

# European Union funds for emerging economies and developing countries – case study Poland and Croatia

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**Abstract**— The European Union (EU) provides financial support for countries on a different level of economic development. Poland, according to the International Monetary Fund, is considered to be an emerging economy, while Croatia - a developing country. Poland is a member of the EU since 2004 and during this period has become the leader in Europe in implementation of projects co-financed by EU funds, and in turn, Croatia became a member of the EU in July 2013 and has only got experience with the implementation of the pre-accession funds, which unfortunately have not been absorbed in a satisfactory way. Poland is now a model to follow, when it comes to the efficiency and effectiveness of the absorption of EU funds and lots of European countries want to learn the methods and solutions, what have been applied in Poland. The Croatian Government, which has just gained great opportunities for the use of the structural funds, also wants to take advantage of the Polish experience. In the article, there have been discussed both Polish and Croatian experience in the absorption of EU funds. In addition, the main objective of the paper is to assess the extent of absorption of EU funds granted to Poland and Croatia.

**Keywords**— structural funds, cohesion policy.

## I. INTRODUCTION

The European Union funds are an integral part of the financial resources required for the development potential of economies of all countries of Europe, and especially the economies of the countries in transition. The EU funds cause that the developing economies have been still developing. In some countries, where the European funds are used very well, they ensure rapid economic growth, but there are lots of countries where these funds have not been used in an appropriate way, yet. Therefore, the subject of this research is a comparative analysis of the effectiveness of the use of the European Union funds in developing countries, where these funds are especially needed. The purpose of this paper is to highlight the problems of less successful countries, and explain the reasons why some countries are not able to use the EU funds, which are offered to them by EU. The goal of the research is definition of the factors which influence upon the fact that some developing countries are successful in applying about EU funds, but on the other hand, the others not.

In this research, there were used various analysis and researches of the official results from which one can get a good insight into the state of the economy. For the need of a

comparison and a study of the problem, there was conducted a case study of Poland and Croatia, and a few comparisons in order to conclude that these are the factors that make a country more successful than the others in terms of the use of EU funds. Analysis of the efficiency of utilization of the European funds imposes us to interesting hypotheses. The first is, it shows that a country which was previously in a more difficult position, it achieves faster development now. It supports the Thurow's theory of punctuated equilibrium which indicates the rapid development of the less developed economies, and a delay in the development of more developed. [9] As an auxiliary hypothesis could be raised that the countries, which are located in a favorable environment, and that are open to cooperation, achieve better results. Moreover, such a hypothesis can be set to the economies that the development of the human recourses do not consider as a cost but as an investment, they also achieve better results.

## II. THE AIMS AND THE BENEFICIARIES OF THE EUROPEAN UNION FUNDS

Most countries, which are the members of the European Union, take advantage of the financial support from the European funds and various financial institutions and instruments in the process of creating of budgets of the investment projects. The examples show that lots of investments, that were realized, would not be possible without a financial support from the external sources, like EU funds (see Fig. 1) or others, such as loans from: European Investment Bank or European Bank for Reconstruction and Development or even the World Bank. The knowledge about the possibilities for finding an investor or any financial support is a key to reach a success.

“Economic and social development of the EU has been determined by two complementary goals: competitiveness and cohesion. While competitiveness determines the EU's position in the global economy, existence of Cohesion Policy is triggered by disparities between countries, regions and social groups and an effort to reduce them. [3].

“In particular, the European Union makes for mitigating differences at the level of regional development and eliminating backwardness of the least favored regions and islands, including rural areas.” [2].

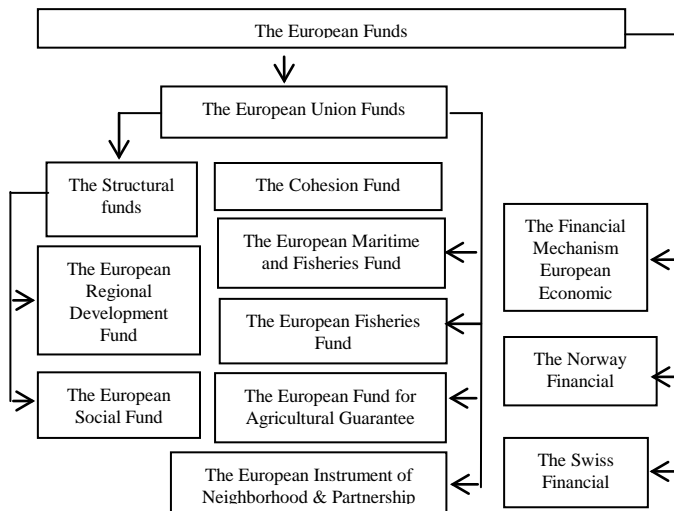


Fig.1. The kinds of the European funds available for private and public sector in Europe [1]

