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# Anticipating Economic Challenges: Pre-COVID Analysis of Internal Economic Capacities of the Cultural Sector

## Abstract

*Upon accession to the EU, new funding opportunities have emerged in the cultural sector (CS) of the Republic of Croatia. Considering the available funding opportunities, the question arises as to whether and to what extent CS stakeholders meet the requirements of EU funds and programs. Therefore, the purpose of this research is to identify the relationship between economic capacities and the potential of Croatian cultural sector concerning the successful application and implementation of EU-funded projects, in order to contribute to their competitiveness for the future program period. The research was conducted through field research on cultural institutions in the pre-pandemic period, during the end of 2019 and the beginning of 2020 which enabled avoiding distortions influenced by economic crises emerged as the result of pandemic and global inflation. Descriptive, factor and correlation analyses were used for data processing. The research found a positive correlation between financial capacity and positive project application outcomes. It was confirmed that the lack of knowledge and experience of organizations in the CS is not affecting the number of project applications, but it is impacting their positive outcomes, highlighting the need to implement recommended measures to improve the situation in practice. Therefore, this paper contributes to the theory on the utilization of EU funds, the management of the CS, and to the strengthening of the absorptive capacity of organizations in pursuit of EU funding opportunities.*

**Keywords:** financial capacities, cultural and creative sector, EU funds and programmes, pre-pandemic period

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## 1. INTRODUCTION

Although European Union (EU) citizens believe that culture is an important factor in creating a sense of belonging to European society (European Commission, 2018a), it is still underappreciated sector. To strengthen the CS, the EU is taking initiatives to further enhance the role of cultural policies, which include the New European Agenda for Culture (New Agenda), and to increase allocations for culture (European Commission, 2018b), "as the lack of access to finance and to market can hinder their development" (Kmetý Barteková and Majdúchová, 2019, p. 30). Simultaneously, cultural sector (CS) has undergone major changes in the 21st century due to new digital technologies, the economic crisis, and changes in the regulatory framework (European Commission, n.d.; Lhermitte et al., 2021). Additionally, it was among the sectors that have been most affected by the consequences of the COVID-19 epidemic crisis in the EU (Hylland et al., 2022) as well as in Croatia (Hraste Sočo, 2022; Matić & Šabić, 2023). Furthermore, the implementation of next generation technologies (e.g. artificial intelligence) represents the second wave of technological adaptation of the CS after digitalisation (Webb, 2022; Kokinova, 2023). All these challenges require constant education and adaptation to changes in the business models and financial environment of the CS as well as new management and financing practices (KEA & PPMI, 2019; Kokinova, 2023). European funds facilitate investments in development, adoption to changes, infrastructure, and human resources, enabling the implementation of planned programs and increasing the probability of achieving the financial sustainability in different sectors.

On the other hand, the lack of information and qualified personnel for preparation and analysis of project proposals causes low EU funds utilization rates and inequality between member states (Rajko, 2021). In addition to the problem of awareness of the benefits of EU funds and the problem of internal and external capacities, the reasons for the low absorption of EU funds are the complexity, time-consuming nature of the application process for EU funds (Bestvina Bukvić, Đurđević Babić & Pekanov Starčević, 2021) and lack of activity and strength of the

supporting institutions (Medve-Bálint and Šćepanović, 2020).

Through the literature review, the research gap was identified in the lack of comprehensive studies of the topic of the absorption capacities and needs of cultural organizations that must be met in order for them to achieve a more efficient use of EU funds. Therefore, the following research questions were defined:

RQ1: Were cultural institutions insufficiently informed about EU programs and funds implemented under the centralized model<sup>1</sup> and does this influence the number of approved projects in cultural institutions?

RQ2: Does the lack of international cooperation with eligible partners affect the number of approved projects in cultural institutions?

RQ3: Is the financial strength of cultural organizations related to the number of project proposals applied to calls for project proposals for EU funding and the approval rate of the projects submitted?

RQ4: Do cultural institutions lack knowledge and experience in working on projects funded by EU programs and funds, and is this negatively related to the number of project proposals applied to calls for project proposals for EU funding and the positive outcomes of those proposals?

The aim of the research, is to contribute to the research field of EU funding and, in particular, to identify the economic capacities of CS organizations to use and exploit the allocated funds through a comprehensive study on this topic. It is expected to identify the factors relevant for the absorption of EU funds during period characterized as time of economic recovery, which

<sup>1</sup> Explanation of difference between the centralized and decentralized model: in the programs run by centralized model, the European Commission bodies are responsible for financial management and implementation, i.e., general administration of a program. In decentralized model the implementation and administration are entrusted to the national body.

persisted between global economic crises and the emergence of the COVID-19 virus, followed by the war in Ukraine and global inflation, both of which have impacted the global business environment and contributed to economic uncertainty.

