ADMINISTRATIVE CHALLENGES OF REGIONAL DEVELOPMENT IN EUROPE: LIMITATIONS IN APSORPTION OF EU FUNDS

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Abstract- EU regional policy aims to concrete results, which strengthen economic and social cohesion to reduce the differences in development between regions. With the help of EU regional policy a posibility opens to finance projects which benefit both regions, communities and citizens. Regional policy of EU is carried out through funds for regional development. The availability of funds for regional development depends on each country apsorption capacities and its strategic orientation. Absorption capacities are crucial and the level of EU funds utilization affects the investments, employment, living standard and regional development in general. All meber states have on their disposal various funds for financing development project that directly impact reducing disparities between regions. Good ideas transformed into quality projects are precondition for the absorption of EU funds and sustainable regional development. Problems and constraints that arise in the process of project application and absorption of funds appear at all levels of project planning, while the national, regional and local level needs to respond proactively to solve these problems. This paper analyses and indicates the possibilities provided by regional policy and main administrative limitations in apsorption of EU funds in Croatia. The research is conducted as a survey on the sample of 48 responders active in the field of project management and strategic planning. In most cases, there are employees of local/regional government and development agencies. Research results demonstrate a lack of harmonization of national/regional policy with local needs. Nevertheless, there is a lack of bottom up comunication and positive sinergy in order to stimulate regional development. Administrative obstacles between all levels of decision makers and operative levels are at very high level, wich directly impacts on absorption of EU funds.

Keywords- Absorption capacities, EU funds, projects, regional development

I. INTRODUCTION

The policy and institutional framework for regional development plays an important role in contributing to a more equal sharing of benefits of high growth. By strengthening the policy framework and the institutional structure of regional development, countries could address the issue of wide regional discrepancies.

EU Regional Policy aims to deliver concrete results that strengthen economic and social cohesion to bridge the differences in development between regions. With the help of EU regional policy projects that directly benefit a region, local communities and the business sector, can be funded. Co-financing projects in the above mentioned areas encourage regional development of individual regions. However, it does not necessarily mean that more approved EU funds mean greater regional development. For this reason, the challenge is how to measure the real effects and influences from used funds on regional development within each beneficiary country funds. EU funds through the years have had a strong impact on regional development of beneficiary countries. The best example is the recent economic crisis that included the vast majority of European and other countries to drastically reduce investment and led to a drop in standards in these countries. Poland, as a country that has focused all its resources in the use of available funds for development projects managed to avoid the crisis, as one of the few countries that has managed to achieve moderate growth in GDP.

II. THEORETICAL FRAMEWORK OF REGIONAL DEVELOPMENT

Regional development presents an activation of economic processes and encouragement for using resourses in weaker developed regions in order to achieve totaly sustainable economical development of the specific region, in harmony with values and expectations of entrepreneurs, citizens and visitors. Regional development represents geographical range of well-being and its evolution. It has been playing a central role in geographical area economy, regional economy, regional science and economical increase theory. The concept in reality is very dinamic, refering to a complex spatial-temporal dynamics of the regions (or interdependent groups of regions). [1]

Regional development is objective process of socio-economic changes in regional structure and its relation to other regions. Regional development politics which affects the movement of that process includes construction and determination of conceptions, strategies, goals, tasks and current measures of economic politics and their realization at different territorial levels. It is based on compatibility of regional, sectoral and global politics. It includes sector and global politics enrichment with specific regional content contributing to economic growth and development. Regional economic policy contributes to increase regional prosperity and country in general. It is defined by a system of coherent relations that direct regional development is based on the valuation of regional economical resources and stimulation of

development processes and improvement of the economical region. [2] Definition offered by Ponikowski emphasizes border between regions and their environment. That approach is a result of administrative division, which takes big part in the way of understanding the regional phenomenon, which can contribute to concentration or artificially reduced actual intensity of both phenomena. [3]

