

Administrative Aspects of Regional and Cohesion Policy in Croatia: In Search of a Better Coordination of Parallel Processes

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UDK 35.071.55(497.5)
Pregledni znanstveni rad / review scientific paper
Primljeno / received: 17. 3. 2011.
Prihvaćeno / accepted: 15. 11. 2011.

The paper presents and critically assesses the state of regional and cohesion policy in Croatia with an emphasis on the new policy, legal, and institutional frameworks in the context of general administrative reforms and the process of decentralization. Two parallel development processes can be noticed. The first one is connected with the earlier activities on the preparation of policy, legal and institutional frameworks for regional policy, while the other is more related to the broader context of IPA implementation and previous instruments of pre-accession assistance in Croatia, namely CARDS, PHARE and ISPA. These processes sometimes run on parallel tracks that are not adequately

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connected, which has led to, or is a result of, institutional fragmentation and weak administrative coordination between several central administrative bodies formally in charge of these policy areas. The level of involvement of the regional and local actors as well as the economic and social partners also varies in these two areas. The argument in favour of improvement of the overall institutional capacity for better coordination and institutional reshuffling in these two policy areas is intended to be strengthened. The paper uses a case study and covers the development of the Croatian regional and cohesion policy from 2005 to the present.

Key words: regional and cohesion policy – Croatia, regional development, decentralization, institutional capacity, administrative coordination, administrative reform

1. Introduction

The issue of regional development is a relatively new area of public policy in many transition countries that became the new member states of the European Union (EU). It has not developed as a separate and significant policy area, especially in the post-socialist transition countries whose economies used to be based on the central planning system and their societies as a whole lacked democratic flavour (Sykora, 1999). This is the reason why the entire social, political and administrative systems of the post-socialist countries have been undergoing a thorough transformation, and the areas of public policy that have so far been underdeveloped are often included in such processes.

Regional policy is a relatively new field of public policy in Croatia that has become very important due to several reasons. After the forty-five-year period of socialist rule followed by an aggression that resulted in the Homeland War, during which most of the country's basic physical and social infrastructure was severely devastated, there is an urgent need for coherent, proactive and focused policy towards the areas that are lagging behind. With the widening disparities between the most prosperous and the lagging areas, regional policy should become one of the most important public policies in the following period.

However, regional policy (also called cohesion policy in the EU's terminology) is one of the major pillars of the entire EU's public policy, focused on the redistribution of resources of the member states with a view to boosting economic growth and sustainable development of the lagging areas. This is mainly achieved through investment into the development of human resources and physical infrastructure (EC, 2004: xxv; Đulabić, 2007). The policy of economic and social cohesion imposes a considerable pressure on the administrative systems of individual countries. A prerequisite for the absorption of resources from pre-accession and structural funds is that the administrative system of a country is able to receive and efficiently distribute those resources to their final users. This has been the case in the current EU member states, but it is especially evident in the new member states and candidate countries (Kovacs, 2001). Many of these countries seldom »... prepared some kind of regional development concept but few have established the necessary legislative basis and complete institutional infrastructure for designing and implementing regional policy measures« (Bachtler et al., 1999: 5). Moreover, EU's structural actions, which are usually carried out through several EU funds, are themselves quite a complex and complicated mechanism, which requires an extensive knowledge of their structure and functioning. This is one of the challenges that both the old and the new member states, and especially candidate countries, are facing (Levy, 2000: 97).

Hence, it is small wonder that many countries do not have a single, structured, and coherent approach to regional development of the areas that are considered to be lagging behind. Therefore, it was necessary for all the previous candidate countries to prepare themselves for such pressures in the course of their EU accession process, that is, prior to their full membership. It is expected that the greatest pressure will be felt by certain bodies of the central state administration (NEI, 2002). It is important to achieve efficient coordination between different bodies at the central state level (horizontal coordination) as well as the coordination between different levels of authority (vertical coordination). In order for the implementation of the regional policy to be effective, civil society subjects as well as representatives of various interest groups in the area need to take part.