The work is organized as follows: Second chapter introduces to the topic and highlights the importance of capacity development for the use of EU funds, followed by methodology and results of the study in the third chapter. Last chapter provides the answers on the research questions, discussion and concluding remarks.

## 2. LITERATURE REVIEW

The importance of diversification of funding sources in the CS, necessary to achieving long-term sustainability, has already been recognized by numerous authors (Tomova, 2004; Dragičević-Šešić and Stojković, 2011; Čopič, 2011; Mikić, 2011; Šain, Bjelić, & Josić, 2019; Donelli et al., 2022; Loots et al., 2022). It is even more emphasized in transition countries where most cultural institutions are publicly owned, dependent on public funding, and have low prospects to diversify funding sources (Bednář, Danko & Smékalová, 2015; Plzáková and Crespo Stupková, n.d.). Although there are some improvements in this field, more should be done. The great opportunity are the European funds, as EU, in its effort to promote the European integration process, values culture as a political and economic resource and as a contribution to strengthening integration, reducing inter-regional disparities, and achieving European policy goals (Vos, 2017). Various financing opportunities of cultural and creative sector are available through European regional development fund (ERDF), Horizon Europe, Creative Europe, The European Creative Hubs Network, and Cultural and Creative spaces and Cities programme (Zupičić-Floričić, Cvečić & Tomljanović, 2020). But there is an existing problem of lack of absorption capacities for successful utilization of EU funds (Šumpíková, Pavel & Klazar, 2004; Riepe, 2010; Ivandić et al., 2013; Žáková, 2013; Panaitecu, 2014; Kersan Škabić & Tijanić, 2017; Ivanova, 2019; Moura et al., 2020; Šostar 2023). Per example, Vos (2017) noted that while there

are efforts to modernize, the CS institutions are unable to bring structural changes due to the “mismatch between the European and local conditions and a lack of local knowledge” (Vos, 2017, p. 685). Copeland and Diamond (2022) state that EU funds were most effective in regions with high wealth, skills, and knowledge, while projects implemented in regions where they were most needed were quite unsuccessful in addressing deep structural economic and social problems. Furthermore, innovation leaders and major innovators according to European Scoreboard 2019, are more often the lead partners in projects having larger financial benefits. In contrast, less developed and new member states, such as Croatia, predominantly participate in projects with smaller financial values, and have lower total amount of funds drawn (Bestvina Bukvić, 2020). Therefore, the degree to which these funds are used depends on sectors’ and national (or regional) development and capacities (Medve-Bálint and Šćepanović, 2020).

Ivanova (2019) ranks the internal capacity factors and develops preliminary monitoring and assessment of the implementation capacity for EU-funded projects in educational institutions. The author is emphasizing that the qualifications and skills are crucial for achieving the planned project outcomes. Therefore, knowledge and experience in different areas of project management and project proposal writing are necessary prerequisites for public and private projects to achieve positive results and receive support from EU funds. However, cultural organisations often do not or only partially possess the necessary knowledge and skills to effectively manage all aspects of alternative funding opportunities (Bestvina Bukvić, Šain and Maršić, 2018). Riepe (2010) especially emphasizes that smaller organizations do not have “the capacity to compete and absorb the grants”, as “learning, information gathering and thus the organisation of support and knowledge transfer” (Riepe, 2010, p. 243) are the most important elements in absorbing EU structural funds, with networks being the key solution for dealing with challenges in this field (European Parliament, 2012). Nevertheless, the growth of networks alone is not sufficient to increase absorption capacity. Per example, Ajdarpašić and Qorraj (2020), did not find statistically significant im-

pact of cooperation between institutions and HEIs on absorption in Western Balkan countries was not found.

The European Parliament (2011) states that "absorption capacity is not a parameter but a variable and whereas it differs widely between and within the different Member States and regions, so that individual solutions are necessary to increase this capacity"... "administrative capacity, especially in terms of project planning and implementation, is a key issue for absorption capacity and needs to be strengthened, with particular emphasis on those Member States lagging behind and that have low absorption rates" (European Parliament, 2011, p. 5-6), where new Member States encounter huge challenges due to their administrative shortcomings (European Parliament, 2011). Too bureaucratic, unqualified and unprofessional offices make it difficult for EU funds to reach its citizens (Pulmanis, 2012). Incaltarau, Pascariu & Surubaru (2020) also suggest focusing on administrative capacity development and anti-corruption efforts to improve absorption rates of regions and new member states which are below satisfactory level. According to a 2015 study in the Czech Republic on project managers' attitudes towards the EU funding system, the following main barriers were identified: "the scope of requirements concerning the processing of project applications and annexes, the system of monitoring reports with respect to its administrative load, the deadlines for evaluation of project applications, and the deadlines for evaluation of monitoring reports" (Kostalova, Tetrevova & Patak, 2015, p. 112). In the case of cultural organizations, this means that they should develop a system for improving employees' motivation, increase their competencies in developing and managing EU project applications, and increase the number and quality of international partnerships and their participation in EU projects.