“The EU cohesion policy means assistance, in a form of subsidies, for EU regions. The Cohesion Policy consists in implementation of the three major objectives:

- convergence – the EU supports development of infrastructure and economic and human capacity in the poorest regions (almost 82% of all expenditure SF),
- growth in competitiveness of regions and jobs – that is the EU supports innovations and scientific research, sustainable development and vocational trainings within less-developed areas (16% of all SF)
- European territorial co-operation – that is support for promotion and implementation of joint projects of international nature within the territory of the whole EU.” [2].

„Nowadays EU economic cohesion is supported mainly by policy measures, rather than based on a similar development and sense of belonging of the member states. The politician action in the provision of economic assistance is justified by appeals to the solidarity of economically stronger states with weaker ones.” [10].

For the implementation of the EU Cohesion Policy, three main EU funds have the biggest importance. It means: The European Regional Development Fund (ERDF) and The European Social Fund (ESF), that are included in the Structural Funds, and additionally the Cohesion Fund (CF) (See Fig. 1.). ERDF is the largest of EU funds and generally it finances different projects planned in various regions of Europe. Next ESF supports projects regarding improvement of the quality and accessibility of jobs and mobility on the labor market. Finally, CF is responsible for co-financing of two main sectors: environment and transport. This is one of the richest funds and it supports only projects where huge budgets are required.

“Structural funds can be accessed via operational programmes, documents by which strategic actions are prefigured in the National Strategic Reference Framework (NSRF). Structural funds contribute to the fulfillment of the three EU Cohesion

Policy objectives through the implementation of Operational Programmes, a policy applicable to all member states, with total financial allocations rising at 336 billion EUR during 2007 – 2013.” [3].

EU funds can be taken by various groups of interests for a variety of purposes and projects of development. Among them there are both public and private entities, local governments, institutions, organizations, colleges, kindergartens, training institutions, educational centers, entrepreneurs, scientific centers, associations and others. However, getting funding from the EU for the implementation of a project is associated with a number of formalities and the need to meet the specified criteria.

One of the most important criteria, it is the aim of the EU project, which always must refer to the human needs and expectations. Any investment or an activity funded from the EU funds should bring as a result the increase in the standard of humans’ living, the development of employment opportunities and mobility in the labor market, improving the quality of healthcare, reducing the number of accidents and increasing the level of safety on the roads, etc. The well-being of a man is always the priority.

The next important criterion, and even sometimes a decisive, It is a possibility of bringing own contribution to the project by a beneficiary, that can range from 15% to 60% of the value of the entire project. Due to the additionally principle (See table 1.) the maximum financing, which can be awarded to a project from the EU funds, amounts to 85%. [6].

“All programs have their own conditions and requirements which should be fulfilled by applicants if they would like to become beneficiaries. Without dependency on the program one condition is always financial health because no one would support a unit which will go bankrupt.” [13]

How large financial support an applicant may receive is dependent on the plenty of factors such as: a kind of a project, a kind of the EU program, a formal status of an applicant, a location of an applicant, a size of a company (applicant) and others which are usually dependent on the sort of a EU program.

In addition, it should be noted that every institution, that delivers a financial support for development, has its basic rules and principles that must be taken into the consideration while applying for it. For example there are a few major principles of EU Cohesion Policy that must be respected by all EU members and other applicants in the preparation and realization of the strategy for development of a state, a region and a commune or also in all investments realized with the EU support. “Delivery of development strategy should be based on rules and values stemming from the adopted system of the community and national legal regulations as well as on additional rules whose application is indispensable for achieving the set objectives.” [11]. The following principles are applied: Additionally, Complementariness and cohesion with other community policies, Concentration, Coordination, Evaluation, Partnership, Improvement of governance, Programming, Equality of opportunities, Civil society, Subsidiarity and Sustainable development. [11]. (See table 1).

