strengthening budget liquidity. In drawing EU funds, the N+3 rule applies, i.e. the money can be used within three years from the default, following year. By 2023, we will not be able to draw the line and determine how much money we have used from the amount at our disposal from 2014 to 2020. The fact is that, due to poor application and withdrawals of funds, the potential amount is getting lost and, due to poor response, the amount of money in the funds decreases. The plan in the Croatian budget for 2015 is to use 7 billion HRK from EU funds, which is not an ambitious plan considering that we have available 20 billion HRK. Croatia will in 2016 surely lose 300 million EUR possibly obtained from the EU funds (retrieved from <http://www.mrrfeu.hr>).

While Poland employs about 11000 people in the implementation of EU funds, in Croatia, this process has been unfolding very slowly in terms of education and employment of personnel who should work on drawing money from the funds. English language skills are no longer necessary, because all applications are in the Croatian language. Preparation of projects and the level of contracting should be doubled and include own financing which varies from 25 to 50, sometimes even more per cent, i.e. about 2,4 billion EUR, which in 2014 amounts to 20 billion HRK. The fund multiplier is 1:9, which means that on the paid 1 EUR, 9 EUR can be drawn.

Table 1

## The Percentage of Absorption of Funds 2011-2014 in Croatia

Year	2011	2012	2013	2014.
%	2,9%	7,3%	16,3%	28,2%

Source: *Jutarnji list* 20/11/2014

According to recent reports of the European Commission on the use of structural funds for the above-mentioned period, Croatia is at the last place among the members. The average utilisation at the EU level is three times higher than in Croatia, i.e. more than 67 per cent. (Table 2.). Romania, which is one of the most underdeveloped EU Member States, used two times greater percentage than the mentioned financial resources available to the Member States. This poor utilisation of financial resources from EU funds clearly demonstrates that Croatia, despite constant advice of the European institutions, is still not prepared for the successful use of European structural funds.

Table 2

## Absorption from the Funds from 2007 to 2013 in the EU

Estonia	Portugal	Greece	Latvia	Finland	Belgium	Germany
84,49%	83,53%	79,32%	78.84%	76,42%	74,56%	73,94%
Denmark	Ireland	Sweden	The Netherlands	Poland	Austria	Cyprus
73,81%	73,68%	73,33%	71,07%	70,82%	70,07%	69,93%
Luxembourg	Lithuania	Great Britain	Spain	France	Slovenia	Hungary
69,80%	68,68%	67,64%	67,28%	65,31%	63,83%	61,82%
The Czech Republic	Italy	Slovakia	Malta	Bulgaria	Romania	Croatia
56,71%	54,33%	52,81%	52,41%	52,18%	45,18%	21,72%

Source: *Jutarnji list*, 30/4/2014

Accession to the EU has in a short time created a noticeable pressure on the general government budget, and this pressure can additionally increase by 2016. The overall effects of accession to the EU on the Croatian budget are currently in the red, and this will continue in 2015. The budget minus 2014 due to accession to the EU, according to the data by the Croatian National Bank, amounted to 1 per cent of the GDP, while in this year, 1,2 per cent of GDP, and in 2016, it could reach 1,3 per cent of GDP (Table 3). All this is happening at a time when Croatia has to reduce the budget deficit and stop the growth of external debt, which is its primary obligation from the excessive deficit procedure (EDP), which narrows the room for maneuver in fiscal consolidation. These are new expenses that must be settled by saving on other budget items (retrieved from <http://www.mfin.hr>).

Table 3

## Budget Minus in GDP Due to Payments in the EU Budget (%)

Year	2013	2014	2015	2016
% of total GDP paid in the EU budget	-1,0	-1,2	-1,2	-1,3

*Source: CNB*

In other countries that joined the EU, the initial effect of the membership on public finance was negative, but positive for the rest of the economy, and ranged from 0,5 to 1 per cent of GDP. In Croatia, there was almost no positive effect on the economy, and the reason for that, except for domestic circumstances, also lies in the general state of the EU. The main reason for low use of European structural funds by Croatia is the delay in obtaining various accreditations related to management systems and controls that were obtained recently. Without these accreditations, making payments or obtaining financial resources from European funds allocated for the second half of 2013 was impossible, and it should be noted that the amount of this funding is the largest. Croatia will in 2016 lose a minimum of 300 million EUR, and 500 million EUR in 2017. The funds applied for in 2014 should be used, which are much higher than that of 2013 and amounted to 900 million EUR (*Jutarnji list*, 1.2.2015). While we minister Grcic says the *Jutarnji list* that by 2020. we will withdraw 10.7 billion euro stimulus what will be reflected in an increase in GDP to 25 percent, which is impossible to take seriously because we already greatly missed by applying projects (*Jutarnji list*, 20.6.2015). Also, efforts should be made to ensure constant education and promotion of funds, as well as presentation of the results of the used incentives; working groups should be formed for assistance in project writing, independent institutions should carry out systematic control of the use of the obtained funds.

## 6. CONCLUSION

After the change of government in Croatia and the victory of a democratic party in the elections, activities on co-operation with all European integrations were intensified, in particular to enhance the development of institutional relationships with the European Union. Negotiations with the European Union on the Stabilisation and Association Agreement were carried out without obstacles. As a contribution to Croatia, the European Union adopted asymmetric economic liberalisation measures towards Croatia. Today, when Croatia is an EU Member State, negative trends in the economy persist, and Croatia has been in recession for six years. This is the first year in which it is projected that Croatia will get out of the crisis by a slight increase in the industrial production. In the Republic of Croatia, unemployment is primarily structural and

does not fit into the classical theoretical division into seasonal, technological, or cyclical kind. Its rapid increase in the past twenty years is the result of radical social and political changes which, along with the consequences of war, marked the recent period as a period of crisis. When examining the reports on WEF global competitiveness in the period since 2002, when Croatia was for the first time included in the GCR, it is evident that Croatia's competitive position has been continuously declining, which also reduces its importance as a Member State of the WTO and the EU. This especially reflects on declining investment climate, which is a fundamental lever of economic recovery. It is hard to find a development strategy in such a deep crisis as the one in Croatia, and not to start, as a first step out of the crisis, new investments and creating jobs. Thus, it can be concluded that the general bad state of the economy influences desirability of the country for commercial or any other cooperation. Joining the integrations should encourage the improvement of living conditions of all nations, especially developing countries, among which is also Croatia. It includes raising the level of social factors with the use of a wide range of different policies directed towards participation of all economic and social factors.

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