Another important facet of the effective implementation of development programmes is the administrative and territorial division of the country and the regulation of the system of local and regional self-government. This is especially important because a large part of development-oriented activities is based on the support and financing of local development pro-

jects (*bottom-up* approach). Following this line of thinking, statistical division of the territory (NUTS classification) becomes an important issue. This division is significant because it is usually the basis for collecting data and establishing the criteria on the basis of which certain areas are granted the status of areas towards which special resources intended to stimulate development activities are directed.

The paper is divided into four chapters.¹ After the Introductory Chapter, the second part analyses the main stages of the EU-Croatian relationships, focusing on the broader issues connected with building of the system for the implementation of European assistance for Croatia. The third part is devoted to the present system of regional policy in Croatia and the new policy and legal frameworks adopted during 2009/2010. The main bottlenecks are dealt with in the final part of the paper, elaborating the potential clashes between the preparation for the EU cohesion policy and the new system of national regional policy in Croatia.

2. Context of the EU – Croatia Relationship

Having in mind the way various means of EU assistance and programmes have been implemented in Croatia, three pre-accession stages can be identified; the humanitarian aid stage (1991–2000), the CARDS stage (2001–2004) and the pre-accession and IPA stage (2005–2013).

2.1. Humanitarian Aid Stage: 1991–2000

The humanitarian aid stage lasted from 1991 to 2000. Croatia became an independent country in 1991, following the dissolution of the former Yugoslavia. The first five years of Croatia's independence were marked by the war for independence and by the occupation of almost one third of the country's territory. In this period, the entire international community, as well as the EU, perceived Croatia merely as a receiver of the international aid and assistance. From 1991 to 1995, the European Union, through

¹ Paper presented at the conference *On the way to EU membership: Present and future challenges for candidate and potential candidate countries*, 17 December 2010, Barcelona (Spain).

its Humanitarian Aid Department (ECHO),² gave Croatia €244.87 million (CODEF, 2009: 13). Between 1995 and 2000, the focus of the EU assistance shifted to rebuilding the destroyed Croatian infrastructure, to the return of refugees and displaced people, and to promoting the respect of human rights.

The humanitarian aid continued to be sent to Croatia until 1999, although the amount of aid radically decreased after 1995, when the war was finally over. In 1996, the EU established the OBNOVA programme.³ The main purpose of this programme was the reconstruction of the infrastructure destroyed during the war, the consolidation of democracy and civil society, the return and reintegration of refugees, and the development of small entrepreneurship. Between 1996 and 2000, Croatia received €60 million through OBNOVA programme, the majority of which were used for the return of refugees (€53.21 million).⁴

In this period, apart from the humanitarian aid and OBNOVA programme, Croatia also received the funds for other activities (such as the national and regional programme for strengthening democracy, protection of human rights and freedom of the media). Between 1991 and 2000, Croatia received the total of €381.61 million aid from the EU (CODEF, 2009: 13).

The Centralized Implementation System was used for all the programmes and help that were given to Croatia in that period, which means that the responsibility for the management of all the funds and programmes stayed with the EU Headquarters in Brussels (CODEF, 2009: 30), and Croatian authorities had no influence on their allocation. In addition, there were no contractual relations between Croatia and the EU at that time (Commission, 1999), since Croatia started to open up to the prospect of the EU accession only at the end of 1990s.

² Humanitarian Aid Department (ECHO) was established in 1992 as a department responsible for delivering humanitarian aid to the victims of natural disasters or armed conflicts outside the EU. Since 1992, it has presented humanitarian aid to more than 85 countries, granting more than €700 million per year (ec.europa.eu/echo).