Table 1. The principles of European Union Regional Policy[11]

No	Name	Characteristic of a principle
1.	Additionality	Financial resources coming from the EU budget do not substitute public expenditure and are only their supplementation
2.	Complementariness	The cohesion of structural funds interventions with other activities, policies and priorities of the Community stems from the CSG, NSRF and provisions of the operational programmes.
3.	Concentration	In order to achieve the assumed objectives, the financial resources and regulatory attempts will be concentrated on limited areas, and with regard to space on the limited territories.
4.	Coordination	The European Commission and a member country maintain coordination between the aid from the particular structural funds, the Cohesion Fund and others EU Funds existing financial instruments, as well as between the scope of intervention of co-financed instruments using EU means and priorities and measures defined in the National Reform Programme in favour of execution of the Lisbon Strategy.
5.	Evaluation	Improvement of a strategy of operational programmes implementation taking into account specific structural problems affecting the Member States and regions, and simultaneously taking into consideration the objective of sustainable development.
6.	Partnership	The partnership is realized with full respect of institutional, legal and financial competences of pertinent partners.
7.	Improvement of governance	Improvement of governance is related to general improvement of quality of designing and implementing of broadly understood regulatory and legislation instruments, strengthening of standards and ethical behaviour in public life and in public administration, etc.
8.	Programming	Objectives of structural funds are implemented within the system of multi-annual programming organized in several stages, encompassing determination of priorities, financing and system of management and control.
9.	Equality of opportunities	This is connected with preventing all symptoms of discrimination based on sex, race or ethnic belonging, religion, or convictions, disability, age or sexual orientation.
10	Civil society	Civil activity, in which there are functioning possibilities of institutions, organizations, social groups and individuals which have the feeling of interdependence and voluntarily cooperate with each other in favour of realization of common

No	Name	Characteristic of a principle
		interests, improvement of life of individuals and the society as a whole.
11	Subsidiarity	Decentralization and deconcentration of performance of tasks related to programming and management of structural funds through transfer of those competences to a lower level, which is to assure a higher effectiveness and efficiency.
12	Sustainable development	It is seeking for a consensus between economic efficiency of measures taken up and requirements related to promotion of principles of sustainable development, with simultaneous preservation of equality of opportunities of women and men and preservation of natural environment quality.

The EU financial support can be applied for financing the investments and activities such as: establishment and modernization of the road, railway and air transport infrastructure, modernization of energy systems, investments in water supply systems, investments in disposal and treatment of sewage, modernization of flood prevention safety systems, modernization and improvement of the medical care standard and infrastructure, innovative operation in the small and medium enterprises, promotion of products and services, tourism development, modernization of culture infrastructure, development of Human Resources, development and modernization of rural areas, trainings, workshops and grant support to employment and others. Obviously, the list of activities that can be co-financed by the EU funds is not completed. The European Commission may finance a variety of other activities, if they are included in the National Development Strategies prepared by the member states. Each member state shall draw up the National Development Program, in which the assumptions and development trends are included. This document is a base for negotiations with the European Commission on determining the amount of financing of the defined social and economic areas.

### III. THE EUROPEAN UNION FUNDS AND THEIR DEVELOPMENTAL ROLE, CASE STUDY POLAND

Poland became the largest beneficiary of the European Union funds in the history. Poland became a member of the EU in 2004 and in the first period of membership, from 2004 to 2006, Poland received “8.3 billion euro for execution of programs co-financed from structural funds, 0.35 billion euro within two programs of Community Initiatives INTERREG and EQUAL, 4.2 billion euro from resources of the Cohesion Fund, and also 4 billion euro of national public means for the implementation of the Europe a cohesion policy.” [11]. Even in the first period of EU financial support for Poland, there were registered a positive impact on the economy of the country both in macroeconomic and in microeconomic perspectives. “Direct support for enterprises, including investments made in fixed assets in modernization and

development of enterprises and implementation of new technologies helped improve their financial results, and consequently also enabled an increase in competitiveness on the single EU market. (...) Thanks to the executed infrastructural investments a considerable improvement took place in the living conditions and activity for business entities in Poland. Poland's investment attraction keeps growing, which may be proven by the high level of foreign investments, allocated on areas appropriately provided with technical infrastructure." [11].

