

REAL OR DECLARATIVE READINESS OF STAKEHOLDERS FOR EUROPEAN UNION FUNDS?

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Abstract

In the moment when approaching of Republic of Croatia to the European Union is pretty obvious, stakeholders on various levels, in the counties, towns, municipalities and stakeholders from various spheres of socio-economic life, are putting attention on necessity of use of the EU funds. Regarding to that fact, there is logical question, is this orientation on EU funds and EU projects only verbal and declarative, or it is supported and followed by needed capacities or readiness to build this capacities? Currently available data on funds that will be on disposal for Croatia by the end of 2013, tell us that there will be so huge amount of funds, that it will be real challenge to use most of that funds. On the other side, related to regional development which is conducting through the EU funds, we have paradox situation, that the counties of ex NUTS II Pannonia region have biggest need for regional and other development, because they are less developed, at the same time for reaching of that biggest development they need the largest and highest capacity, which they surely don't have. Just opposite, according to their macroeconomic indicators they have smallest capacity among the other NUT II regions, at least the financial ones. While other types of stakeholder's absorption capacity of can be building over time, it generally does not apply to financial capacity, at least for those stakeholders who do not have the aim and function of the accomplishing and maximizing profit, while they have a different role in the socio-economic environment. However that is just one of the challenges faced by stakeholders in the field, at the moment of planning to prepare projects for EU funds or when they develop their project ideas. In this paper will be presented some results of the research that was conducted through a survey among the stakeholders in the ex Pannonia region,

with aim to analyse challenges that they face in the process before and during the development of their project ideas or their projects for applying on EU funds

JEL Classification: R11, R51, R58

Keywords: Absorption capacity, EU funds, stakeholder, regional development, project

Introduction

The fact that Croatia is surely approaching to full membership of European Union, means that huge Cohesion and Structural funds will be on disposal for Croatian stakeholders. Most of stakeholders are in huge need for funds; nevertheless, many of them believe that the funds could help them to improve their financial situation, to overcome a current illiquidity, to give an injection to their daily business etc. However, the level of needs does not have to be the same as the level of possibilities, just opposite, the needs and wishes are in the most cases followed with insufficient capacities to get an EU funding, or especially to manage and operate with those funds. When we talk about huge funds that full EU membership brings, the situation is much more pessimistic. European development assistance has continued to rise in recent years. The EU is the world's largest provider of development assistance (Hoebink; 2010; 13).

In order to get an EU support from certain EU fund, it is necessary to have certain capacities: administrative and financial. These capacities in the most usually have to be precisely define in project application form, beside that, there have to present some experience in conducting of an EU projects. This experience in not necessary precondition, but since there is huge competition for an EU funds, each criteria can be crucial.

Existing own financial sources of local and regional government units are not sufficient for completing of financial construction of their capital and infrastructure projects. Therefore, there is a necessary for municipalities, towns, and counties to find new sources of funding. A possible solution comes from public-private partnerships, borrowing, including municipal bonds, grants from state budget and the pre-accession funds. Through detailed introducing of all the instruments of the European Union for regional development of member and candidate countries, so as their government units on local and regional level, it is perceived that there exists an opportunity for development, as well as resources. The problem occurs in the

countries themselves when they are applying for EU funds. Borrowing at local and regional governments can be in the form of loans or they can issue loan stock, so called municipal bonds. A restraint on the use of external resources is the fact that the annual loan instalment should not be more than 20% of the revenues of the local or regional government has made in the previous year. Additionally, the debt of all local and regional governments must not be more than 20% of all revenues generated by government units in the previous year. That gap between the needs of self-government and resources on disposal is only one among few reasons for the need of funds that offer pre-accession funds of the European Union. In addition, public-private partnership is also one of the ways in which local and regional governments can obtain funds for the execution of capital projects (Frajman Jakšić; 2007; 4).

Public private partnership as a partnership engagement that could be a tool for realising a concrete capital projects in the Republic of Croatia is very rare used in praxis. On the other side, public private partnership is part of common and usual language of many decision makers and politicians, but only in plans, not in concrete projects that are realizing or already realized on the field. In general, this kind of partnership have to be used more, but it is not receipt for each project that is wanted to be done by local or regional authorities - just opposite, this is only one of possible solution that could be used for finalization of the projects. Which scenario will be used in concrete project, loan, European Union fund, public private partnership or any other scenario, have to be decided based on cost-benefit analysis, on feasibility studies, on communication with relevant experts etc. This taking into consideration of various scenarios has to be usual and universal approach in small so as in huge projects, no matter whether they cost few thousands or few millions of Euros.

