

A MODEL OF USING IPA FUNDS FOR PROJECT REALIZATION IN PRE-ACCESSION COUNTRIES: THE CASE OF SERBIA

Mirjana Kranjac*, Rado Maksimović, Uroš Sikimić

University of Novi Sad, Serbia

Abstract. *During the process of enlargement, the European Union established a mechanism to develop institutions and to support transition process in the EU, through financial help, for potential candidates and candidate countries. This foreign aid is operating throughout different EU funds. The instrument for the pre-accession assistance (IPA) has replaced all other financial funds for the budget period 2007–2013. The aim of this article is to give suggestions for a more efficient use of IPA funds. The article presents a case of Serbia by showing the empirical results from a questionnaire survey of 108 organizations evaluating a range of issues. A model of IPA funds' use has been created. Risk points have been determined and divided into three groups: informing of potential beneficiaries, their education, and assistance in the realization of all project phases. Improvement could be achieved through the implementation of a new idea for setting up "project centres" which would support the process. Thus, civil society would be involved into the monitoring system.*

Key words: *foreign aid, policy making, assistance programs, Serbia*

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 a significant challenge of the upcoming years. Turbulences in the modern world increase the role of the united Europe which must be capable of protecting its own interests by simultaneously promoting principles of democracy all over the world. All these goals cannot be reached without internal cohesion and economic power inside of the EU itself.

Therefore, the EU develops the mechanism aimed to economically strengthen all the prospective members before their becoming the EU members. Different EU funds have a target to develop democratic values in these countries and to build and improve the institutions that will implement the processes of financial assistance, and thus provide an easier usage of structural and cohesion funds after entering the EU. These future funds will enable the use of greater financial resources, but with a more complex system of operating.

* *Corresponding author.*

Faculty of Technical Sciences, University of Novi Sad, Trg Dositeja Obradovića 3, Novi Sad, Serbia;
e-mail: mirjana.kranjac@yahoo.com

This shows the great importance for candidate countries and potential candidates to timely build a system for the most rational use of pre-accession funds and later EU member funds. We should have in mind that this is not easy. Systems of the EU funds and their operating are totally new for Balkan countries. As a result of a severe control of financial resources, aimed to avoid their misuse which, e.g., caused the return of the received help in Romania and Bulgaria, these systems are very complex (Georgescu, 2007).

Information and knowledge about programs of help is extremely important to institutions and citizens as it contributes to learning about the merits of the EU. They provide professional training for learning how to assimilate the principles of modern business.

Of essential importance for pre-accession countries is to consider the EU funds as a useful tool in the European integration process.

1. IPA as the EU assistance program

The European Commission (EC) has accepted a new financial frame for the period 2007–2013, which established a new financial instrument for the provision of external assistance to the EU candidate countries (Macedonia, Croatia and Turkey) and the potential EU candidate countries (Albania, B&H, Montenegro and Republic of Serbia). The legal frame of the Instrument of the Pre-accession Assistance (IPA) was set up by the European Council Regulation No. 1085/2006 accepted on 17th July 2006 (Gjorgijevski, 2005). The financial value of the IPA for the period 2007–2013 is 9.24 billion Euros (Instrument for Pre-accession Assistance, 2008). The plan for resources allocation