Moreover in the second financial perspective 2007-2013, Poland has got an access to all structural European funds and "became a kind of "experimental laboratory" of efficiency and effectiveness of the European Union Cohesion Policy." [12]. "The value of the largest investment in the history of the European Union amounts to EUR 347.41 billion. This sum has been allocated to three main goals of the Cohesion Policy in the period from 2007 to 2013: 1. Convergence – 81.5% (EUR 293 billion) – supports growth and creation of new jobs in the most disadvantaged regions (GDP per capita below 75% of the EU average), 2. Competitiveness and employment in regions – 16% (EUR 55 billion) – supports structural changes in regions which are not covered by Convergence objectives and the changes in the labor market, 3. European territorial cooperation – 2.5% (EUR 8.7 billion) – supports territorial competitiveness and promotes harmonious and sustainable development of the EU territory under three components: cross-border, transnational and interregional." [14]

Poland has received EUR 67 billion from the total EU budget for the purpose of coherence policy. "Together with the national financial contribution, Poland has got at its disposal the total amount of EUR 85.6 billion for investments and realization of the National Strategic Reference Framework (NSRF) which assumes reducing the civilization gap and spatial developmental disproportions, as well as establishing a modern, competitive and innovative economy and improvement of the living conditions of the society." [11] NSRF has been being realized by the Operational Programs (See table 2) which are generally financed by the ERDF, ESF and additionally by the CF.

Table 2. The Operational Programmes within the National Strategic Reference Framework in Poland 2007-2013 [11]

The name of a Programme	Total support	The Fund	Beneficiaries
Operational Programme Infrastructure and Environment	EUR 27.9 billion	ERDF and CF	State, Regional & Local Authorities, Entrepreneurs.
Operational Programme Innovative Economy	EUR 8.3 billion	ERDF	Entrepreneurs, Research Institutions, State, Regional & Local Authorities.
Operational Programme Human Capital	EUR 9.7 billion	ESF	State, Regional & Local Authorities, Entrepreneurs. Education Units, Institutions, Organisations and others
Operational Programme Development of Eastern Poland	EUR 2.3 billion	ERDF	Local & Regional Authorities, Entrepreneurs, Education Units. Institutions, Organisations and

			other entities
Operational Programme Technical Assistance	EUR 0.5 billion	ERDF	State & Regional authorities.
Operational Programmes of European Territorial Cooperation	EUR 0.7 billion	ERDF	State, Local & Regional Authorities, Institutions, Organisations and other entities
16 Regional Operational Programmes	EUR 16.6 billion	ERDF	Local & Regional Authorities,, Entrepreneurs, Institutions, Organisations and other entities

Due to the additionality principle, each project for development on every level (state, regional, local) must be financed with the participation of a state budget, and sometimes, depending on the kind of a project, there is a need to ensure a financial support from the regional or local authority budget or a private capital. "The experts are reporting that today lots of cities in Poland, particularly large agglomerations, are much indebted. Supporting of local development with the EU sources is associated with increasing of debts. Therefore, cities and municipalities leading in obtaining of the EU funds, are often at the top of the list of the most indebted local governments. Thanks to this obligations, local authorities have a chance of implementing numerous investments, which otherwise would not be able to carry out. Stimulation of investments on the market reduces the level of unemployment, generates income for the region, etc." [7]

All the Operational Programs in Poland in the period 2007-2013 have been planned in order to realize "the guidelines of the European Union Cohesion Policy, which supposes: minimizing of social and economic disproportions in development of the regions in European Union countries and assurances of sustainable growth of all areas with preservation of their internally economic and social cohesion. It also concerns restructuring of the border regions, fighting with the long-lasting unemployment and development of farming areas." [8]. Moreover Polish government has tried to oversee the social and economic impact of the EU financial support for the development of Poland in the period from 2006 to 2020 thanks to implementation of the NSRF or in the case of not implementing of the NSRF. (See table 3. & table 4.).

