

# Limitations of Agronet System in e-projects: Case Study of Croatia

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## ABSTRACT

Croatia joined the EU two years ago and as a member of the EU has at disposal significant resources of European funds that can be used. The fact that there are significant funds available means, that there have to be necessary capacities for use of that funds such as: management, administrative, financial and technical capacities. Regarding these circumstances, the Republic of Croatia or its applicants are in a period of great challenges. Here we present the results of a research conducted in 2013 in Croatia. The research was made by online survey, among various potential users of EU funds (100 of them). A research topic was seeing the procedure of preparation and implementation of projects financed from European Union funds by the (potential) users of funds. Furthermore, this paper will give an overview of Agronet system, which is a new platform in the system of application to the EU funds, with which applicants may submit their applications in virtual, electronic way. The whole Agronet system has aim to make applications of projects and use of funds, more efficient and more effective, and consequently, to achieve successful projects and withdrawn funds as much as possible.

## Keywords

Agronet system, application, EU fund, capacities

## 1. INTRODUCTION

By joining the European Union, the Republic of Croatia became a beneficiary of European funds. In the financial period 2014-2020 from the European Structural and Investment funds (ESI) 10.676 billion euros in total will be available for Croatia. Large amounts of available funds need large absorption capacity, of course, if we want to achieve the greatest possible absorption of EU funds. The absorption of EU funds generally depends on three main determinants, such as macroeconomic, financial and administrative, i.e., institutional absorption capacity. Macroeconomic absorption capacity is important for opening up possibilities for a sufficient number of efficient investment opportunities, administrative absorption capacity is a key determinant of the success of implementation of structural policies of the EU and the financial absorption capacity defines the capacity of co-financing of projects. [1]

The simplest definition of economy is the effort to maximize the availability of limited resources (and just about every resource is limited) to meet as many human demands as possible. Tools, capital, and innovation are the keys to this equation. [2]

If some country, region or any other territory unit depends and largely bases its development on EU funds, it is necessary for that unit to extent the quality of planning and

management of absorption capacities for withdrawal and use of EU funds. Talking in sense of becoming the EU member, perhaps the most important role for regional strategies is to favour adaptation to change [3].

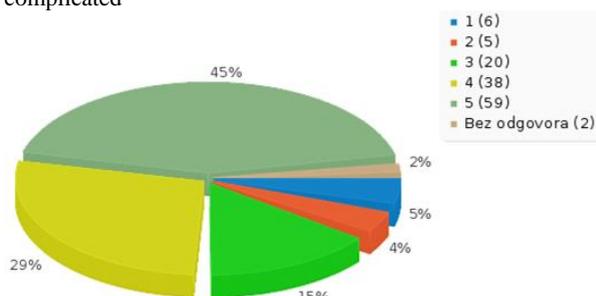
On the other side, the system of financing of EU funds projects is determined with percentage of gross domestic product which some member country reaches. This amount tells us which amount is the maximal possible to be used out of available funds (usually up to 4% of its GDP). So on this fact it is impossible to affect directly from the level of project applicant, except, of course, in the way and measure they can influence the increase of gross domestic product. Despite the mentioned limitation in capacities, mostly on national system side, and at applicants side - there is huge space in which this system of EU funds withdrawal and implementation can be improved. The Agronet system, on which more will be said in next chapters of this paper is only one of small steps in improvement of the whole system. Just for illustration, in the first call for proposal for the measures 4.1 and 4.2 of Rural development programme in 2015, applicants submitted 1.280 project proposals, worth more than a half billion of EUR. It tells us, that the system of submission and evaluation of project applied for financing through the EU funds will be in much challenging situation.

## 2. SOME CHALLENGES IN SYSTEM OF APPLICATION AND SUBMISSION OF EU FUNDS PROJECTS -CROATIAN CASE

Stakeholders in Croatia appear to various „calls for project proposals“ with their project proposals all the time, from the appearance of the first donors in this area until now. What the research conducted in Croatia was proved, is that stakeholders have a certain attitude to funding from the EU programmes, but at the same time they have attitude about themselves in this situation, assessing their strengths and weaknesses, as well as their potential to the possibility offered by EU funds.