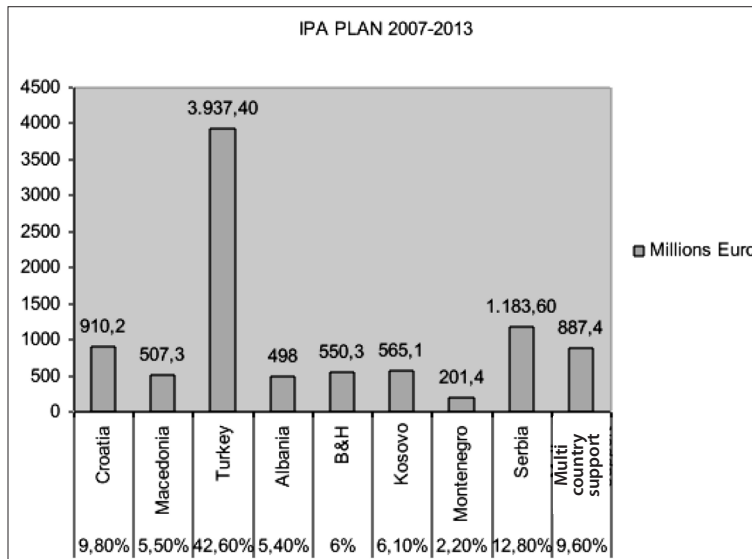


FIG. 1. Plan for IPA assistance during the period 2007–2013

Source: IPA: A new focus to EU assistance for enlargement, European Comission (2009).

according to countries is presented in Fig. 1. This graph shows that the EC is trying to help with more financial resources Kosovo, Albania and Montenegro as less developed countries and countries that assimilated more of allocated resources from the previous program of help, called CARDS (EU financial assistance ..., 2007).

The EC decided to replace all the pre-accession funds that were used until 2006 (PHARE, ISPA, SAPARD and CARDS) by a new pre-accession instrument – the IPA. Old funds were reconstruction funds, while the IPA should contribute to the process of development. This decision was made to simplify the planning and management of funds. The idea was that countries, both EU candidates and potential EU candidates, should use simple and unified financial rules to be able of a stronger cohesion and faster integration (How IPA works, 2009).

The case of Serbia

In 2000–2006, Serbia received about 1.7 billion Euros from the EU through the CARDS program, the previous generation of help programs aimed at Balkan countries. The results of CARDS 2000–2006 show that 87% of allocated resources were contracted and 71% of them were used properly. The CARDS program was replaced by the IPA. The IPA program should support the pro-European development of Serbia during the 2007–2013 budget period.

The start of IPA was the IPA-2007 which is being realized in 2008, 2009 and 2010. Serbia could get a help of 572.4 million Euros from the EU, which means about 200 million per year, or 27.26 Euros per capita per year. The IPA-2007 was realized with only 39% of allocated financial resources (Instrument for Pre-Accession Assistance IPA, 2008).

The related reasons are as follows:

- the lacking promotion of the EU merits, including information about the EU enlargement process, financial assistance, the EU strategic documents;
- the decentralized management system (DIS) of the IPA funds, which is at the initial stage of implementation;
- the lack of institutional capacities and experts;
- the lack of project documentation;
- the lack of resources for projects' co-financing.

The IPA should provide assistance in reforms and in the development of the Europeanization process which implies the implementation of the EU standards and norms.

For all IPA projects, Serbia must provide about 20% of financing (co-financing) of the whole project value. In this way Serbia confirms its strive to pro-European development and determination to conduct the policy of approaching the EU. The Ministry of Finance plays the main role in the process of programming the EU funds. It has recently got a function of NIPAC (national IPA) coordinator (Planning of the IPA, 2007). This

is the beginning of the implementation of the decentralized management system as one of the conditions Serbia must fulfil before entering the EU. Through the process of DIS creation, the Ministry of Finance organizes trainings led by experts (Proces za primenu IPA programa, 2008).

During the period 2007–2013, Serbia can also use resources from 25 other EU programs under certain conditions. These are: TAIEX, Competitiveness and Innovation Framework Programme (CIP), Progress, Citizens for Europe, Public Health, Consumer Programme, Culture 2007, etc.

1. How to make the EU/IPA funding more effective?

Research object: the IPA funding process in Serbia.

Research aim: to make the EU/IPA funding more effective.

Research tasks: creation of a model of the IPA fund use, detecting the risk points that can be affected, and suggesting improvements.

Research methodology: a survey research performed in 108 Serbian organizations with evaluating a range of issues.

Research subjects: the selected organizations are eligible organizations listed in the IPA program documents. The selected organizations consist of two groups:

- organizations that have already applied for IPA funding and are the most typical users of IPA funding;
- a random sample of eligible organizations which have not yet applied for IPA funding.