Therefore, the responsibility for low utilization lies not only with the applicants but also with the local government and funders, who should provide support as the low absorption capacity of EU funds is related to numerous factors, such as financial status, insufficient awareness, lack of management experience of applicants, bureaucratic requirements etc. (Panaitescu, 2014).

Absorption capacity (ability to utilise EU funds) changes over time in response to a variety of endogenous (employee experience, motivation and responsibility) and exogenous (institutional support) factors. As it is a very dynamic concept, it requires a more comprehensive analysis and represents a challenge for further exploration (Ivandić et al., 2013, p. 53). The continuous research on this topic is needed and this paper seeks to contribute to the field of research of absorption capacities of organizations in culture.

### 3. METHODOLOGY AND THE RESULTS

This research focuses on the absorption capacities and preconditions for the successful financing of projects in culture through EU programs and funds. The research methodology included both desk and field research to comprehensively assess the topic.

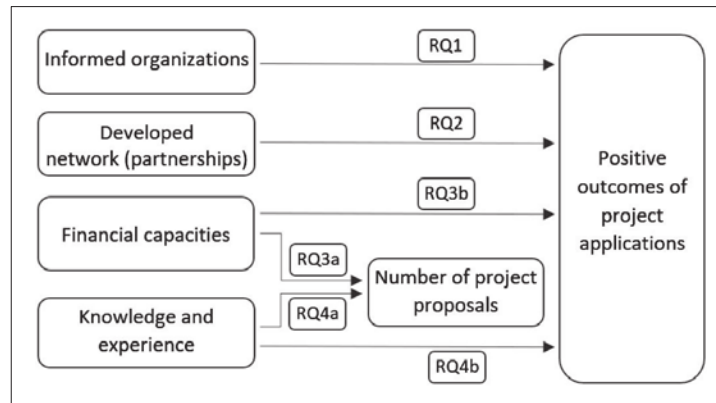
#### 3.1. Research design

Desk and field research was conducted with the aim of collecting data, which were then analysed and statistically processed using the SPSS+ program. Figure 1 illustrates the structure of the research statements set in the frame of this research, i.e., the influence of different factors on number of project proposals and results of their evaluation after application for EU funding.

Figure 1 is presenting the structure of research where it was analysed how different factors influence on absorption power of cultural institutions and connection to research questions presented in the first chapter of this paper.

The research was conducted in the pre-pandemic period starting from the end of 2019 till beginning of the 2020 as part of the doctoral thesis writing process, using a survey questionnaire on a selected sample consisting of organizations whose project proposals were approved for funding under the Operational Program Efficient Human Resources (2014-2020) in which the Ministry of Culture and Media of the Republic Croatia was the Intermediate body Level 1. The research included following calls for fund-

**Figure 1:** Influence of different factors on CS organizations' number of project proposals and their outcomes



Source: Authors' work

ing - Arts and Culture for Youth, Arts and Culture 54+ and Culture at the Centre - support for the development of public-civil partnership in culture. Through this call, a total of 103 projects were approved, allocating 11.6 mil. EUR in total.

Out of 103 approved projects, the questionnaire was sent to the addresses of 86 applicants whose contact details were available in the period of research. The same questionnaire was sent to 150 addresses of legal entities that were not on the approval list. Given that the legal form of respondents is important for the purposes of this research as it enables comparison between the public CS and private and non-governmental organizations in the CS, the questionnaire sought demographic information. The distribution of all respondents' answers was as follows: civil society organizations (including artistic organizations, associations, and foundations) at 55.6%; cultural institutions at 32.1%; and local and regional self-government units at 11.1%. The distribution of organizations with successful project applications was as follows: civil society organizations (including artistic organizations, associations, and foundations) at 68%; cultural institutions at 19%; and local and regional self-government units at 13%.

