

MODEL OF EU FUNDS USE FOR PROJECTS REALIZATION IN PRE ACCESSION COUNTRIES: THE CASE OF SERBIA

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Abstract. *The European Union established mechanisms to support transition process in EU potential candidate and candidate countries through financial help. This foreign aid functions through different EU funds. The aim of this article is to give suggestions for more effective use of IPA funds that replaced all previously used pre-accession funds. The article presents the case of Serbia. The research that was performed involved 108 Serbian organizations. Model of use of IPA funds has been created. Significant points of the process have been defined. Improvement is recommended through new idea of setting up "Project centres".*

Key Words: *foreign aid, assistance programs, IPA funds, project management, Serbia*

1. INTRODUCTION

The European Union (EU) has 27 members. It is the biggest economic, political and cultural alliance in the world. The growing role of this alliance will be significant challenge in the years to come. Turbulences in modern world increase role of united Europe that must be capable of protecting its own interests by simultaneously promoting principles of democracy all over the world. All these cannot be reached without internal cohesion and economical power inside the EU itself.

Because of that, the EU develops mechanism with the goal to strengthen economically, prospective members before becoming EU members. Different EU funds have a goal to develop democratic values in these countries and to build and improve institutions that will implement processes of assistance, and thus provide easier use of structural and cohesion funds after entering the EU. These future funds will enable use of bigger financial resources, but with a more complex system of functioning.

That means that it is of great importance for candidate countries and potential candidate to timely build an entire system for better use of pre-accession funds and later, funds

for EU members. We must have in mind that this is not easy, these systems are totally new for Balkan countries. They are very complex, which is a result of sever control of financial resources use, in order to avoid misuse that caused return of received help from Romania and Bulgaria.

2. IPA AS EXISTING EU ASSISTANCE PROGRAMME

The European Commission (EC) has accepted new financial frame for period 2007-2013 which established new financial instrument for the provision of external assistance to EU candidate countries (Macedonia, Croatia and Turkey) and potential EU candidate countries (Albania, BIH, Montenegro and the Republic of Serbia). The EC decided to replace all pre-accession funds that were used till 2006 (PHARE, ISPA, SAPARD and CARDS) with new pre-accession instrument, IPA. Old funds were reconstruction funds and IPA should contribute to the development process. The idea was: Countries EU candidate and potential EU candidate will use simple and unique financial rules that will enable faster cohesion and integration. Financial value of IPA for period 2007-2013 is EUR 9.23 billion. The plan for IPA allocation for actual budget period is presented (Figure 1):

Country	Million Euros
Croatia	910.20
Macedonia	507.30
Turkey	3,937.40
Albania	498.00
B&H	550.30
Kosovo	565.10
Montenegro	201.40
Serbia	1,183.60
Multi country support	887.40

Fig. 1 Plan for IPA assistance during period 2007-2013

3. THE CASE OF SERBIA

From 2000 to 2006 Serbia received about EUR 1.7 billion from the EU through programme CARDS, previously generation of help programmes aimed for the Balkan countries. The results for CARDS 2000-2006 show that 87% of allocated resources were contracted and of them 71% were used properly. CARDS programme is replaced with IPA. IPA program should support pro-European development of Serbia during 2007-2013 budget period. The start of IPA is IPA 2007 which has been realized in 2008, 2009 and 2010. Serbia could provide help of EUR 572.4 million from the EU, which means about 200 million per year, or EUR 27.26 million per capita per year. IPA 2007 has been realized with only 39% of allocated financial resources, till now the reasons are: decentralized management system (DIS) of IPA that is at the beginning of implementation, not enough institutional capacities, nor experienced experts, lack of prepared project documentation, no resources for co-financing of projects. IPA should provide assistance for implementation of standards and norms of the EU.

Slower approach to the EU means less possibilities for use of financial help and less economical and political reforms support. Because of that, it is very important for Serbia to know what resources could be available, to find the best way to use them and to enable itself for use of bigger financial resources from new programmes of assistance in the future.