The structure of the selected organizations is presented in Fig. 2.

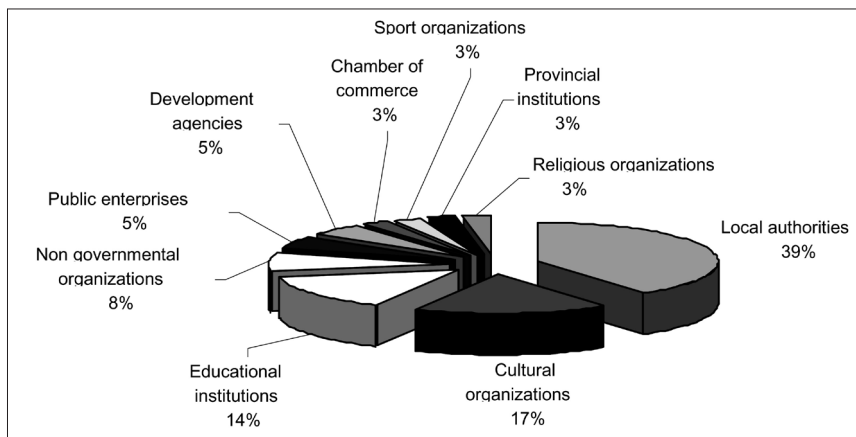


FIG. 2. Structure of selected organizations

Source: authors' analysis.

2. Survey results

The questionnaire consists of six groups of questions:

- Q.0. General data about the candidate.
- Q.I. Available data on the 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.

Analysis of the general data on the respondents has showed that 62.5% of the organizations have departments for project management, and 12.5% have departments specialized for the EU funded projects. The organizations have already recognized the importance of project management and even management of the EU-funded projects. By this, they try to compensate the deficiencies of formal education (primary and high schools) which does not include project management. The following text will explain the obtained data.

Q.I. Available data on the EU funds

The goal of this group of questions is to explore available information about the EU funds. Analysis has shown that 85% of the respondents are familiar with the existence of the EU funds; 65% of the organizations know some other funds except the IPA Program (FP7, CARDS, Twinning ...), and 47.5% even participated in some of them. By the question: “Are you familiar with the existence of the Instrument for Pre-accession Assistance (IPA)?” we have found that 82.5% of the organizations are familiar with the existence of IPA funds planned for the budget period 2007–2013, which replaced all pre-accession funds. This is expected due to the new role and importance of the IPA for Serbia. According to the results of our research, organizations use different sources of information about the IPA (Fig. 3). Answers indicated that the Ministry of Finance, which is the coordinator of the IPA activities, plays the main role in spreading information. Trainings and web sites are also mostly organized by this Ministry.

We found that representatives of 77.5% of the organizations participated in informative events about IPA programs; 52.5% of trainings they took part in were organized by non-governmental organizations registered in Serbia or in neighbouring countries (Slovenia, Hungary and Croatia).

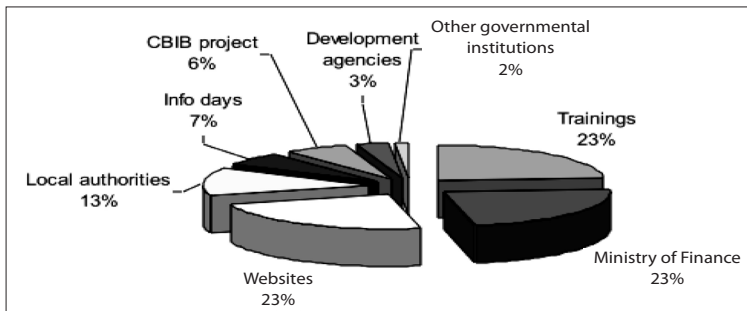


FIG. 3. Sources of information about IPA

Source: authors' analysis.

It can be concluded that there are many events whose task is to inform about the IPA program. The Ministry of Finance as the national IPA coordinator is an important source of this information. Many people get information themselves by using websites. Civil society is actively engaged into trainings. But, because of the lack of human resources in Serbian NGOs, many NGOs from neighbouring countries use the gap and organize trainings which are often of low quality.