What is significant for the attitude of stakeholders towards the EU funds is that the majority of stakeholders are sceptical to the possibility of funds. Also most of those who gave up on the project preparation they consider the entire system of resource allocation too complicated (graph 1), not to say that the majority of stakeholders believe that there is an interested group which subjectively assigns funds, so it is necessary to lobby in order to obtain funds.

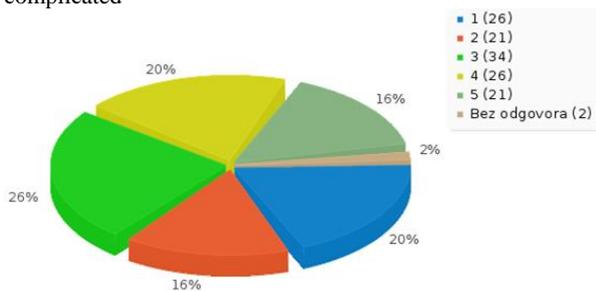
Graph 1 Procedure for attracting EU funds is too complicated



Source: Own research 2013.

So, as it is shown on graph 1, 59 (or 46%) examinee completely agree that the procedures for attracting the EU funds are complicated, 38 (or 29,68%) mostly agree, and 20 (or 15,6%) neither agree or disagree. To conclude, the most of examinees believe that the procedure for attracting the EU funds is too complicated (75,68% of them). So they are discouraged even before they start to prepare project. Unfortunately this attitude of stakeholders directly affects the results of the frequency and number of project in preparation and in implementation.

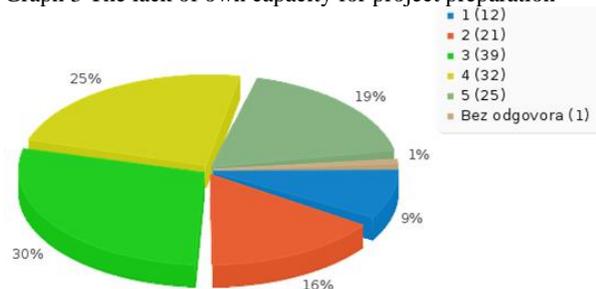
Graph 2 I gave up of the project preparation, because the preparation of documentation too complicated



Source: Own research 2013.

21 examinees (or 16,4%) totally agree that they gave up the project preparation, because the preparation of documentation was too complicated, 26 (or 20,3%) mostly agree, 34 (or 26,54%) neither agree nor disagree. So 47 examinees (or 36,7%), gave up the project preparation just because they believe that the needed documentation is too complicated. In other words, they didn't even start the project preparation, because they perceive it too complicated. Nevertheless, applicants are not generally aware of what it means to implement the project, despite that most of them are willing to go into a competition for EU funds in amount that is even several times greater than their own budget.

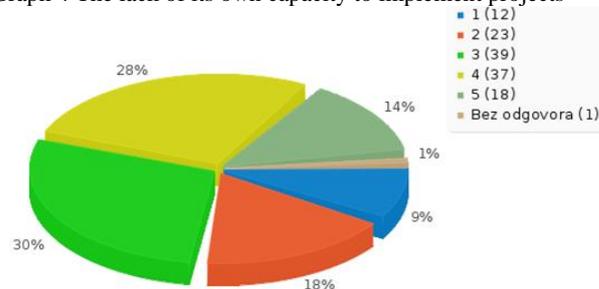
Graph 3 The lack of own capacity for project preparation



Source: Own research, 2013

Unfortunately this attitude-where the most of participants do not know what is needed to attract and implement the EU funds, but despite that, they believe they are ready for it-leading to a mismatch in capabilities and plans or desires, thereby we can say that most applicants do not estimate realistic their own capabilities and capacity to attract funds from the European Union.

Graph 4 The lack of its own capacity to implement projects



Source: Own research 2013.

18 examinees (or 14%) totally agree that they have lack of their own capacity to implement projects, and 37 (or 28,9%) mostly agree. On the other side 12 (or 9,3%) don't believe at all that they have insufficient capacities, or 23 (17,9%) don't believe that there is lack of their own capacity to implement projects. Finally, 39 (or 30,46%) neither believe nor disbelieve in lack of capacities. So, only 42% of examinees believe that they have lack of capacities. According to the situation in praxis, this is a very optimistic attitude.