The questionnaire consisted of a total of 35 variables. Its primary objective was to gather

information about the CS in Croatia, including demographic data and respondents' familiarity with EU programs and funds, as well as their knowledge, capacities, and experience in implementation. Data gathered was analysed by the SPSS Statistics. Descriptive analysis (arithmetic mean and standard deviation), factor analysis and correlation analysis were used for data analysis. Depending on the type of variables, parametric (ANOVA, Pearson correlation coefficient) or nonparametric statistic was applied. In order to create the variables for getting answers on research questions, factor analysis was conducted. The exploratory factor analysis was used to reveal the basic factors in a domain when the number and structure of factors are not known in advance (Mejovšek, 2013).

Reliability was measured by the method of internal consistency, which is based on measuring the same construct with several equivalent variables, using the method of Cronbach's alpha coefficient. In the research, three variables were created for the needs of factor analysis:

- Lack of financial capacity;
- Lack of knowledge and experience in working on projects funded by EU programs;
- Familiarity with EU programs and funds.



In order to examine the degree of correlation between analysed variables Pearson's correlation coefficient was used.

### 3.2. Research results

Data was collected through structured online questionnaire. The questionnaire consisted of four main parts: General information (1), Familiarity with the concept of EU funds and programs (2), Knowledge, experience and personnel (3), Partnerships, finances and resources (4). The results of the survey, except general information which were used as demographic variables in analysis, are presented according to the above-mentioned areas.

In analysing if respondents are informed about open calls for which cultural institutions are eligible applicants, almost half of the respondents (49.4%) responded that they are informed about open calls for project proposals. Significantly smaller percentage of respondents (9.9%) were not at all informed about open calls for EU funding.

Given the wide range of calls for proposals, it was important to investigate whether applicants know the difference between EU funds and EU programs where most respondents believe that they are familiar (72.8%) with the basic differences in the functioning of EU funds and programs, while only 17.3% are less familiar and 9.9% are not familiar at all and. A significant proportion of respondents (45.7%) believe that they are less or not at all familiar with the difference between centralized and decentralized EU programs, which can be an obstacle to successfully applying for calls for project proposals to fund EU projects and programs. In this case, there are many more respondents who are not familiar at all (21%), as well as those who are less familiar with the differences between programs and EU funds (24.7%).

Data on the funding opportunities to which applicants would most like to apply were measured on a four-point Likert scale, with 1 representing funding opportunities respondents would most likely (firstly) apply to, and 4 representing the funding opportunities they would last choose to apply to.

Figure 2 shows that the largest number of respondents (37.5%) would most like apply to the call for Proposals for public needs in culture that is published by cities, counties and by the Ministry of Culture and Media. Invitations from companies are the least attractive and only 16.5% of applicants would apply. The results about how respondents are getting information about open calls for project proposals are shown by Figure 3.

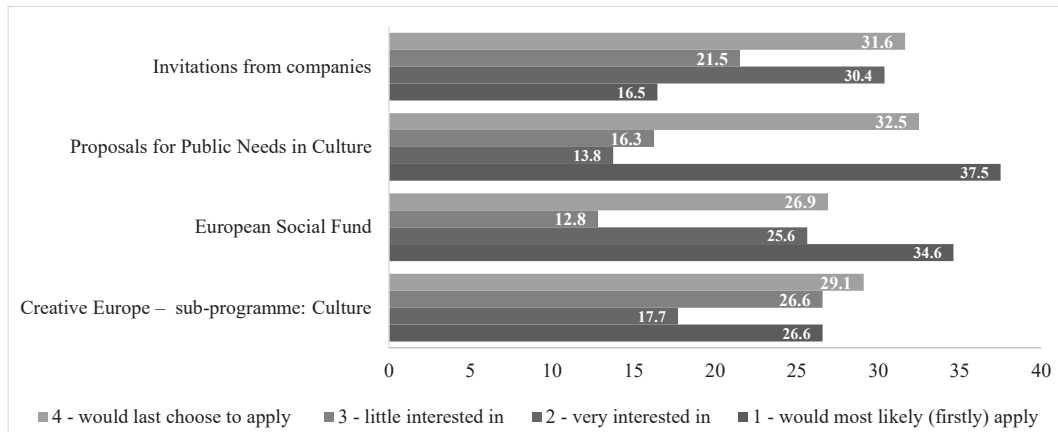
The most common source of information for open calls is the website (82.7%), followed by information provided by partner institutions, friends, and business partners (65.4%). The least common source of information is from consultants (13.6%). In addition, the survey found that the majority of respondents believe that the Ministry of Culture and Media should issue a publication on open calls for project proposals and additional information (80%) and that an office should be established to provide information and assistance to cultural organizations in preparing project documents for applying for funding for projects in the CS (82.7%). In terms of familiarity with the Creative Europe program, most respondents are familiar with Creative Europe Desk in Croatia (70.4%), but most have never sought advice from this office or any other body responsible (71.3%).