Further analysis show that of those who participated in any training about the IPA funds, 45% think that they have got enough information for quality participation in the IPA programs, 32.5% consider that they are not sufficiently informed, 22.5% have not answered this question. The responses indicate a significant percentage of organizations that are missing quality trainings which give necessary information about the IPA. Many NGOs that try to do trainings do not have enough experts qualified for this job. An organized governmental action is missing.

Answers to the question “What kind of information / knowledge from any training about IPA funds was most useful?” show that the most useful information that has been given to the respondents, actually presents data on the EU and its functioning. They have indicated the whole range of information they have benefited of (Table 1). Analysis of the answers shows that respondents welcome all information that makes them familiar with the EU procedures. The focus is on the budget which must be planned and realized according to the European laws defined in the document called PRAG. Information about filling out the applications in the European form and about examples of well-formed applications that the EC has decided to support and which have answered all strict requirements of the EC is highly valued. It gives practical knowledge that can be used.

TABLE 1. The most useful information about the IPA from trainings

Useful information they have got during trainings	Answers (%)
Information about call for proposals (procedure, documentation)	20
Budget	17
Application filling, PCM	17
Best practices of applications for accepted projects	10
Understanding of the functioning of EU funds	10
Tender procedure according to EU rules (PRAG)	6.5
Information about a help desk for help during application procedure	6.5
Help in finding a partner	6.5
Creation of project ideas	6.5

Source: authors' analysis.

Analysis of answers to the request “Specify information you need for the future” has given the scope of this information (Table 2).

TABLE 2. Information about IPA needed for the future

Useful information missed by respondents	Answers (%)
Information about filling an 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 tender procedures according to the EU standards	5
Translations of applications into Serbian language	5
PCM in the EU	5
Monitoring and evaluation procedures	3
Data about potential partners	3

Source: authors' analysis.

These answers are complementary to those to the previous question. Users of funds need more knowledge about the differences of the EU procedures from Serbian procedures. There is a lack of information, especially of that enabling respondents to enter the process of IPA funding (by filling the applications).

Q.II. Capacity and experience

Despite the results concerning information about the IPA (82.5% of the respondents know about the existence of the IPA), during the further research about their experience with IPA we have found that a large number (62.5%) have no experience with the IPA. Most of the realized projects belonged to the program with Romania (43%) (Table 3). The first call for a proposal of this program arrived after the first effects of the world economic crisis. The deficiency of other financial resources for projects' realization forced much more applicants to apply with project proposals.

Upon collecting data on any experience with the IPA, we wanted to clarify the problems that appear during project proposal preparation by the question: "What are your main problems during the preparation of the IPA project proposals?" The answers pointed

TABLE 3. Share according to foreign partners

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

Source: authors' analysis.

to complex application procedures as the main problem, together with the lack of human resources. Many potential candidates have problems with the English language which is the official language of the EU funds.

The old-fashioned process of education in Serbia does not train experts that

could help in the application process. Changes in formal and informal education and in institutions are necessary. A new group of experts should be formed to trace the Serbian way towards the EU. Many project management procedures, such as creation of the logical framework, are totally unknown in Serbia and are not included into the Serbian education process (Fig. 4).

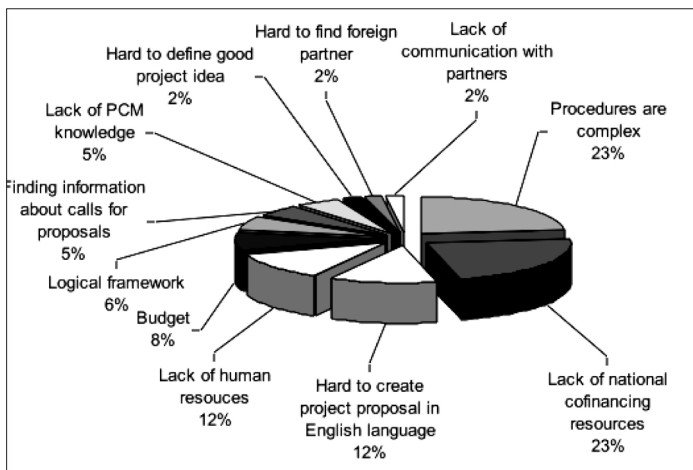


FIG. 4. The main problems during preparation process of IPA project proposals
 Source: authors' analysis.