For all IPA projects, Serbia must provide about 20% of the whole project value (co-financing). This is how Serbia will confirm seriousness of its pro-European development and its determination to conduct its policy of approaching the EU. The Ministry of Finance has the main role in EU funds programming process. It recently got the function of NIPAC (national IPA) coordinator. This is the beginning of implementation of decentralized management system that is one of conditions that Serbia must fulfil to enter the EU. The Ministry organizes trainings led by experts and helps to compose set of in advanced created projects fishes.

3.1. How to make EU funding more effective?

A research about IPA funds use was conducted in Serbia. A questionnaire was created to investigate knowledge and experience about IPA fund in civil society organizations which are the main focus of these funds. The aim was to raise the level of effectiveness of EU funding process. This task was reached by creation of a model which presents process of IPA fund use, detects significant points that can be affected and suggests improvements.

3.2. Practical research

A pool of 108 candidates, who are the focus of IPA funds, was made. Some of them are already experienced users of IPA, others, still potential users. The structure of candidates is presented in Figure 2.

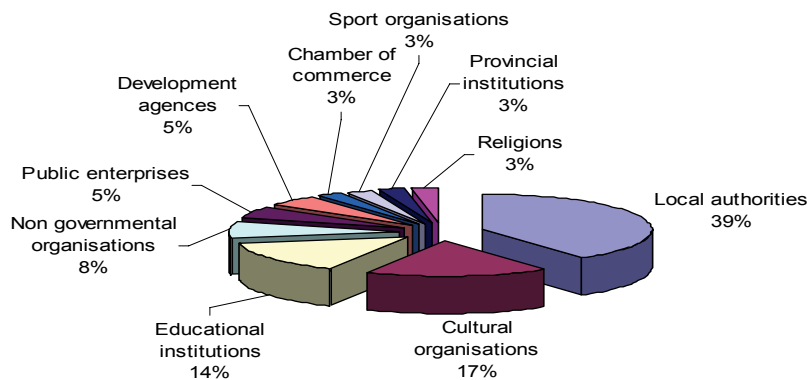


Fig 2 Structure of respondents

General data about candidates shows that 62.5% organizations have a department for project management. 12.5% organizations have a department specialized for EU funded projects.

Questionnaire consists of 6 groups of questions:

- Q.0 General data about candidate
- Q.I. Available data about EU funds
- Q.II Capacity and experience
- Q.III Questions about partnership
- Q.IV Possibilities and limitations
- Q.V your needs
- Q.VI Your contribution

The following methodology is used to present the results of the survey:

- texts of some questions are given
- only answers to more interesting questions are presented
- answer analysis is presented with comments.

Q.I Available data about EU funds

85% of respondents are familiar with the existence of EU funds. 65% organizations know some other funds except the IPA Programme (FP7, CARDS, Twinning...), and 47.5% even participated in some of them. The results show that, on average, each survey participant has realized one project funded by EU funds, with average financial help per project of about EUR 110.000. Figure 3 shows the share of different financial funds in Serbia:

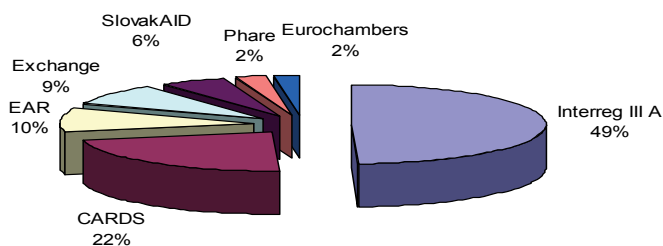


Fig 3 Share of EU funds according to received financial resources

▪ Are you familiar with the existence of the Instrument for Pre-accession Assistance (IPA)?

82.5% are familiar with the existence of IPA funds planned for budget period 2007-2013 from different sources (Figure 4).