When we talk about comparing of various scenarios, there have to mentioned that some behavioural economists believe that is in human nature to compare things, especially those which are easy to compare, and avoiding to compare those which are hard to compare (Ariely; 2008; 28).

1. Funds on disposal

Talking about funds that were available to stakeholders in Croatia among the pre-accession period, the in the first phase the most important were CARDS, PHARE, ISPA, SAPARD. In Table 1 is shown financial overview of CARDS, PHARE, ISPA

and SAPARD funds, that were available to the stakeholders in the Republic of Croatia. Table 1 shows financial data about funds that were on disposal, so as data about received funds in pre-accession period in Croatia.

Table 1 Financial overview of pre-accession programmes CARDS, PHARE, ISPA, SAPARD (in millions of EUR)

	CARDS		PHARE		ISPA	SAPARD	TOTAL
	2003	2004	2005	2006			
Allocated funds	29,37	46.57	69.52	60.47	59.00	25.00	289.93
Contracted funds	28,69	46.06	60.42	51.21	56.50	15.42	256.30
Contracted/Allocated funds	96,78%	94,61%	86,90%	84,69%	95,76%	61,70%	88,40%
Received EU funds	26.69	43.61	59.33	50.31	37.74	13.52	231.19
Payed to final beneficiaries	27.25	41.47	55.01	45.20	37.43	11.63	218.00
Payed/Contracted	95,00%	94,12%	91,05%	88,26%	66,25%	75,43%	85,50%

Source: Ministry of finance (2011; 9)

As you can see according the figures in table 1, Croatia was relatively successful in attracting the EU funds, with 85,50% in average. In any case, those were the early years in using of EU funds, and we can perceive them as a good school for the period that is coming afterwards. In table 2 are shown data about IPA fund, in which all the partial EU funds become unique fund of IPA.

Table 2 Financial overview of the Instrument for Pre-Accession Assistance-IPA, component I, on 31st December 2011 (in millions of EUR)

	IPA I 2007	IPA I 2008	IPA I 2009	IPA I 2010
Allocated funds	44,54	41,37	42,10	38,62
Contracted funds	41,42	35,18	14,88	10,44
Contracted/Allocated funds	92,98%	85,04%	35,36%	27,04%
Received EU funds	39,35	28,53	16,14	10,52
Payed to final beneficiaries	30,47	17,62	8,00	9,80
Payed/Contracted	72,56%	50,08%	53,75%	93,87%

Source: Ministry of finance (2011; 11)

IPA is divided or contains five components: support for transition and institution building, cross-border cooperation, regional development, human resources

development and rural development. Data in table 2 shows that there is huge variation in attracting EU funds in component “support for transition and institution-building”. Years 2008 and 2009 cannot be perceived as successful, because with only 50% of used funds. Table 3 shows other components:

Table 3 Financial overview of the Instrument for Pre-Accession Assistance-IPA, components II-V on 31st December 2011 (in millions of EUR)

	IPA II 2007-2008	IPA II 2009	IPA III 2007-2011	IPA IV 2007-2011	IPA V 2007-2011
Allocated funds	5,36	2,7	257,35	69,97	129,40
Contracted funds	4,99	0,47	90,79	34,56	19,88
Contracted/Allocated	93,25%	17,11%	35,28%	49,39%	15,37%
Received EU funds	4,60	0,70	63,22	22,23	24,96
Payed to final beneficiaries	3,10	0,28	30,45	24,95	2,28
Payed/Contracted	62,11%	59,71%	33,54%	72,19%	11,50%

Source: Ministry of finance (2011; 11)

Data in the table show that the programs are being used mainly in the level of 85% and more. But what is worrying, is the use of the SAPARD program in the amount of 60%, which is really quite remarkable and important, especially for rural regions and for some groups of stakeholders existing in such regions. We know that the SAPARD program, which is intended mainly the development of Croatian rural areas and, as such, was the forerunner of the IPARD program. On the other side, IPARD has similar characteristics, and recorded insufficient use of funds.

In any case, it is quite likely that the Croatian accession to full membership of the EU brings much higher amounts available funds, but also requires much more available absorption resources on disposal. What has been in the pre-accession period can be considered as a kind of preparation for the funds that are coming. For illustration, only in 2013 for various projects in Croatia, stakeholders can attract 687,5 millions of Euros (MFAEI, 2011). Various sources have been identified as explanations for the different growth experiences of countries (Grabowski; 2007; 3).