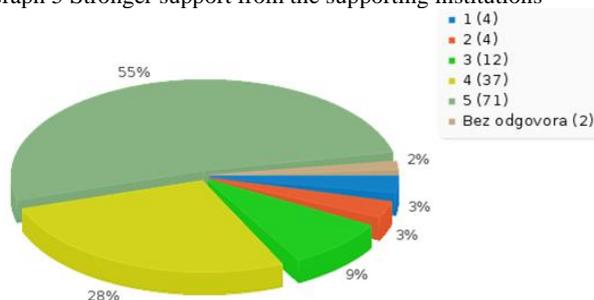
The attitude of the majority of applicants that they do not have sufficient financial resources for co-financing of implementation of their own proposals is simply not enough, because it ignores the lack of managerial and administrative capacity, which results in behaviour in the style of "we can do it easily, only when we get funds". Such attitude is explicitly confirmed by the most of stakeholders. There are several factors: the Croatian applicants will have to change their attitude in the assessment of their own capacities and possibilities of using EU funds.

Namely, the number of submitted projects is increasing, but what is more important, the number of stakeholders involved personally or with the help of consultants in the process of projects preparation is also increasing. In other words, the underdevelopment of their own absorption, especially managerial and administrative capacities, with their subjective overestimation, will ultimately result in many funds that will not be withdrawn. Consequently due to competition matches it will certainly result in lagging behind in attracting funds in the long term. When we talk about the financial capacities, stakeholders who have weaker financial capacities or with obvious financial problems, will not even be able to achieve funding from large funds, which brings the EU membership.

The regimes of own co-financing and the repayment of EU funds after completion of the project, brings many applicants in the front of insoluble situation. Simply, those with bad financial indicators evidently do not have financial resources and cannot find a loan in the banking market, because of their evident weaknesses. In addition they believe that the support they are receiving is too weak, therefore they expect the support of the central or local government, and in particular from development institutions. In research we put the examinees the following question: "In your opinion and experience, what should be changed in EU funds for the

users to make the process of attracting EU funds more efficient?" One of the answers was "Stronger support from the supporting institutions" as it is shown in graph 5.

Graph 5 Stronger support from the supporting institutions



Source: Own research 2013.

71 examinees (or 55%) totally agree that stronger support is needed from supporting institutions, and 28,9% mostly agree that this kind of support is needed. The results tell us, that the applicants count on stronger support from central or local supporting institutions.

### 3. AGRONET SYSTEM

There are many various contexts in which the term Agronet occurs. Of course that suffix agro- usually refers to issues of agriculture, while the word -net refers to various nets or networking. When we talk about networking in this sense, most often it comes to networking of supply and demand side, mainly in the field of agriculture goods. In next chapters, there are a few examples of the use of the term Agronet, of course, together with the Agronet project application system in Croatia.

#### 3.1. Variety of AGRONET in literature and praxis

In the area of projects, there is a project „Realization of a permanent network of logistics, distribution and services infrastructure in food industry chain of the Adriatic AreaAgronet“. So the AGRONET project is a permanent network of logistics, distribution and service infrastructure in food industry chain of the Adriatic region aiming to develop transnational economic cooperation, encourage trade and increase competitiveness. The aim is to homogenize the Adriatic region and use this web portal for networking, exchange of products, services, knowledge and creating business opportunities. The AGRONET web portal is designed as a "service centre" for companies in the primary, secondary and tertiary sectors that want to promote their business on an international scale. It is a "virtual meeting point" for agro-businesses and logistic companies in the Adriatic region. In this project Leading Partner is Finest S.p.A., „Financial company for the promotion of economic cooperation with east European countries“. Project is financed under the IPA Adriatic Cross-border Cooperation Programme 2007-2013, and total project budget is 2.386.605,56 EUR. [4]

The "AGRONET - Regional network of educational institutions in agriculture" is a project that includes three Croatian counties. The project aims to foster lifelong learning as a key factor for sustainable development of the agricultural sector; establish a regional network of educational institutions in agriculture that offers training programs for adults in accordance with the requirements of local and regional labour markets. Modern agriculture requires highly specialized people, who can monitor current

issues in certain areas of production. As active participants the project included teachers and CAEI advisors; regional adult educational institutions; farmers and unemployed people with interest attending educational programs in agriculture; professional associations, local authorities. The project is financed by the European Fund, IPA IV Component- human resource development and the project costs € 288,000.00 euros. [5]