Table 3. Anticipated value of selected macroeconomic parameters in the scenario without NSRF and with NSRF in the years 2006–2020 [11]

Year	GDP growth (%)		Unemployment rate (%)		Number of employed persons (thousand)		Productivity growth (%)	
	without NSRF	with NSRF	without NSRF	with NSRF	without NSRF	with NSRF	without NSRF	with NSRF
2006	6,57	6,57	12,56	12,56	14509	14509	2,04	2,04
2007	5,38	5,59	11,95	11,82	14609	14631	4,41	4,46
2008	5,4	6,21	11,29	10,67	14720	14822	4,44	4,66
2009	4,03	5,62	11,39	9,89	14720	14951	4,2	4,72

Year	GDP growth (%)		Unemployment rate (%)		Number of employed persons (thousand)		Productivity growth (%)	
	without NSRF	with NSRF	without NSRF	with NSRF	without NSRF	with NSRF	without NSRF	with NSRF
2010	4,07	6,98	11,47	8,45	14690	15191	4,22	5,29
2011	4,06	5,97	11,54	7,86	14678	15290	4,22	5,32
2012	4,11	5,94	11,59	7,13	14670	15410	4,24	5,16
2013	4,17	6,56	11,61	6,04	14667	15590	4,26	5,38
2014	4,22	3,08	11,59	7,15	14670	14407	4,27	4,41
2015	4,28	3,3	11,55	7,88	14677	15286	4,29	4,29
2016	4,34	1,49	11,47	9,61	14690	14998	4,31	3,64
2017	4,39	3,57	11,36	9,88	14708	14954	4,32	4,04
2018	4,45	3,81	11,22	10,02	14732	14930	4,34	4,09
2019	4,5	4,07	11,05	10,03	14760	14930	4,35	4,16
2020	4,55	4,2	10,84	9,96	14794	14940	4,37	4,19

“The completed studies have indicated a relatively stronger impact of EU funds on the economic growth than on the labor market, i.e. the value of employment and unemployment rate. Structural funds have a particular impact on the increase of production factors output (both by improving qualifications of manpower, and better access to the technical infrastructure, including also to the transport system). Increasing the global productivity of the economy, maintaining the same production level causes limited demand for manpower, however, over a longer period, it improves the international competitiveness of the economy, attracts foreign capital, leads to production increase and as a consequence affects in a positive way the number of employed persons.” [11]

Table 4. Impact of NSRF on selected macroeconomic parameters in the years 2007–2020 [11]

Impact of NSRF						
Year	on level of GDP (%)	on unemployment rate (in percentage points)	on the number of employed persons (in thousand)	on resources of physical infrastructure (in percentage points)	on resources of human capital (in percentage points)	on productivity (in percentage points)
2006	0	0	0	0,00	0,00	0,00
2007	0,2	-0,13	22	0,25	0,04	0,02
2008	0,97	-0,61	102	1,18	0,33	0,09
2009	2,52	-1,5	246	3,28	0,92	0,28
2010	5,38	-3,01	500	7,08	1,97	0,69
2011	7,31	-3,69	612	10,74	2,95	1,15

2012	9,19	-4,46	740	14,7	3,94	1,58
2013	11,7	-5,56	923	19,44	5,06	2,14
2014	10,47	-4,44	738	21,49	5,57	2,29
2015	9,44	-3,67	609	22,17	5,78	2,39
2016	6,45	-1,85	308	20,5	5,49	2,16
2017	5,62	-1,48	246	19,05	5,21	2,11
2018	4,98	-1,2	198	17,74	4,95	2,07
2019	4,55	-1,02	169	16,56	4,70	2,05
2020	4,19	-0,88	146	15,48	4,47	2,03

Summing up, it is important to underline that European Union financial support for Poland has caused much good. There is seen a great improvement in transport accessibility to major metropolises, such as: Gdańsk, Warsaw, Cracow or Wrocław. “The development and improvement of the standard of transport links determines the efficient flow of goods and persons and affects positively the internal economic, social and territorial cohesion of Poland.” [11]. In spite of it, there were also realized plenty of environmental projects with the EU co-financing, that have improved the standard of living for inhabitants and reduced the negative aspects of natural calamities. In addition, EU funds granted for “structural transformations in agriculture and fishery and for the development of rural areas have helped improve the competitiveness of those sectors and sustainable development of areas on the basis of other non sectoral growth factors.” [11].

#### IV. THE EUROPEAN UNION FUNDS AND THEIR DEVELOPMENTAL ROLE, CASE STUDY CROATIA

From the beginnings of Croatian statehood, assistance from the European Union was significant for the process of development of a young Croatian state. It is clear that the European Union has its funds wisely followed the development process in Croatia, and their share of the first beginnings until today has fundamentally changed.