2. The attitude of potential EU funds users - research and results

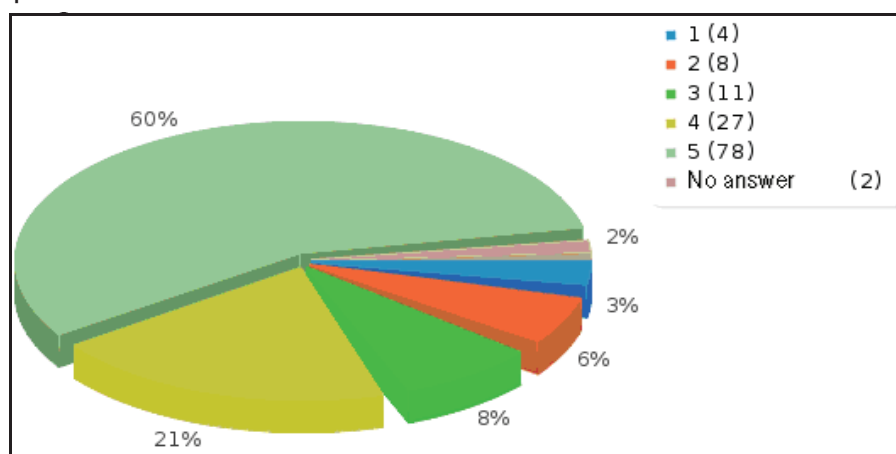
In this part of paper will be presented the results of research that have been conducted in the region of Eastern (Pannonian) Croatia in 2012, and which actually aims to define the position of stakeholders in the region, but also the region as a

whole, in relation to the potential of EU funds. Position of stakeholders is largely determined by their absorption capacities, which are on the other side defined according to macroeconomic indicators of the country, according their financial strength and their management and administrative capacities. In addition, purpose of local development is to build the capacity of a defined territory, often a municipality, or region, to improve its economic future and the quality of life for inhabitants (Clark; 2010; 22).

The attitude of stakeholders about their own capacities, the possibilities of using the funds to finance their own project ideas, so as their general attitude about the whole system of attracting and use of EU funds, definitely affects the position of the stakeholders in relation to the funds. What are the real position of stakeholders and the position of the region as a whole, and even some other relevant questions got the answers in this research. The research was conducted in the phase of preparation of doctoral thesis named "New approach in management of capacities for attracting the EU funds: Concept of intelligent region Pannonia Croatia". The research was conducted with survey technique, on example of 128 examinees, which are representatives of various groups of potential EU funds. In the next graphs are presented some attitudes of examinee, as a result of research, in which 1 means- not agree at all, 2-partially disagree, 3-no agree nor disagree, 4-partially agree, 5- fully agree.

In graph 1 is presented attitude on investing in education of own stuff.

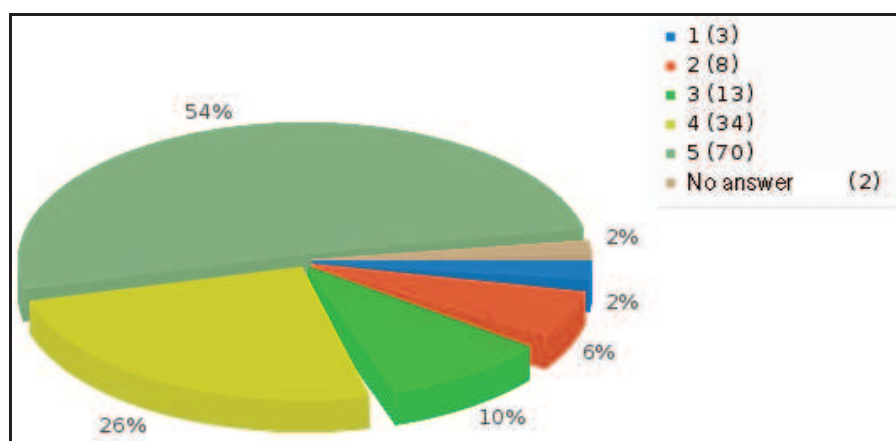
Graph 1 Invest more in education of own stuff



Source: Own research (2012)

81% of examinees believe or mostly believe that is good to invest in education of own stuff for activities related to attracting and implementing an EU funds. Only 5% believe that is not necessary to invest in education of own stuff in that sense. It is easy to conclude that is general attitude that investment in education for preparation and implementation of EU projects has sense, we can even that it has perspective. In graph 2 presents attitude on preparation of projects.