Answers to the question “The main reasons for rejection of IPA projects financing” has showed that most of the applicants do not know the reasons for project proposal rejection. The evaluation process, performed by the EC, should be transparent. Each applicant should receive evaluation scores with explanations for each part of his application to learn how to avoid mistakes in further efforts (Fig. 5). This feedback would be a certain way of training and education for the future applications. Many problems arise because of insufficient knowledge about the EU fund requests presented in strategic and programs documents and missing of interactive communication which would include

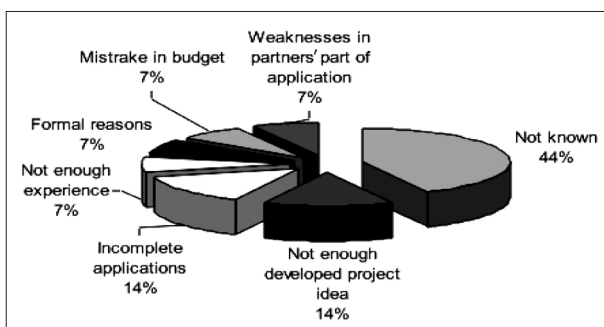


FIG. 5. The main reasons for rejection of financing IPA projects
 Source: authors' analysis.

collecting potential users' needs during the formulation of program goals and also informing and teaching about program goals and ways to take part in the EU funding system. Requests for partnership cause problems because of the need to have an excellent organization during filling out the applications and to be capable of team work still not often practiced in Serbia.

Through our research, we found that the main reasons for accepting project proposals were a good project idea (58%) and a well-filled application (37%). To have a good idea means to be familiar:

- with many strategic papers of the EU and
- with certain program documents created by the EC and national authorities.

A good idea implies good knowledge of the EU functioning, its enlargement policy, European principles for candidate and potential candidate countries for their approaching the EU membership. A well-filled application is based on a perfect knowledge of the techniques that the EU requests through the Application Guideline and a good knowledge of English.

Also, our team wanted to explore what is going on when an applicant gets financing and when the period of implementation starts. Comparing answers to the question "Do you have experience in the EU project implementation?" with the answers about any IPA experience, we found that a bigger percentage (50%) of respondents had experience with the EU project implementation rather than any experience with IPA (37.5%). This could be expected, having in mind the fact that the IPA has been used only since 2007 and many respondents used other programs that had existed before IPA started. The results of further research on the main problems during project implementations are shown in Table 4.

TABLE 4. Main problems during project implementation

Problems	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
Reports	9
Impossibility to realize planned projects	2
Visibility	2

Source: authors' analysis.

The problem stressed by the respondents is a complex procedure. The EC created such procedures to ensure good control. Misuses in Romania and Bulgaria forced the EU to implement complex procedures that would help in the controlling, evaluating and monitoring processes.

Co-financing was involved in the process of funding to ensure the right intention for which a country accepts the EU values and takes the European way. Problems with it show that countries are still unable to organize the budget and financing resources so as to support the EU funding and to multiply the allocated resources.

A great part of the other problems deal with human resources which must be trained and taught. The group that would be qualified for IPA projects would be a pilot group that would support the further education process and later take part in structural and cohesion funds. The problems are similar to those for project applications.

From those who had experience in project implementation, we wanted to have answers to the question “Your most important experience during project realization”. Our analysis found interesting answers:

- Detailed reports about project realization.
- Motivation of participants.
- Work with partners.
- Learning project cycles management.
- Respect of the EU standards.
- Use of the EU tender procedures.
- Cooperation with local authorities.