According to the data collected on the availability of *knowledge, experience and personnel resources in respondents' organizations* for applying for calls for project proposals from EU funds and programs, most respondents (53%) believe that they have partial knowledge and resources to prepare quality project proposals for calls for project proposals. Less than one quarter (22%) believe they have all necessary knowledge and resources to prepare project proposals and remaining respondents (25%) feel that they do not have this knowledge to a sufficient degree.

The majority of respondents believe that in order to successfully apply for calls for project proposals, they primarily lack personnel with experience in applying for projects (45.7%), followed by project management skills (44.4%).

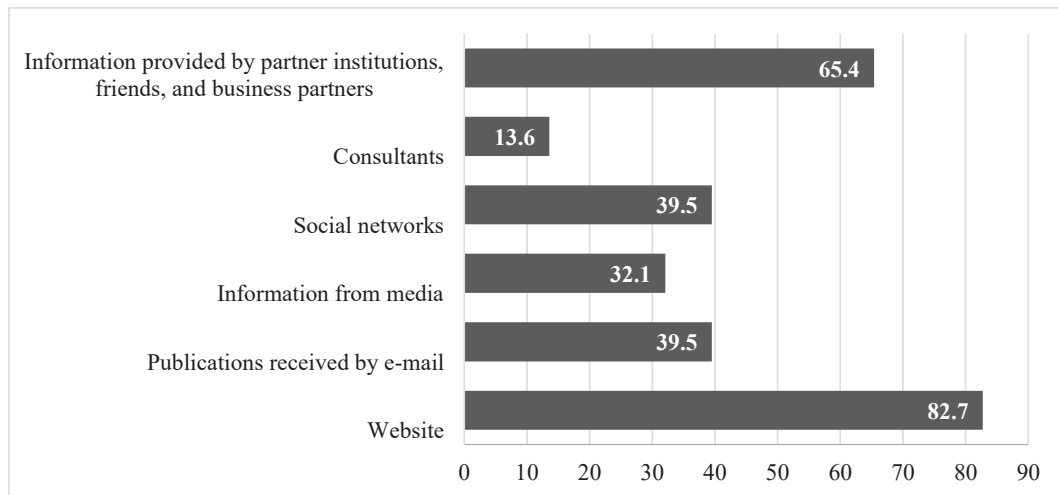
As indicated by the results of the research, the majority of respondents do not have employed

**Figure 2:** Funding opportunities to which respondents would decide to apply  
 (more than one answer is possible)



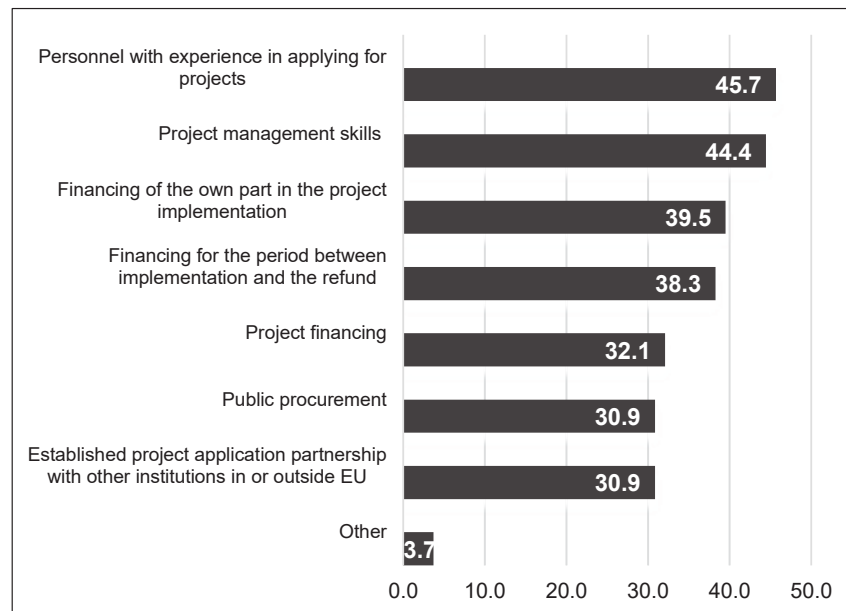
Source: Authors' work

**Figure 3:** Sources of information from which respondents obtain information  
 about open calls for project proposals



Source: Authors' work

**Figure 4:** Knowledge and/or resources that respondents' organizations lack in order to successfully compete for project proposals