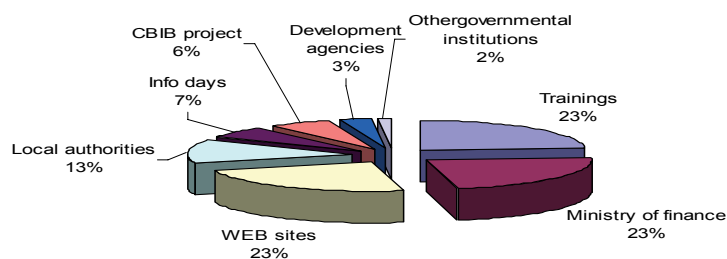


Fig 4 Sources of information about IPA

Representatives of 77.5% organizations participated in an informative event about IPA programmes. 52.5% of trainings, that they took part in, were organized by non-government organizations registered in Serbia or in neighbouring countries (Slovenia, Hungary, Croatia).

From those who participated in a training about IPA funds, 45% think that they got enough information for quality participation in IPA programmes, 32.5% consider that they are not sufficiently informed, 22.5% haven't answered this question.

▪ **What kind of information/knowledge from a training about IPA funds was the most useful?**

Respondents have given a whole range of received information they benefit from (Figure 5).

Useful information they have got	Answers (%)
Information about call for proposals	20.0
Budget	17.0
Application filling, PCM	17.0
Best practices of applications	10.0
Understanding of the EU funds functioning	10.0
Tender procedure according to the EU rules	6.5
Information about help desk	6.5
Help in finding a partner	6.5
Creation of project ideas	6.5

Figure 5. The most useful information about IPA from trainings

▪ **Specify information you need for the future**

The following information would be of benefit in the future (Figure 6):

Useful information they miss	Answers (%)
Information about filling application	32
Examples of good projects	14
Information about calls for proposals	12
Information about trainings	7
Information about budget	7
Financial resources for co financing	7
Information about EU tender procedures	5
Translations of applications	5
PCM in the EU	5
Monitoring and evaluation procedures	3
Data about potential partners	3

Fig. 6 Information about IPA respondents need for the future

These answers are complementary with those from previous question. It is necessary to organize trainings about filling applications, present good examples, help about information for calls for project proposals.

Q.II Capacity and experience

A large number, 62.5%, don't have any experience with IPA. Most projects were realized in programme with Romania, 43% (Figure 7).

Partner	Number of project proposals (%)
Romania	43
Hungary	33
Croatia	24

Fig 7 Share according to foreign partners

▪ The main problems in preparation of IPA project proposals

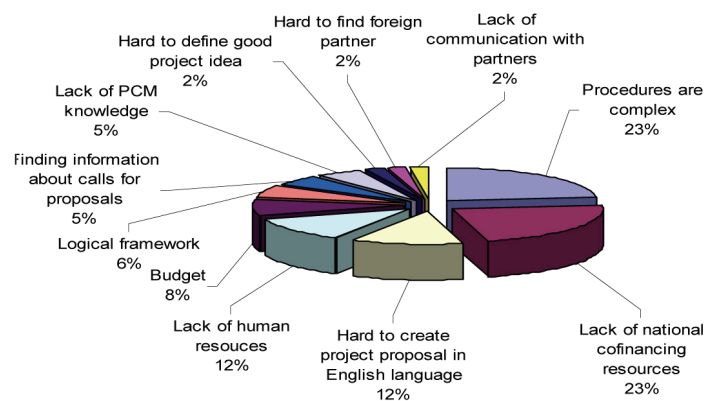


Fig. 8 The main problems in preparation of IPA project proposals

The main difficulties are complex procedures for application. Many potential candidates have problems with the English language which is the official language of EU funds and with creation of logical framework that is totally unknown in Serbia and that is not included into Serbian education process. They have the least problems with finding partners and good project ideas (Figure 8).

▪ The main reasons for rejection of financing IPA projects

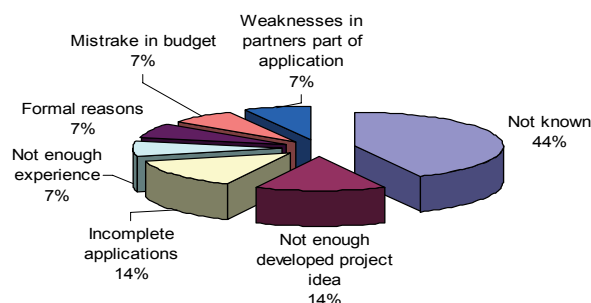


Fig. 9 The main reasons for rejection of financing IPA projects

Most applicants do not know the reasons for project proposal rejection. The evaluation process should be transparent. Each applicant should receive evaluation scores for each part of his application to learn how to avoid mistakes in further trays (Figure 9).