³ OBNOVA in Croatian means reconstruction. This programme was established by the Council Regulation (EC) 1628/96, and by its amendments (EC) 851/98 and (EC) 2454/99. The programme was open for Croatia, Bosnia and Herzegovina, Federal Republic of Yugoslavia and the Former Yugoslav Republic of Macedonia. The EU assigned €400 million for the programme (<http://www.mvpei.hr/ei>).

⁴ The total amount of European assistance received by Croatia through humanitarian and OBNOVA programme during the first ten years of independence can be seen in Table 1 (see Annex).

The first decade of Croatian independence was earmarked by the aid and assistance of the EU. All the programmes that existed at that time were intended to restore stability in the region and to prevent future conflicts. None of the programmes was intended to promote either modern social and economic cohesion or regional development, or to support regional policy of any kind. In this period, it is impossible to speak about modern regional policy in Croatia or about the influence of EU programmes on Croatian regional policy.

2.2. CARDS Stage: 2001–2004

The second period in EU – Croatia relations, between 2001 and 2004, called the CARDS stage,⁵ was characterized by the signing of the Stabilization and Association Agreement (SAA), after which Croatia entered into contractual relation with the EU (Burić Pejčinović, 2010: 652). Following the Agreement, Croatia was eligible for the use of CARDS programme and at the end of the period, received the status of a candidate country.

In 2000, the EU created a new programme that substituted all the programmes existing in southeast European countries (SEE; Croatia, Bosnia and Herzegovina, Federal Republic of Yugoslavia, and Macedonia). It was the CARDS programme,⁶ which was meant to be a technical and financial assistance for SEE countries in their duty of implementing the obligations arising from the SAA and their accession to the EU.

According to the regulation of the CARDS programme, EU assistance was used for the reconstruction and the return of refugees; for the creation of an institutional and legislative framework to underpin democracy, the rule of law, and minority rights; for economic reforms; for social development with particular reference to poverty reduction; for the development of closer relations between the recipient countries, between them and the EU and between them and the EU candidate countries; for fostering regional, cross-border, and interregional cooperation between the recipient countries, and between them and the EU (Article 2 of the Council Regulation 2666/2000 of 5 December 2000 on the CARDS programme).

⁵ Croatia signed the SAA on 29th October 2001 in Luxemburg.

⁶ CARDS – Community Assistance for Reconstruction, Development and Stabilisation.

The initial budget of the entire programme was €4.65 billion, but after the Thessaloniki Decision in 2003, it was increased by €210 million (CO-DEF, 2009: 29).

This programme consisted of two components, the national and the regional one. The national component was designed for each SEE country individually, while the regional component was intended to promote cooperation between these countries.

The programme lasted from 2000 to 2006, but Croatia was its beneficiary until 2004, when, after being given the status of a candidate country, it became eligible for the pre-accession programmes and funds.⁷ During four years as a beneficiary of the CARDS programme, Croatia received €260 million (Table 2).

The implementation of the CARDS programme was done according to the Centralized Deconcentrated Implementation System,⁸ but since the CARDS 2002 programme, there was a possibility on a case by case basis to allow decentralized implementation⁹ of some projects (CARDS 2002 programme: 1).¹⁰ In CARDS 2003 and CARDS 2004, approximately 50 per cent of all the funds were decentralized and the percentage of their execution was very high (Table 3). That shows that Croatian bodies,¹¹ although new in this field, were able to implement these programmes successfully.¹²

The CARDS stage is very important for Croatia, since it showed for the first time the opportunities that EU funds and programmes offered, and

⁷ This goes only for the national component of the CARDS programme. As for the regional component of the CARDS programme, Croatia was its beneficiary until the end of the programme in 2006.

⁸ In this implementation system, management responsibility for the programme implementation is transferred to the EC Delegation (ECD) in the beneficiary country (Glossary: 35).

⁹ Decentralized implementation system means that management responsibilities have been conferred to the beneficiary country. The EC (the Delegation of the European Union in a particular country) exercises *ex ante* and *ex post* control of all processes and it retains the overall responsibility for the budget execution (Glossary, 2009: 37).