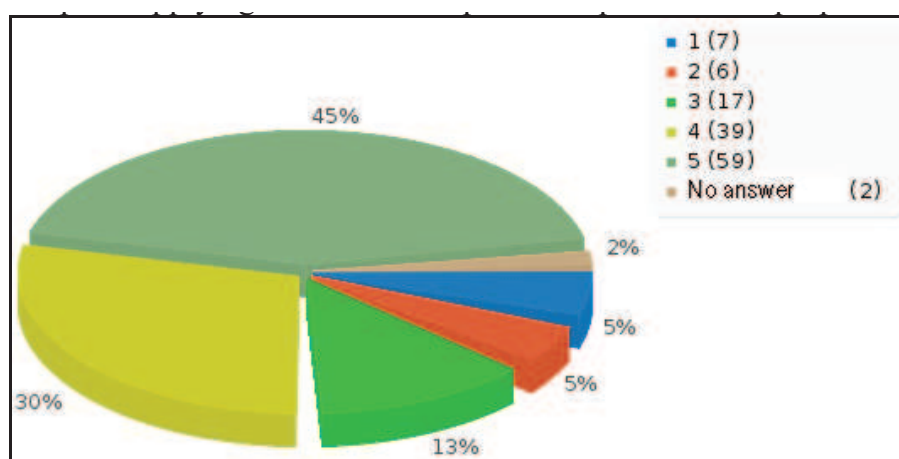
Graph 2 Prepare as much projects as possible



Source: Own research (2012)

81% of examinees believe or mostly believe that is important to prepare projects for applying to the EU funds. Only 4% do not believe that is important to prepare many projects. According to that, the general attitude is that EU funds are perceived as a good possibility to get additional source of financial assets, and the sceptic, doubtful attitude for EU funds is minor, which is a good sign in a sense of approaching to the EU, and its huge Cohesion and structural funds. In graph 3 is presented attitude on applying on various open calls for project proposals.

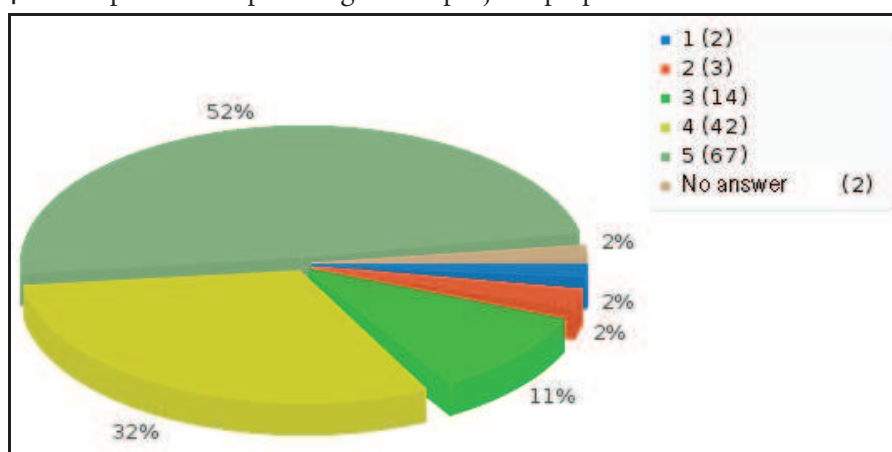
Graph 3 Applying on as much as possible open calls for proposals



Source: Own research (2012)

45% of examinees believe that is important to apply on open calls for proposals, 30% mostly agree that it is important. This is in general good attitude, in sense of getting and using an EU funds, but on the other hands tell us, that there is not much tactics in applying for funds. The open question is, whether is better to apply on each call for proposal or only on chosen one? Naturally, taking into consideration, limited absorption capacities. Graph 4 presents the attitude about improvement of planning in EU projects.

Graph 4 Improve their planning in EU projects preparations



Source: Own research (2012)

Encouraging fact is that 52% of examines thinks that they have to improve their planning in EU projects. Namely, planning and having a strategy in approaching to the EU funds is very important, especially in conditions of limited absorption capacities. Limited capacities in this sense are characteristics of many or the most of the stakeholders.

3. Conclusion

Developed areas are generally in position to launch more funds, in a more efficient way, to have better equipped teams to prepare and implement projects. They are in a position that disposes with larger budgets for funding the project. However, in terms of planning, or making good or less good development strategy, they are in the same situation as poorer regions. Because the quality of planning is not based on how rich a municipality, city or region, it is more dependent on the degree of engagement of representatives of various interest groups in society: from business sector, NGOs, farmers and all other members or representatives of the society. Therefore, clearly, stakeholders should realize that development, so as good project ideas, are not only depending on money, and simple cannot be bought with money. The management and real readiness to learn, think, and operate strategically is much more important than money.

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