Source: Authors' work

person who deals with alternative funding sources (86.4%), and more than half of them believe they need such a person (53.1%). So far, almost half of them have used the services of consultants (49.4%) to respond to requests for proposals for projects. Respondents' views on whether there is a need for additional training for personnel in project proposal writing, as well as views on the need to increase internal capacity required for project proposals to EU funds were almost all respondents (90.1%) believe that there is a need to increase the internal capacity necessary to successfully apply for projects to the EU calls for project proposals. More than half of the respondents (65.4%) believe that additional training is needed for staff in the area of project application. The discrepancy between these two results comes from the fact that internal capacity can be increased by hiring new professionals. For the most cultural institutions this would be the best solution as their employees are actively engaged in their existing workplaces and ongoing tasks, which

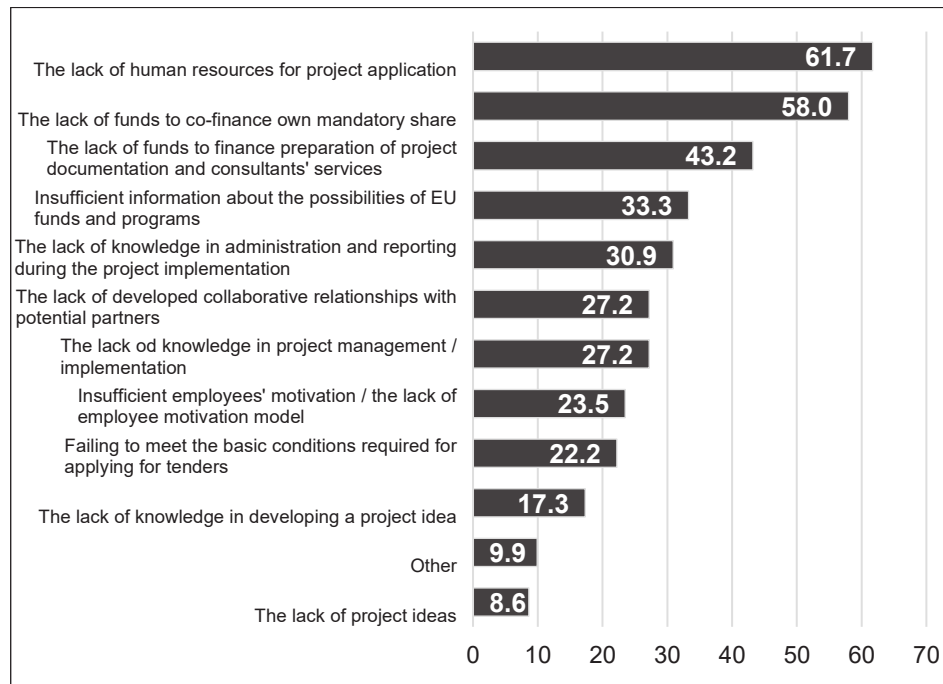
generally do not foresee exclusively the application of projects.

To gain insight into the attitudes of CS organizations on their *financial strength and possibility to develop their activities and businesses*, respondents answered the question "Do you think culture would "survive" in the free market without government support?", 68.3% of the respondents did not agree. This means that the CS organizations are not developed enough to finance their own activities only by offering their cultural services or products on the free market. Regarding development of partnerships, the results show that most institutions (60.5%) are linked in various activities, i.e., collaborate with other foreign cultural institutions. Figure 4 shows the *most significant barriers, by the opinion of cultural organizations management for them to use EU funds and programs*.

Most respondents see the lack of human resources for project application (61.7%) as the biggest



**Figure 5:** The most important obstacles to the use of EU funds and programs



Source: Authors' work

obstacle in using EU funds and programs, followed by the lack of funds to co-finance their own mandatory share (58%). Respondents see lack of project ideas (8.6%) or lack of knowledge in developing a project idea (17.3%) as the least common obstacle.

### 3.3. Analysis of research results

The reliability of the measuring instrument was tested by the method of internal consistency, which is based on measuring the same construct with several equivalent variables, using the method of Cronbach's alpha coefficient. Table 1 contains a list of the particles that make up the measurement scale, with the corresponding factor saturations for the Lack of Financial Capability variable. The reliability measured by the coefficient (above .40) and internal consistency coefficient Cronbach's alpha are satisfactory.

The value of Cronbach's alpha is lower than the standard value of 70, but when dealing with scales with a very small number of particles, a slightly lower value of the coefficient is also acceptable. Since this scale contains only three questions, it can be said that the reliability is satisfactory (Konstabel et al., 2012). The method of determining the number of factors is Kaiser-Guttman criterion, keeping the factors whose characteristic root is greater than 1. In this case, the characteristic root is 1.28, which corresponds to 42.79% of the variance that can be explained by the effect of a common factor. The same procedure was used to create the variable Lack of knowledge and experience in working on projects funded by EU programs. Table 2 provides a list of the particles that make up the measurement scale with their corresponding factor saturations.