There is a large number of initiatives and programs which are implemented at local and regional area in last several decades in order to promote the competitiveness of enterprises, attract investments, fight against unemployment, improve the environment and promote the inclusion of marginalized groups. The main areas in regional development promotion are:

- Technology, innovation and information transfer
- Training, further education and building employment
- Supporting specific groups of entrepreneurs, cooperation promotion between businesses by horizontal and vertical coupling and sectoral clustering
- Promotion of domestic investment. [4]

Different level of economical development is reflected in the inequalities of individual regions, which are caused by many reasons. These inequalities are also expressed in many inequalities between people. The most common form are social inequalities, which are apparent in production and reproduction area, then in the dominance field, the division of labor, the social distribution of civilization goods and heritage and the cultural values. [5] Economical inequalities are particularly striking in social activities, and those inequalities can be defined as greater, systemic and structural distortions, resulting from sources (resources) disposal, distribution income and domestic product allocation in relation to quantity and intensity of used factors of production. [6]

III. REGIONAL DEVELOPMENT OF THE EUROPEAN UNION

Regional politics of the European Union is designed to reduce economical and social disparities between Union member states by assistance to regional development. Because of that, when it comes to regional politics of European union, it should be kept in mind that the solution is not only in regional development in the strict sense of the word, but in an effort to achieve connection at the level of the European Union by reducing the existing differences on the development level between its regions.

Structural funds and Cohesion fund are the realization „engines“ of economical and social cohesion politics of the European union and they are available only to states members of the Union. Resources of these funds are used to reduce differences in development between Union regions and to reduce disparities in the living standard of their inhabitants. [7]
General goals of EU regional politics are:

- To achieve economical and social cohesion in Europe
- To ensure that regional problems are adequately considered in other public policies in the Union
- Coordination of regional policies of the member states
- To ensure generous financial instruments in order to encourage the development of less developed areas. [8]

Until the year 2020 EU focus is going to be concentrated on smart growth encouraging knowledge, inovation, education and digital society and sustainable development which will help production to be more effective in resources exploitation while increasing competitiveness, as well as on inclusive growth by increased participation in the labor market, acquisition of skills and actions against poverty. [9]

IV. IMPORTANCE OF THE EU FUNDS FOR REDUCTION OF REGIONAL DISPARITIES

EU funds represent one of the main factors of regional development of individual regions. The ability of the region to adapt to demands of competition depends of development level and prosperity of its inhabitants. Quality ideas turned into quality projects are prerequisite for the absorption of means from EU funds for sustainable regional development.

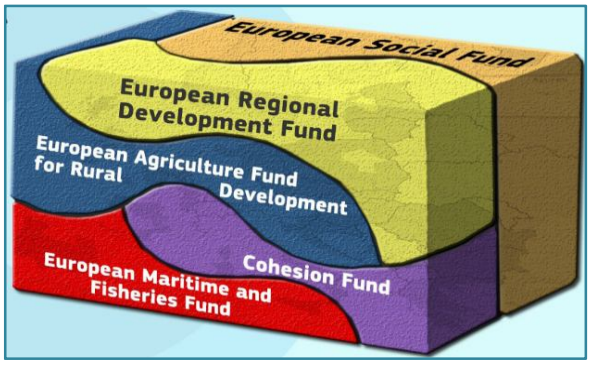
Nominal benefits from the projects are particularly easily measurable benefits which are a result of implementation of financial resources that beneficiaries of the project implement in their project activities, for example, the number of trained users, number of square meters on a new building, etc. Real or actual benefits or damages generated by some project are those which are more difficult to measure, and this is because they are difficult to separate from the other indicators, or because we refer to the results of multiplying effects of the project, that last long after the project has been implemented. If we are talking about the benefits, but also about the possible damages that certain project brings, and if we relate them to the stakeholders in the project, we can distinguish two types of shares; those that are directly impacted by a project and those that are indirectly impacted by a project. It must also be considered that there is no absolute interest for every project, and there is no project that generates a benefit to everyone, on the contrary, a quality stakeholder analysis will reveal that there is always a group of stakeholders or at least an individual stakeholder with

whose interest project is in opposition or contradiction. [10]

Its regional policy EU implements through funds for regional development. Regional development of individual regions is encouraged by co-financing projects in the above mentioned areas. However, more approved means from EU funds does not necessarily mean greater regional development. Because of that the real effects and impacts of disbursed funds on regional development within each beneficiary funds country have to be measured.