Table 5. EU assistance provided through the CARDS National Programme in Croatia, 2001-2004 (EUR million) [5].

Priority	Priority	Annual allocations (EUR million)				
		2001	2002	2003	2004	Total
1. Democratic Stabilisation	1.1. Return of refugees and internally displaced persons	23,2	14,0	15,0	14,0	66,2
	1.2. Civil society	1,0	2,0	2,0	3,5	8,5
2. Economic	2.1. Trade	3,0	3,0	2,5	4,75	13,25

and Social Development	2.2. Investment climate	3,3	9,0	6,15	6,0	24,45
	2.3. Social cohesion (including Tempus)	7,6	6,0	8,85	7,0	29,45
3. Justice and Home Affairs	3.1. Modernisation of justice	1,5	4,0	4,0	4,5	14,0
	3.2. Policing and organised crime	-	2,0	3,0	3,4	8,4
	3.3. Integrated border management	12,6	4,0	5,0	18,95	40,55
4. Administrative Capacity Building	4.1. Public administration reform	2,5	6,0	6,0	9,1	23,6
	4.2. National, regional and local development	1,5	2,0	3,0	3,0	9,5
	4.3. Public finance		4,0	2,8	3,0	9,8
5. Environment and natural resources		1,8	3,0	3,7	3,8	12,3
<b>TOTAL:</b>		58,0	59,0	62,0	81,0	260,0

Since 1991 EU funds helped to develop destroyed Croatia, and prepared Croatia to the accession to the European Union. The CARDS program (Community Assistance for Reconstruction, Development and Stabilization) for the period from 2001 to 2004 was the first generation pre-accession fund, which purpose was to aid institutions in reforms and preparations for accession to the EU. (See Table 5.). The legal basis establishing the programme CARDS is Council Regulation (EC) 2666/20003 on assistance to Croatia and other countries in the region. The focus of assistance has been primarily the building up an institutional, legislative, economic and social basis in accordance with EU values and the promotion of a market economy.”[5].

Table 6. EU assistance to Croatia through PHARE, ISPA and SAPARD, 2005-2006 (EUR million) [5].

Programmes	2005	2006	Total
PHARE - supports actions for regional development and the development of human resources	80,00	80,00	160,00
ISPA – infrastructure projects in the sectors of transport and the environment	25,00	35,00	60,00
SAPARD – programme for the European Agricultural Fund for Rural Development.	0,00	25,00	25,00

“The overall financial amount of the CARDS National Programme for the period 2001 - 2004 in Croatia is EUR 260.0 million.”[5] The CARDS was followed from 2005 by the PHARE, so from 2005 the ISPA joined (for infrastructure projects in transport), and from 2005 - SAPARD (for projects

in agriculture). (See table 6.). Observed in the period since 2001, when the said funds, the total amount of funds, provided by the EU, was 58 million euros until 2006, when it was 127.1 million, an increase of funds ranged at an average annual rate of 17%.

After the start of accession negotiations, the funds were replaced by the IPA (Instrument for Pre-Accession Assistance), which in itself has four components, namely five areas of development support, (1) the transition assistance and institution building, (2) cross-border cooperation, (3) regional development, (4 ) human resource development, and (5) rural development. (See table 7.).

Table 7. Multi-Annual Indicative Financial Framework for IPA for Croatia, 2010-2012 (EUR million) [5].

Multi-Annual Indicative Financial Framework for IPA in Croatia	2007	2008	2009	2010	2011	2012	Total
I. Transition assistance and institution building	49,61	45,37	45,60	39,48	39,96	40,87	260,89
II. Cross-border cooperation	9,69	14,73	15,90	16,22	16,54	16,87	89,95
III. Regional development	45,05	47,60	49,70	56,80	58,20	59,35	316,70
IV. Human resources development	11,38	12,70	14,20	15,70	16,00	16,04	86,02
V. Rural development	25,50	25,60	25,80	26,00	26,50	27,27	156,67
<b>Total</b>	<b>141,23</b>	<b>146,00</b>	<b>151,20</b>	<b>154,20</b>	<b>157,20</b>	<b>160,40</b>	<b>910,23</b>