¹⁰ Decentralized implementation of some projects started with CARDS 2003, so from that time on we can see how efficient Croatian authorities were in implementing EU programmes.

¹¹ At that time, the contracting body was the Central Finance and Contracting Unit, within the Ministry of Finance (s. www.safu.hr/en/about-programs/cards)

¹² For the current status of all CARDS projects (and other EU projects in Croatia) see www.baza.strategija.hr

it created the basis for future successful implementation of the EU programmes. By implementing CARDS 2003 and CARDS 2004, Croatia acquired experience in decentralized management of EU programmes for the first time.

During the real CARDS period, 2001–2004, the majority of contracted projects were not realised, because, due to the complicated procedure of approving, contracting, and paying for the specific project, the real execution of the project happens a few years after the funds for them have been secured (Burić Pejčinović, 2010: 654). Therefore, in the 2001–2004 period, regional policy in Croatia remained unchanged, which means perfectly inadequate and undeveloped.

2.3. Pre-accession and IPA Stage: 2005–2013

The pre-accession and IPA stage started after Croatia had become an EU candidate country, in June 2004. This stage will last until Croatia becomes a full member of the EU, on 1st July 2013. With the status of the candidate country, Croatia became eligible for the pre-accession programmes created specially for candidate countries. This stage can be divided into two periods. The first one refers to the period 2005–2006, during which Croatia was the beneficiary of pre-accession programmes that were in force at that time, namely the PHARE, ISPA and SAPARD programmes. The second stage began in 2007, when a new instrument for pre-accession, IPA, was created. This stage will last until Croatia enters the EU and becomes the user of EU funds.

2.3.1. PHARE, ISPA and SAPARD: 2005–007

The PHARE programme was created in 1989 as a short-term help for Poland and Hungary.¹³ Very soon, it became the only pre-accession programme for all the candidate countries from central and eastern Europe (CEE). The purpose of this programme was to promote multi-party democracy and economic restructuring after the breakup of the communist system.

¹³ Council Regulation (EEC) No. 3906/89 PHARE, Pologne et Hongrie – Aide á Restructuration Economique.

In 2000, the EU introduced two new pre-accession programmes, ISPA (Instrument for Structural Policies for Pre-accession) and SAPARD (Special Accession Programme for Agriculture and Rural Development). The main reason for introducing these two new programmes was to help the candidate countries to familiarize with the main principles of the Union's structural policies, since PHARE alone was not sufficient to do this task. According to the new vision of pre-accession programmes, PHARE was meant to be the precursor to the EU Structural Fund in post-accession phase, which means its task was to prepare the candidate countries for the use of Structural Funds. ISPA programmes had the task to prepare the candidate countries for participation in the Cohesion Fund, and SAPARD for the participation in the Common Agriculture Policy (Bailey, De Propris, 2004: 83).

The main purpose of PHARE programme is to help the candidate countries to reinforce the institutional capacity of the institutions responsible for harmonization of national legislation with the *acquis communautaire* and its implementation, and to pursue economic and social cohesion by developing mechanisms and institutions to implement the Structural Funds after accession (Bailey, De Propris, 2004: 83). ISPA is a programme intended for co-financing big infrastructural projects in the field of transport and environmental protection (www.strategija.hr/en/funds/former-programmes/ispa). SAPARD provides support for candidate countries in the fields of agriculture and rural development.