Availability of funds for regional development depends on the phase of EU membership of a country. So there are funds for countries that are in the process of EU accession, while EU countries use other types of funds. However, the procedure of funds allocation isn't always automatically determined and transparent. It is the result of political negotiations between the member states that often affect the planning of the EU budget. [11]

EU funds for EU members 2014.-2020.



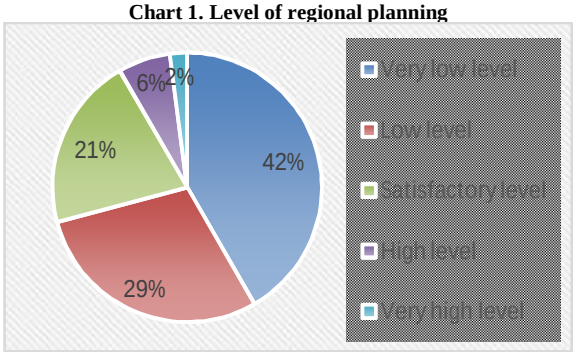
In a period from 2014 to 2020, 376 billion euro will be available for the member states from the European regional development fund, European social fund, Cohesion fund, European agricultural fund for rural development and European fund for marine and fisheries. [8]

V. LIMITATION OF REGIONAL DEVELOPMENT IN CROATIA

Due to the constant deepening of socio-economic disparities and development opportunities in different parts of the country and among different social groups, Croatia has identified the need to define a coherent regional development politics. Furthermore, despite of the widely accepted opinion that diversity of Croatian regions in natural, geographical, social, economical and political aspect is great country wealth, these benefits have not been successfully used yet nor they have been managed appropriately. [12]
An additional factor influencing the increasing importance of regional development politics is the accession to the EU. In this regard it is extremely important to be well prepared for the use of EU funds assigned for regional development, and to ensure that national politics and regional politics of the EU create a consistent, integrated and effective base for the use of national resources and funds of the EU assigned to strengthen cohesion in order to reduce internal differences of regional development and create conditions that will enable Croatia to approach as quickly as possible to the average level of socio-economic development in the EU. [12]

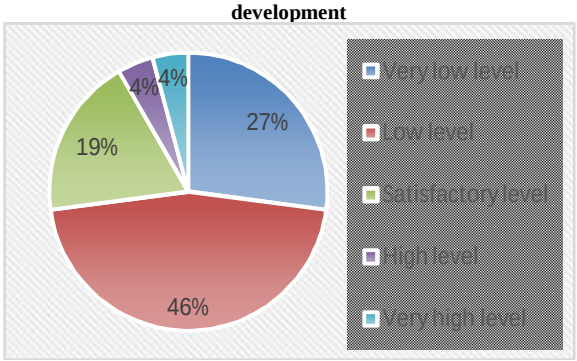
Conducted research between 48 responders active in the field of project management and strategic planning in Croatia indicate many »black spots« of regional development in Croatia. The responders were engaged in survey and the results are displayed below.

Chart 1. Level of regional planning



The chart 1. indicates that regional planning in Croatia is at very low level, as considered 42% of responders. Strategic plans are late in development and implementation at all levels, they are not carried out properly and the local needs are not recognized at higher/national levels. All this leads to a deepening of regional disparities. All these reasons were stated as an explanation to rate the level of regional planning as very low or low. The least percentage of responders, only 2%, consider the level to be very high.