Most answered that the main reason for accepting project proposal was good project idea and well-filled application.

▪ **Your most important experience during project realization**

Detailed reports about project realization

- Motivation of participants
- Work with partners
- Learning project cycles management
- Respect of EU standards
- Use of EU tender procedures
- Cooperation with local authority

▪ **Timing of the whole process:**

- From delivering project application to decision: 4-11 months (4 months in most cases).
- From decision to obtaining fund: 1 to 12 months (4 months in most cases).
- From decision to beginning of realization: 1 to 12 months (3 months in most cases).

That means that from delivering application:

- till the start of realization passes an average of about 7 months and
- till receiving funds about 8 months. Very long period!

▪ **Do you have experience in project implementation?**

50% have experience in project implementation. The main problems during project implementations are shown in Figure 10.

Problems during project implementations	Answers (%)
Procedures are complex	27
Lack of domestic funds for co-financing	19
Financial problems (cash flow)	16
Lack of human resources	15
Lack of knowledge	10
Evaluation reports	9
Impossibility to realize what was planed	2
Visibility	2

Fig 10 The main problems during project implementation

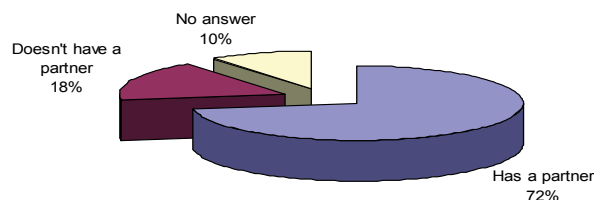
Q.III Questions about partnership

Fig. 11 Do you have a partner?

A large number of subjects, 72% have cross border partner (figure 11). 57% of them have found their partners by personal contacts.

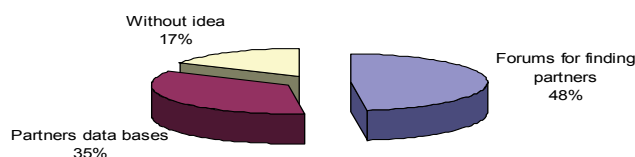


Fig. 12 How do you find partners?

In most cases partners were found at partner forums and at partners data bases (Figure 12). In the future, candidates hope to have available unified data bases and web sites with more data about partners.

Q.IV Possibilities and limitations

87.5% candidates consider IPA cross border programmes a good solution for development of their local community.

An analysis of interesting fields of common cross border projects was done. The first 7 fields are: tourism, culture and sport, education, environmental protection, entrepreneurship, development of service quality, utilities. 70% have experience in preparing project proposals and applications (Figure 8), which is a big percentage. They gained knowledge from (Fig. 13):

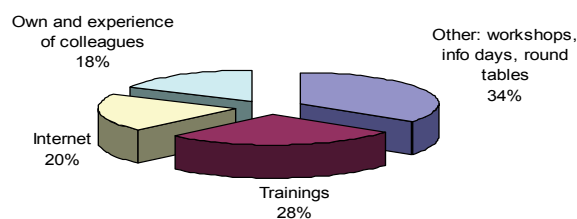


Fig. 13 Sources of knowledge about preparation of project proposals

▪ **Where do you find information about calls for proposals?**

Most (63.9%) find information about calls for proposals on the Internet (Ministry of finance website). They use media, trainings, workshops and NGOs for informing.

Q.V Your needs

82.5% of candidates want to participate in trainings or workshops about EU funds. The topics they prefer are shown in Figure 14.