The most important experiences are all that are new for applicants and were not used in the national funding processes. These experiences are the new EU standards which should be respected. The majority have answered that reports give an important experience. This is a consequence of a habit of Serbian society not to follow project realization. There are no formal rules in Serbia to follow the implementation, to discover misuse or project failure in time and to use feedback for improvement.

Accepting the EU rules is a big challenge for Serbian partners, which motivate them. They discover a new organization with set-up procedures, strict measures and control.

Results of the research presented in this paper emphasise the difficulties caused by a long duration of the funding process. It gives an impression of strong bureaucracy within the EU apparatus. The duration of separate stages is as follows:

- from submitting the application to taking a decision 4 to 11 months (4 months in most cases);
- from the decision to obtaining a fund 1 to 12 months (4 months in most cases);
- from the decision to the beginning of realization 1 to 12 months (3 months in most cases).

This means that from submitting the application to

- starting the realization pass on average about 7 months and
- to receiving the fund about 8 months.

Q.III. Questions about partnership

In one group of IPA projects (component 2), partners from the EU or non-EU countries are necessary (Cross-border Cooperation, 2006). The majority of subjects selected for the questionnaire (72%) have answered that they have a cross-border partner (Fig. 6), and 57% of them have found their partners by personal contacts. This result shows that an organized action for finding a partner is missing. Organized cooperation with partners outside Serbia still does not exist. Organized cooperation with partners within the country does not exist, either. This is a consequence of the lack of governmental actions that must be undertaken and financed by the state. They should bring partners together, organize cross-border fairs, info days, etc. and keep a strong and permanent cooperation.

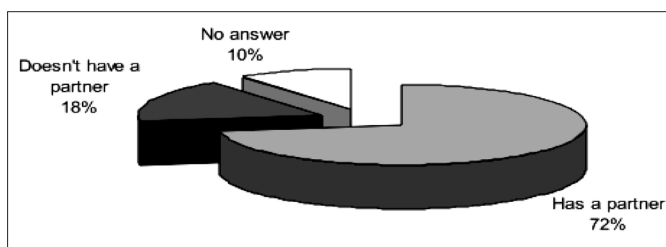


Fig. 6. Do you have a partner?

Source: authors' analysis.

Research went into details by asking: "How do you find partners?" According to answers, in most cases partners were found at partner forums and in partners' databases (Fig. 7). Partner forums are organized by the State.

For the future, candidates hope to have available unified databases and web sites with more data about partners. This shows that the European networking is missing. The EU must support the projects that will lead towards the networking of partners, persons and institutions across the EU. This will strengthen the sense of community.

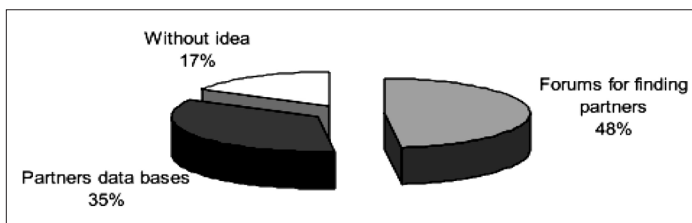


FIG. 7. How do you find partners?

Source: authors' analysis.

Q.IV. Possibilities and limitations

This group of questions should have shown the possibilities of the IPA for respondents. The results give us a big percentage (87.5%) of the candidates who consider IPA cross-border programs as a good solution for the development of their local community. This shows how important the IPA is as an EU fund for the pre-accession period. In the time of the world economic crisis (WEC), the role of the EU funds is extremely important. The local communities that lead development find them as a good resource for this process.

An analysis of interesting areas of common cross-border projects was done. According to answers, the most interesting cooperation areas are tourism, culture and sport, education, environmental protection, entrepreneurship, development of service quality, utilities. These directions are complementary to the EU strategic documents and show that applicants have some knowledge about the EU strategy.