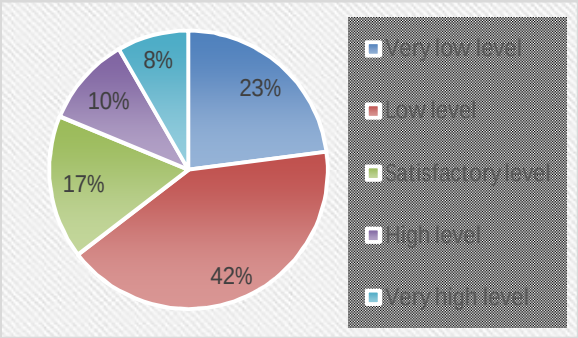
Chart 2. Quality of Operational Programmes for regional development



The chart 2. indicates that the level of quality of Operational Programmes for regional development in Croatia is low (46%) or very low (27%). Operation plans are late in development and implementation at all levels, they are not carried out properly and the

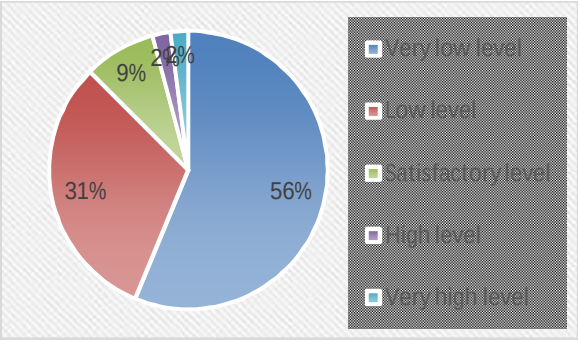
local needs are not recognized at higher/national levels. All this leads to a deepening of regional disparities. The Operational Programmess are foundation for attracting EU funds that are on disposal. I Croatia there is two Operational Programmess: Operational Programme for Competitiveness and Cohesion; Operational Programme for Human Resources. The introduced programmess needs to be adequate and aplicable for projects on local and regional level.

Chart 3. Prioritization in financial allocation between regions



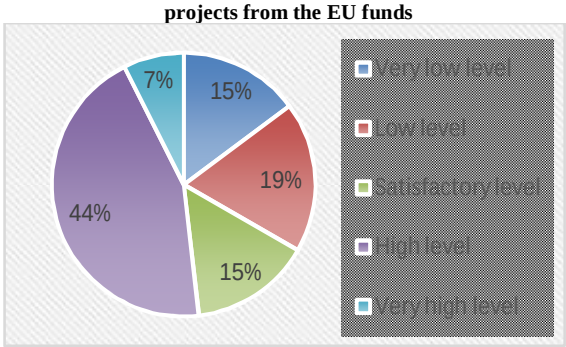
The chart 3. also shows low level of prioritization in financial allocation among regions in Croatia. Differences between developed and undeveloped areas are large, especially in investment, employment and living standards of local people. The funds are often directed to already developed regions, while there is no concentration on discriminatory undeveloped regions and thus preventing their progress. It is't good to invest in already developed areas while undeveloped areas become even more undeveloped. Young educated people are leaving in developed regions due to lack of perspective, which adds to the deterioration of rural and less developed regions. Reducing differences in development between developed and undeveloped areas is only possible with proper direction of funds.

Chart 4. Level of clarification in tenders for financing projects from the EU funds



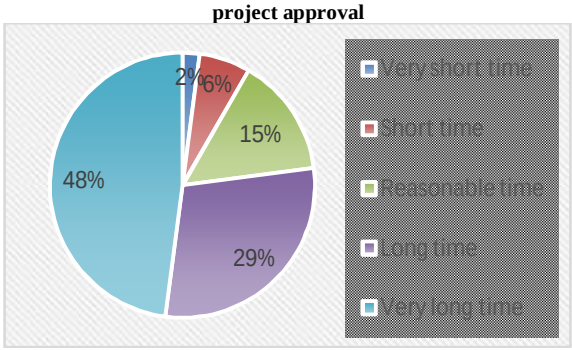
The chart 4. presents very low level of clarification in tenders for financing projects from the EU funds. Invitations to tenders are often complex, incomprehensible and illogical. They are also exclusive for the majority of potential applicants and vague in terms of required documentation to be submitted with the project. Project applications were brought to such amount of paperwork that it outgrows an envelope and has to be sent in packages, which significantly increases the risk of errors when sending projects and as the result, acceptance of the submitted projects. The tenders for applying potential projects needs to be clear and easy to understand in order to raisen absorption of EU funds.