In Malaysia, the term Agronet is well known as a part of Agrobank system. Agrobank has a mission to provide a holistic range of financial services and banking facilities with a focus on the agricultural sector. Agrobank is a Government-owned Bank under the Minister of Finance Incorporated (MFI). The bank's financing of the agricultural sector is driven by a policy set forth by the Ministry of Agriculture and Agro-Based Industry (MOA). It is a continuity of the former Bank Pertanian Malaysia which has 40 years of experience in agricultural banking and an excellent track record in shaping and developing successful entrepreneurs. With a wide network of branches throughout Malaysia, they are providing services to various customers in this area. They try to meet the needs of customers by providing attractive products and services such as savings activities, banking services, financing and advisory services. Most of the customers are connected through Agronet system. Through that system, the customers can offer or demand, buy or sell various (mostly) agricultural goods.[6] Award-winning NaijaAgroNet [a member of DigitalSENSE Africa Media Group] focuses on agriculture and role of Information and Communication Technologies for Sustainable Development (ICT4SD) in achieving 21<sup>st</sup> century agro-businesses to deliver value, prompt and concise information, towards connecting agriculture, youths, environment and ICT. [7]

Indiaagronet- place where as a member of agricultural community or as an independent person can find, provide, exchange various information, labour, agricultural technology, equipment, tools, jobs, market, weather, products, etc. [8]

#### 3.2 Agronet system – Croatian case

Electronic application designed as a help tool to agricultural and other users in gaining rights to support in agriculture.

In Agronet app you can:

- browse through data from the Agricultural registry
- fill out electronic forms for direct supports
- browse the regulations for gaining right to support
- send calls for import and export permissions in electronic form
- apply projects for EU funding

Agronet is an electronic app purposed to communicate with the clients of Paying agency for agriculture, fisheries and rural development with the main goal to form an easier and faster way to respond to the needs and rights. One of the modules of Agronet app is also a module for help to agricultural economies in submitting for supports in agriculture as well as applying projects to be financed from EU funds. According to the rules of direct support programme implementation and specific measures of state support in agriculture in 2015 the submitter fills out a Request for support specifically electronically, through Internet, by using this app.

#### 3.3. Challenges of Agronet system

Agronet app should be used by agriculturalists in mean of easy access to information and funding sources. Although, many limitations of the system have a negative effect on the Agronet app image. When we speak of the problematics of

AgroNet system, it is mostly appeared online in submitting EU projects.

Most common problems in the system are:

1. Slow system function, slow data upload
2. Bugs in the system function, system failure
3. Inconsistencies of certain data entry fields
4. The system does not support a large data capacity for upload
5. During the project application, the system is often in maintenance
6. During the project application, system is under overload due to a large number of applications at the same time
7. System often does not accept the first entry data

On the base of stated above, it is obvious that the system needs upgrade and additional editing, because this way it has made it difficult to the agriculturists to reach financial support, the main objective was the opposite. Concerning that in Croatia, a majority of elderly citizens with lower education degree practice agriculture, it is questioned how this system is applicable to them in project application. The research shows that 87% of agriculturists is unsatisfied with this project application method and are more leaned towards the traditional approach to project applications through written ways and sending through post office.

#### 4. CONSLUSION

Development has always played an important role in defining the life conditions, conditions of work and ultimate survival in a particular area. Today, in the European Union, which is primarily a community of regions, regional development is imperative. What makes the Republic of Croatia constant and what it definitely has to taken into account is the responsibility of decision-makers (proportional to their impact) that can bring the presence or absence of a project in the area of the city, municipality or county.

In addition, the financial position of many counties on Croatian territory is not promising- when we are talking about the EU funds, and on the other hand, if something does not change significantly, for many of them, funds from large Cohesion and Structural Funds will remain just a passing and side-effect. In any case, regardless of the capacity at their disposal, Croatian applicants should develop a quality strategy in access to EU funds, because if today they do not know where they want to be tomorrow, they will definitely miss the opportunity to maximize the withdrawal of the wider socio-economic benefits from the European union funds. In implementing its strategy, new e-approaches, AgroNet system has a very important role. The introduction of these systems needs to monitor and train those who will use these systems. Since substantial funds will be available through such projects, it is necessary to train significant number of potential users. Furthermore, the system itself should be user friendly. All this is to bring more funds for more projects, and more projects for more regional development.

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