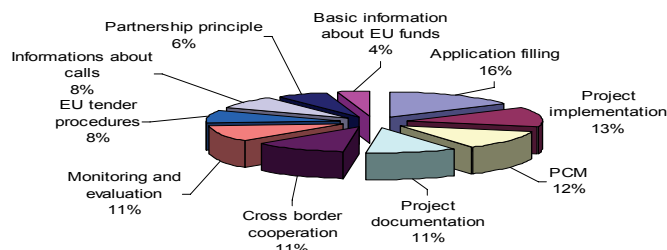


Fig. 14 Topics of trainings

▪ **What kind of informing about EU funds is the most effective for you?**

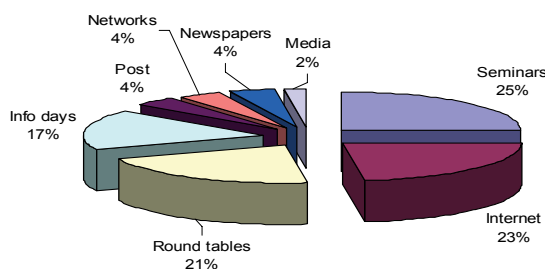


Fig. 15 The most effective informing about IPA

Candidates prefer seminars, then the Internet, round tables and info days (Figure 15). They suggested "direct mailing" system and consulting service.

Q.VI Your contribution

▪ **What has inspired you to start with activities about EU/IPA funds?**

Financial resources 22%, regional development 19%, contacts with foreign partners with experience 19%, the inclusion into EU activities and preparation for Structural funds 16%, employment and professional motivation, surroundings change, challenge, training.

Themes are very different and interesting. Inclusion into the EU is very important.

3.3. Model

There are two parts of the IPA funding process. First is determined by the EC procedure and cannot be influenced. The second part of the process is performing in Serbia and could be influenced and improved. The model of this part of the process is shown in Figure 16:

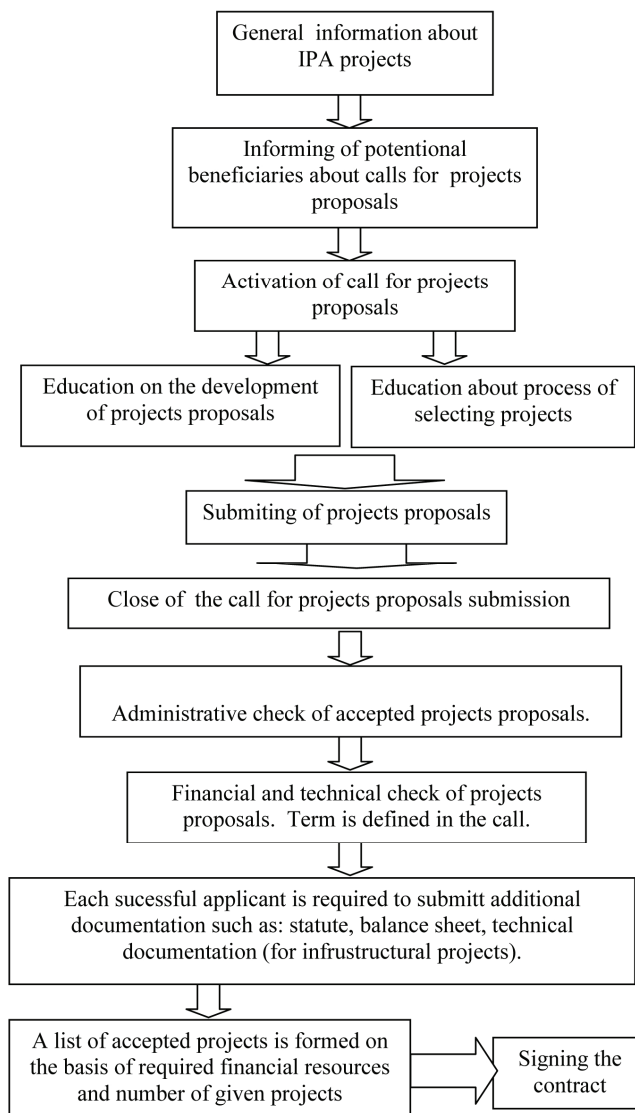


Fig. 16 Model of IPA funding process

The analysis shows that there are significant points in the process as the following:

1. Informing target groups (non-profit sector) about possibilities and ways to receive financial resources from IPA funds
2. Information and education about strategic documents that must be known for good project ideas selection
3. Best practices presentation: successfully performed projects
4. Training about filling of applications for projects proposals, project management cycle, budget

5. Informing target group about appearance of call for projects proposals
6. Assistance in understanding the rules from Guidelines for applicants and filling of project application
7. Assistance about the English language which is not the mother tongue of applicants
8. Training about project implementation (budget, evaluation, monitoring, auditing)

Generally, they could be divided into three groups:

- informing of citizens and potential beneficiaries
- education of beneficiaries
- assistance in realization of any project phase.

4. CONCLUSION

There is a lack of project management knowledge in Serbia. Acquisition of knowledge about projects must start long before announcement of call for project proposals. This knowledge must be universal and useable for all EU funded projects, and projects in general. Today existing informal education has to be formalized through creating society of knowledge by implementing project management into formal educational process, from the level of primary and high schools. Proposals for further improvements of IPA funding process are:

1. The idea is to set up a new, so called: "Project centre" at each local authority administration centre which will provide all information about available EU funds and data about them for beneficiaries. The Centre must have a data base of potential users. It could be used to send useful information, selectively. Each will receive appropriate, timely information. There must be available web portal at the Centre which will show the best practices examples and help in exchanging experiences.
2. The Project centre will be the place for workshops, trainings, round tables and info days about EU strategic documents as a base for good project ideas.
3. Most of potential beneficiaries have theoretical knowledge about applying and realization of projects, gathered from info days, the Internet, and so on. They need presentation of good applications and well implemented projects from expert that have realized these. Presentations of unaccepted projects are useful, too. Understanding of scoring process is of big importance. It must be shown and understood.
4. Assistance in filling of application must be the task of the Project centre. Info days are not sufficient for most potential users. Advisory help of the Project centre will provide detailed explanations of Applicants guidelines and if needed they will direct to local office of certain programme that is officially organized by the EC.
5. Government organizations must provide translation of all documents (call for project proposals, application guidelines, application, strategic document, etc) that will enhance their use. The Project centre will provide help for translation of local language to applications language if applicants need it.
6. Education must be separately organized for groups willing to make applications and groups whose projects are chosen to be financed. For groups whose projects will be financed, focus of education should be on European standards for bidding process and evaluation, monitoring and audit procedures that are not known in non-EU countries.
7. Control of project budget use must be separated from other financial activities of beneficiaries. Budget control must be separate from other project activities controls, too.

Civil society with its expert organizations is ready to be included into monitoring system because of its importance for each citizen and pro-European development of the country. Sustainability of projects ("life after EU funds financing") is a difficult task for non-developed countries. That could be done through the Project centres with the help of NGOs.

In the end, an interesting view of US author Janine R. Wedel. (8: p.33):

"Under a long-developing body of regulations, contracting procedures could be very complex and time consuming. Administered from Brussels, PHARE was constrained by regulations designed to ensure fairness that often worked against effectiveness."

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MODEL ZA KORIŠĆENJE FONDOVA EU ZA REALIZACIJU PROJEKATA U ZEMLJAMA U PROCESU PRIDRUŽIVANJA: SLUČAJ SRBIJE

Mirjana Kranjac, Rado Maksimović, Uroš Sikimić

Evropska unija je uspostavila mehanizam da podrži proces tranzicije u zemljama kandidatima i potencijalnim kandidatima putem finansijske pomoći. Ova strana pomoć se realizuje preko različitih EU fondova. Cilj ovog rada je da da sugestije za efektivnije korišćenje IPA fondova koji su zamenili sve ranije korišćene pretpristupne fondove. U radu je predstavljen slučaj Srbije. Urađeno je istraživanje koje je obuhvatilo 108 srpskih organizacija. Formiran je model korišćenja IPA fondova. Definisane su značajna mesta procesa. Preporučeno je poboljšanje kroz novu ideju kojom se predviđa uspostavljenje "Projektnih centara".

Ključne reči: strana pomoć, programi pomoći, IPA fondovi, upravljanje projektima, Srbija