Chart 5. Level of documentation complexity for financing projects from the EU funds



The chart 5. shows that 44% of responders consider that the level of documentation complexity required for applying projects is high. The documentation is in some cases impossible to obtain. Ministries are not in compliance, the laws have been prepared so that one is in contrary to one another. Changing the conditions for competition during the period of tender duration are common and do not achieve the results. Also, problems that cummulate from complex documentation eliminate a lot of good ideas that would potentially have excellent results.

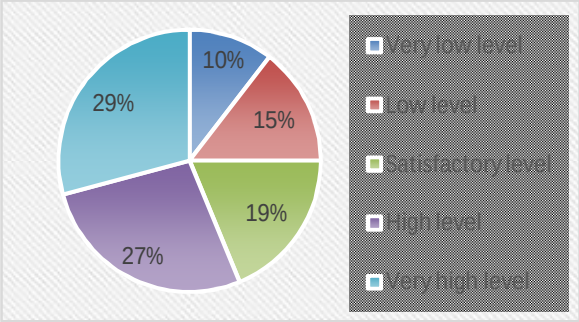
Chart 6. Time duration between project application and project approval



The chart 6. shows that time is also a factor which causes issues for project applications. That can be seen from the fact that 29% responders stated that they consider how between project application and approval passes a long period of time, and even 48% stated the period as very long. Such long process has bad influence on strategic planning potential for applicants and disables continuety. Also the costs, conditions, features and circumstances change over time. It does not necessarily mean that the needs of potential applicants in the moments of implementation will be the same as when the project was written, same to that, the more time that passes

between application and approval, the more differences will be made by external influences. Technology and market competition are similar to living organisms that depend on time and change over time.

Chart 7. The level of administration and bureaucracy in project application



The chart 7. indicate that level of administration and bureaucracy is high. Many potential applicants give up because of the large bureaucratic procedures for obtaining various permits and opinions. They do not know where to turn for help, they often get different answers to the same questions from different bodies. Only 10% of responders appear satisfied with the level of administration requested and state it to be very low. The level of administration and bureuccracy needs to be minimum in order to raisen absorption of EU funds.

CONCLUSIONS

Regions need four essential ingredients to gain a competitive advantage in the global economy: strategy, management, innovation and entrepreneurship. These four factors build a self-empowering system aimed to producing prosperity in the region. Government's role in regional development is very important, especially when we speak of regional planning and coordinating. EU regional policy is designed to reduce economic and social disparities between the Member States by assisting regional development.

Regional problems facing the European Union are related to inherited differences in the level of income, the rate of GDP and employment, which by its very nature causes economic disparities between regions within the European Union. Regional Policy conducts state that their intervention aims to reduction of socio-economic disparities between different areas in order to accelerate the overall progress of the country. Structural funds and Cohesion fund are the „engines"of economic and social cohesion policy of the EU and are available only to member states. The EU may be one of the richest parts of the world, but there are large differences in prosperity levels both between and within EU countries.

When we talk about Croatia, large differences between regions are visible within the countries. One of the reasons is a low level of applied and approved projects that directly or indirectly affect the reduction of regional disparities. The reason for this is visible through a large administrative and bureaucratic constraints in the application and implementation of projects. It is also important to note that public tenders for funding from EU funds are very complex and often incomprehensible for the potential beneficiaries. The funds are often not directed to those who need funding and required documentation is mostly complex. But one of the most important challenges is preparation of quality strategic regional documents on all levels as well as operational programmess for project financing.

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