**Table 1:** Particle shape matrix related to lack of financial capability

What knowledge and / or resources do you think are lacking in your institution in order to successfully apply for competitions?	
Financial resources to fund own participation in project implementation	.898
Financial resources to bridge the period from implementation to refund	.562
Financing of the project	.402
Cronbach's alpha	.634
Explanation of variance (%)	42.789
Characteristic root	1.284

Source: Authors' work

**Table 2:** Particle shape matrix related to lack of knowledge and experience in the field of work on projects funded by EU programs

Answer	Factor 1
Assess how well you are familiar with the basic differences in how EU funds and programs work.	.952
How well informed are you about open calls for project proposals in which cultural institutions are eligible applicants or partners?	.802
How familiar are you with the difference between centralized and decentralized EU programs?	.784
If yes, how satisfied are you with this way of funding projects in your institution?	.440
Cronbach's alpha	.823
Explanation of variance (%)	58.97
Characteristic root	2.36

Source: Authors' work

The lowest coefficient is .44 which is satisfactory. The reliability, measured by the Cronbach's alpha coefficient of internal consistency, is also satisfactory. The Kaiser-Guttman criterion was used to determine the number of factors again. For these particles, the characteristic root is 2.36, which corresponds to 58.97% of the variance that can be explained by the effect of a common factor. The variable familiarity with EU programs and funds was created as well. Table 3 lists the particles that make up the measure-

ment scale with their corresponding factor saturations.

It can be seen that the lowest coefficient is .46 which is very satisfactory. The reliability, measured by the Cronbach's alpha coefficient of internal consistency, is also satisfactory. The Kaiser-Guttman criterion was also used in this case. The characteristic root is 1.71, which corresponds to 42.63% of the variance explained by the effect of a common factor. After creating

**Table 3:** Particle shape matrix in relation to familiarity with EU programs and funds

Which of the following competitions would you most like to apply for?	Factor 1
Call for program proposals	.802
Creative Europe program, Culture sub-program	.701
European Social Fund calls for project proposals	.598
Company calls	.460
Cronbach's alpha	.734
Explanation of variance (%)	42.63
Characteristic root	1.71

Source: Authors' work

**Table 4:** Correlation coefficients expressed by the Pearson correlation coefficient

Particle / particle matrices	1	2	3	4	5	6	7
1. How many competitions have you applied to so far?	-						
2. How many calls for project proposals financed by EU funds or programs have you been successful in so far?	.468**						
3. Familiarity	.303*	.242					
4. Lack of financial capacity	-.105	-.259*	-.475**				
5. Lack of knowledge in project writing	-.114	-.226*	-.537**	.724**			
6. Lack of knowledge in project management and project administration	-.027	-.177	-.509**	.639**	.872**		
7. Lack of employees with experience in project application	-.174	-.238*	-.380**	.628**	.874**	.526**	
8. Lack of already established partnerships with other EU institutions and outside the EU	-.078	.024	-.25	.224*	.14	.048	.192

\* -  $p < .05$ ; \*\* -  $p < .01$

Source: Authors' work

the variables and measuring the reliability, the following data are obtained using Pearson's correlation coefficient (Table 4).

The results provide information on the (non)existence of a statistically significant correlation between the two numerical variables (p-value), the strength of the correlation ( $r$ ) and the direction of the correlation ( $r$ ). The results presented (Table 4) were used for the discussion of the research questions in the following chapter.

#### 4. DISCUSSION

The successful use of EU funds contributes to numerous economic and social aspects of the member states (Ivandić, 2013), so research into the absorption capacities of the member states and their influencing factors is particularly important. For this reason, this paper examined the influence of various elements of absorptive capacity (awareness, knowledge and skills, financial strength and partnership networks) on the number of project proposals submitted, and their outcomes.

The first research question (RQ1) examines the relationship between the awareness of EU programs that operate under a centralized model and the number of successful project proposals. The research shows that there is no statistically significant correlation ( $r = .242, p > .05$ ) between these variables but there is a weak correlation ( $r = .303, p < .05$ ) between variables "awareness of EU programs that operate under a centralized model" and "the number of project proposals", i.e., it was found that the higher level of information is correlated to the higher number of applied, but not to the number of approved projects. On the other hand, no statistically significant correlation was found between the number of approved projects and the lack of developed collaborations with eligible partners ( $r = .024, p > .05$ ), which answered research question RQ2.