Q.V. Your needs

Answers to the question “What kind of informing about the EU funds is most effective for you?” show that the respondents prefer seminars rather than the Internet, round tables and info days (Fig. 8). They suggested the “direct mailing” system and consulting ser-

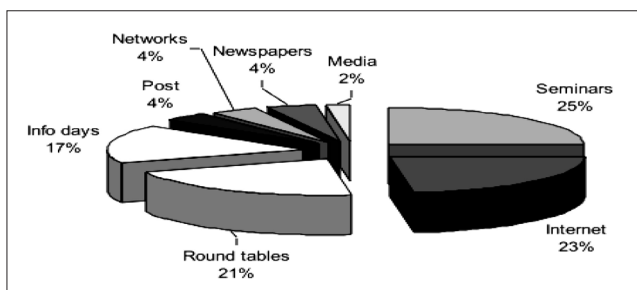


FIG. 8. Most effective ways of informing about IPA

Source: authors' analysis.

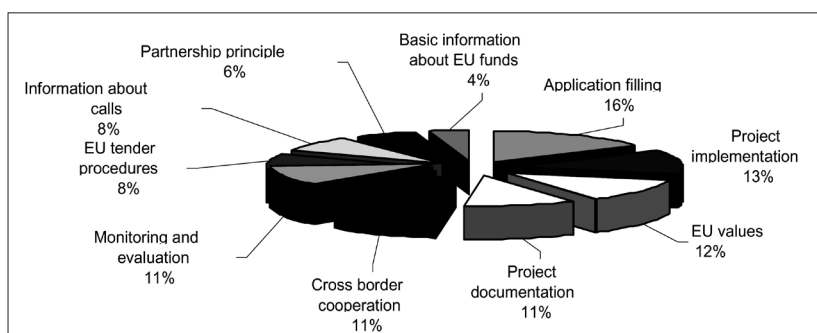


Fig. 9. Topics of training

Source: authors' analysis.

vices. So, they are in need of customized information and interaction. When analyzing cultural factors we must take into consideration the Serbian mentality with an intensive need for interactive communication and direct contacts among people.

The results of analysis show that 82.5% of the candidates want to participate in trainings or workshops dealing with the EU funds. The topics they prefer are shown in *Fig. 9*. The significant rating shows interest to the topic that focuses on the basic information about the EU values. This is understandable because these values are incorporated into the strategic EU documents and operational EU funds' papers, and they must be known. Only with this in mind it is possible to create acceptable projects.

Q.VI. Your contribution

This part of the questionnaire is a part where we wanted to receive opinions and suggestions. The research showed that most *candidates were inspired to start with EU/IPA activities* by the possibility to receive financial resources (22%). Less but still important reasons were regional development (19%), contacts with experienced foreign partners (19%), joining the EU activities and preparation for structural funds (16%). Other answers were employment and professional motivation, changing surroundings, challenge and training. Inclusion into the EU is very important. Applicants want to support regional development with their projects, which is an important intension of the EU. They need cross-border cooperation, foreign partners and their experience. They are already preparing for funds that will be available after accession.

To the question “*What is your opinion about the best way to educate people about projects creation?*”, suggestions given by respondents were to ask local authorities to finance the education about project management and to form expert teams that would help in the application process. They insisted on having a correct and timely information and examples of best practices. Practical knowledge is missing as is also an organized system of education with the examples of well-done but rejected projects with feedback.

3. Model

There are two parts of the IPA funding process:

- the first, which is determined by the EC procedure and cannot be influenced;
- the second, which is performing in Serbia and could be influenced and modified.

A model of this part of the process is shown in *Fig. 10*.

The analysis shows there following risk points in the process as:

1. Informing target groups about the possibilities and ways of receiving financial resources from IPA funds.
2. Information and education about the strategic documents that must be known for selecting good project ideas.
3. Presentation of successfully performed projects.