If we analyze the degree of the use of the IPA funds in the period 2007-2011, we see that for example the IPA IIB used (contracted / assigned) 65.4%, and IPA V only 14.7%. According to the latest data, from the end of 2012, Croatia has been allocated 668 million euros, of which she used only 37.4%. [16]

Croatia has become a new EU member in July 2013. The political objective of the Croatian government is to reach 60% utilization. In the second half of 2013, Croatia will have a possibility of using 450 million euros and in 2014, this amount will rise to 1.1 billion euros. Certainly, these are significant increases, that could allow Croatia for faster development, but the question remains whether Croatia is poised to seize the opportunity. The question is: Where are the problems? Without going deeper into the analysis of problems, why Croatia has not been using more and better opportunities for development through EU funds, the fact is that, the future opens up even more possibilities that Croatia must retrieve. In this way the government points out that the fundamental problem with a small number of professional people to create investment programs. As the government points out, the basic

problem is *the small number of professionals* capable to make investment programmes according to the EU methodology. According to estimates by the minister in charge, 2014th Croatia should have ready 1.7 billion of projects ready for the competition, and which someone needs to make.[16] According to the same estimation, it is considered that it is, therefore a necessity of training and hiring of 232 experts. Since € 1 invested in the EU project brings an additional refund of 60 € this task is a priority for Croatia and is probably the most cost-effective investment.

Local authorities in Croatia are not sufficiently developed. Nevertheless this fact is not evenly distributed all over Croatia e. g. Istria achieved the best results and realized 70.3%, while the Lika-Senj and Split-Dalmatia County realized only 0.0% and 0.8%. According to the index of the population size, again leading inland counties such as: Međimurska County with € 46.9 per capita, while the Split-Dalmatian achieves only 3.0 € per capita.

#### V. A COMPARATIVE ANALYSIS OF EU FUNDS IN POLAND AND CROATIA

Comparing the organization during the implementation of EU funds in Poland and Croatia, then it is necessary to identify and highlight a few important differences, which indicate a low level of organization and activities in Croatia. This is precisely the reason for the unsatisfactory level of realization of assets and the lack of quality projects:

1. Poland has educated and hired a sufficient number of qualified people able to build a project in accordance with the methodology and the rules of the European Union. Croatia has only been trying to break the notion that investment in such personnel costs and the level of investment, leads to profitable investments.

2. The Polish government is also very efficient in absorption of the EU funds for regional development. In spite of a few National Strategic Operational Programmes, Poland also extracted 16 development regions and additionally each region has got its own Regional Operational Programme for development which is co-financed by the EU funds. The special attention is given to the coastal regions and the rural and poor areas in the Eastern part of Poland. While Croatia only approaches to extract the regions of development, but there is no development vision and no strategy, this issue is a subject of the political manipulation.

3. Polish government and the territorial authorities have developed their development model. They know what they want and where they have been going to. Additionally, the Baltic Sea Region is also an area of an intensive international cooperation within various projects which are supported by EU funds. Croatia has not got such luck, and a few neighbors in the region view each other as competitors rather than partners for development. If someone wonders why Poland is successful in development much more than the other countries in Europe, it is necessary only to look at Porter's diamond [4], who clearly gives the answer why the economy is one more successful than the other.

#### VI. CONCLUSION

In conclusion, Poland successfully exploits the capabilities afforded by EU funds, for it is well organized and prepared, unlike Croatia. The reasons for this are clear. Poland has recently touched "the rock bottom" in which does not want to return, and Croatia has not touched "the bottom", yet. However, the shifts that have recently been seen in Croatia in terms of training people for development of projects at the county level are promising. Poland has excellent experience of the use of EU funds and Croatia can take it as a good example. It is worth to mention here a well-known German sentence, which says that: "Look at us but do not copy us," Croatia should do what Poland has already done it means to learn a Polish model of development. Thereby moving from a developing country to an emerging economy has the chance to be a success, it means primarily the strengthening of a local government in shaping the role of a liberal state. Croatia has a great potential thanks to the accessibility to the long coastline, which is the third longest coastline in the Mediterranean Region after Greece and Italy. Nevertheless, this potential has not still been well developed. The Croatian coast has still been an untapped resource and it needs to be managed, unlike the Polish coast, where its potential is appreciated and taken into account in the development of both by territorial authorities, as well as the state.

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