The research question RQ3a examines the relationship between the lack of financial capacity of cultural organizations and the number of project proposals but no statistically significant correlation was found ( $r = -.105, p > .05$ ). In other words, the number of project proposals in

cultural organizations does not depend on their financial performance. However, the correlation between the number of successfully implemented projects and the lack of financial capacity was confirmed ( $r = -.259, p < .05$ ), which answers the research question RQ3b. Therefore, it can be concluded that there is a positive relationship between financial capability and approval rates of applications as well as success of implemented projects.

Furthermore, there is no statistically significant correlation ( $r = -.114, p > .05$ ) between lack of knowledge and experience and the number of project applications (RQ4a). It follows that the number of project proposals in cultural organizations does not depend on their knowledge and experience. On the other hand, the relationship between the number of successfully implemented projects and the lack of knowledge and experience was confirmed ( $r = -.226, p < .05$ ). Thus, the lack of knowledge and experience in working on projects funded by EU programs and funds does not affect the number of project proposals, but affects their positive results.

These results are consistent with the findings of other authors who have analyzed the conditions for the use of EU funds in different sectors, such as: Panaitescu (2014), who highlighted financial status as one of the factors associated with absorptive capacity, Vos (2017) and Moura et al. (2020), who emphasized skills and knowledge as important factors for the successful elaboration and implementation of EU-funded projects, Šimunković (2016), who noted that low familiarity with the features and benefits of EU funds and programs is a barrier to higher absorption, Šostar (2023), who emphasized that tailored training programs and increased information dissemination can improve fund absorption rates, and Ivandić et al. (2013), who concluded that the absorption capacity for the use of EU funds is influenced by all the factors analyzed.

#### 5. CONCLUSION

The research results indicate that the level of awareness of EU programs and funds, the financial strength of cultural organizations and the lack of knowledge and experience in working on

projects funded by EU programs and funds have no influence on the number of project proposals submitted. However, they do have an impact on the quality of proposals and therefore on the likelihood of a positive outcome. As the number of approved projects for the EU funding is influenced by financial capacity, knowledge, experience and information it is necessary to increase the internal capacity of cultural organizations required for successful application and implementation of projects (including traditional and specialized skills, digital, financial and management skills) through education and mentorships, raise awareness of the opportunities offered by EU programs and funds, and create a favourable economic environment.

The limitations of the study result from the limited number of respondents and the geographical scope. Therefore, a more geographically comprehensive study with more robust statistical tests should be conducted in the future. Apart from the selected absorptive capacity variables considered in this study, future research should also include other variables that have been identified as prerequisites for higher utilization of EU funds. In addition, future work should address a further limitation of this study by considering a more comprehensive analysis of other previous studies in EU countries and recommendations on the use of the financial frameworks by cultural institutions, as this could be a useful source of funding for cultural activities.

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**Predviđanje ekonomskih izazova:  
Analiza unutarnjih ekonomskih kapaciteta kulturnog sektora u pred-COVID razdoblju**

**Sažetak**

*Pristupanjem Republike Hrvatske Europskoj uniji, kulturnom sektoru (CS) otvorene su nove mogućnosti financiranja projekata. Uzimajući u obzir dostupne mogućnosti financiranja, postavlja se pitanje ispunjavaju li i u kojoj mjeri dionici CS zahtjeve uvjete za prijavu za financiranje iz EU fondova i programa. Stoga je svrha ovog istraživanja utvrditi odnos između ekonomskih kapaciteta i potencijala hrvatskog kulturnog sektora za uspješnu prijavu i provedbu projekata financiranih od strane EU, kako bi se pridonijelo njihovoj konkurentnosti za buduće programsko razdoblje. Istraživanje je provedeno putem terenskog istraživanja kulturnih institucija u razdoblju prije pandemije, krajem 2019. i početkom 2020., čime su izbjegnute distorzije uzrokovane ekonomskim krizama koje su nastale kao posljedica pandemije i globalne inflacije. U obradi podataka korištene su deskriptivna, faktorska i korelacijska analiza. Istraživanjem je utvrđena pozitivna korelacija između financijskih kapaciteta i pozitivnih ishoda prijave projekata. Potvrđeno je da nedostatak znanja i iskustva kulturnog sektora nije povezan s brojem projektnih prijava, ali utječe na njihove pozitivne ishode, naglašavajući potrebu za provedbom preporučenih mjera za poboljšanje stanja u praksi. Stoga, ovaj rad doprinosi teoriji o korištenju EU fondova, upravljanju kulturnim sektorom i jačanju apsorpcijske sposobnosti organizacija u potrazi za mogućnostima financiranja iz sredstava EU.*

**Ključne riječi:** financijski kapaciteti, kulturni i kreativni sektor, EU fondovi i programi, predpandemijsko razdoblje