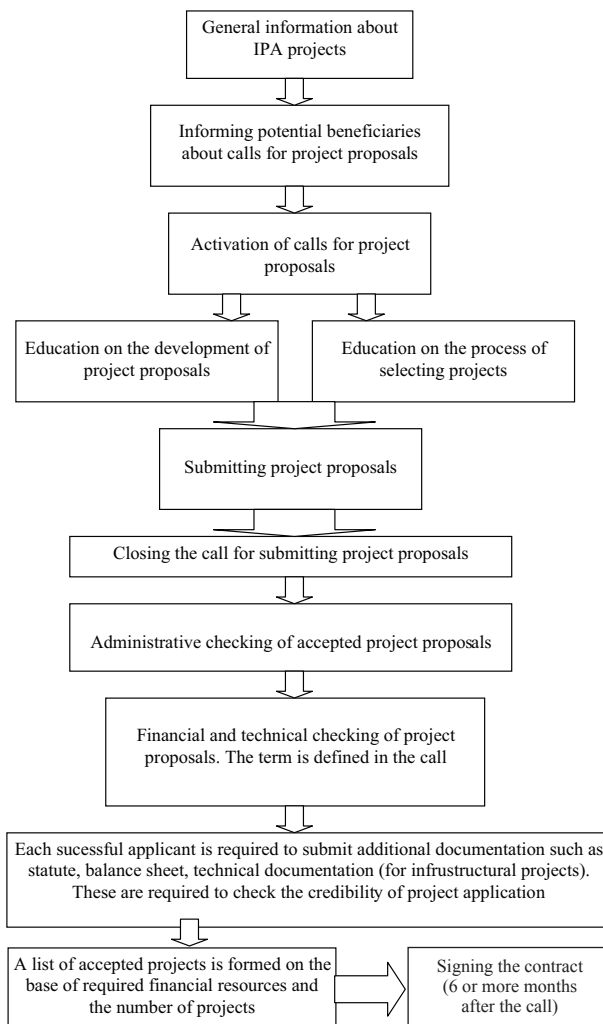


FIG.10. Model of IPA funding process

Source: authors' analysis.

4. Training about filling applications for project proposals, PCM.
5. Informing target groups about calls for project proposals.
6. Assistance in understanding the rules of Guidelines for Applicants.
7. Assistance with the English language which is not the mother tongue of the applicants.
8. Training about project implementation (budget, evaluation, monitoring).

In general, they could be divided into three groups: informing citizens and potential beneficiaries, education of beneficiaries, and assistance in realization.

Conclusions

Project realization with the assistance of EU funds is based on the project-oriented way of thinking. There is a lack of project management knowledge. Acquiring it must start long before announcing any call for proposals. This knowledge must be universal and used for all the EU-funded projects and projects in general. The existing informal education has to be formalized through creating knowledge society, by including project management into the formal educational process.

Our proposals for the further improvements of the IPA funding process:

1. The idea is to set up a new Project Centre (PCE) in each local authority administration centre, which would provide beneficiaries with all information and data on the available EU funds. The Centre must have the database of potential users. It could be used to send selectively useful information. At a PCE, there must exist an available web portal which would show the examples of best practices. It would be used for exchanging experience and links to all websites dealing with funding. This would be a place for permanent education about project management and the EU funds.
2. As a base for good project ideas, a PCE would be the place for workshops, trainings, round tables and info days about the EU strategic documents.
3. Most of the potential beneficiaries have theoretical knowledge about applying and realization of projects, gathered from info days and the Internet. They need examples of good applications and well-implemented projects from experts that have realized them. Presentations of unaccepted projects are also useful. Understanding the process of scoring is of great importance. It must be shown and understood.
4. Assistance in filling the application must be a task of the PCE.
5. Advisory help of PCE would provide detailed explanations of the Applicants Guidelines. If needed, the PCE would direct to a local office of a certain program, officially organized by the EC.
6. Governmental organizations must provide translation of all documents.
7. The PCE would provide help for translation from the local language into the application language.
8. Education must be separately organized for groups willing to submit applications and groups whose projects are chosen to be financed. The focus should be on the European standards for the bidding process and evaluation, monitoring and audit procedures.

Civil society with its expert organizations is ready to be included into the monitoring system because of its importance for each citizen and for the pro-European development of the country.

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