These pre-accession programmes were implemented for all the candidate countries from the budgetary year 2000 to the budgetary year 2006. Croatia became eligible for the programmes just for the budgetary years 2005 and 2006. The majority of the funds in this period came through PHARE programme (Table 4). The management of the PHARE programme, as well as of the ISPA, was carried out according to decentralized implementation system, which means that the Delegation of the EU to Croatia carried out the *ex ante* control but the implementation of these programmes was in the hands of the state administrative body accredited for programme management, namely the Central Finance and Contracting Agency.¹⁴ As for SAPARD, the decentralized implementation with *ex post* control was implemented, and the responsible body was the Directorate for Rural Develop-

¹⁴ The Central Finance and Contracting Agency was created by the Governments' decree in August 2007 (OG, No. 90/07, 114/07). Prior to the formation of the Agency, all its tasks had been done by the Department for Financing EU Assistance Programmes and Projects – Central Finance and Contracting Unit within the Ministry of Finance (www.safu.hr).

pment – Administrative Directorate for the SAPARD/IPARD programme within the Ministry of Agriculture, Fisheries and Rural Development.

Thanks to the PHARE, until now 71 projects have been (or still have to be) realised. The ISPA programme has brought about the contracting of six important infrastructural projects, while 29 projects have been contracted as part of the SAPARD programme.¹⁵

The two years of the PHARE, ISPA and SAPARD programmes contributed to Croatia's receiving the accreditation for the use of Decentralized Implementation System in February 2006 (Negotiation team, 2006: 4) and to the establishment of the Central Office for Development Strategy and Coordination of EU Funds,¹⁶ as a central body for the coordination of all EU accession activities. The Central Finance and Contracting Agency (CFCA) was also established, thus making Croatia ready for the implementation of all EU pre-accession funds. This period was characterised by the intention to reinforce the EU funds related institutional capacity of the central government.

As for the regional development, PHARE projects, together with aforementioned CARDS project, started to create the basis for the modern regional policy.

2.3.2. IPA 2007–2013

In 2007, the Union created a new pre-accession programme, an Instrument for Pre-Accession Assistance (IPA), which covers the budgetary period 2007–2013. With IPA entering into force, all the other pre-accession programmes ceased to exist, but the IPA assures the continuation of their main goals. The reason why the EU decided to create a new pre-accession instrument was its desire to help the candidate countries to adapt to future use of EU funds. In fact, the IPA functions quite similarly to the other EU funds, but it has fewer resources and in advance nationally allocated funds. Therefore, the right implementation of IPA facilitates the proper future use of EU funds.

The IPA consists of five components: IPA I – Assistance in transition and institution building; II – Cross border cooperation; IPA III – Regional de-

¹⁵ Data from the web page of the Ministry of Finance, <http://www.mfin.hr/hr/koristenje-sredstava>

¹⁶ The Law on Organization and Competencies of the Central State Administration Bodies.

velopment (with three subcomponents: Transport-IIIa, Environment-IIIb and Regional competitiveness-IIIc); IPA IV – Human resources development, and IPA V – Rural development. Each of the five IPA components is preparing a candidate country for the proper use of some of the EU funds (Table 7).¹⁷

The IPA is now open to candidate countries (Croatia, Macedonia and Turkey) which can benefit from all the five components. Potential candidates (Albania, Bosnia and Herzegovina, Serbia and Kosovo) can participate just in the first two components.

The total funding of IPA for the period 2007–2013 for all eligible countries is €11.5 billion, out of which €592.63 million have been allocated to Croatia.

According to the Council Regulation on establishing IPA¹⁸ and Commission Regulation,¹⁹ Croatia has established the Multi-annual Planning Indicative Document for the years 2007–2009 and 2009–2011. In these documents, approved by the EC, the present country situation is explained and major areas of intervention under each IPA component are pointed out. For the operational use of IPA components II, III and IV, Croatia has created 12 Operational plans (8 for IPA II,²⁰ 3 for IPA III²¹ and 1 for IPA IV²²). As for the component I, a one-year plan of projects is made. For the implementation of IPA V, the plan of rural development has been created (CODEF, 2009: 39).

After the EU accession, the 12 operational programmes (plus a new one) and the rural development programme will eligible for the use of EU funds.

¹⁷ Component I and IV for the use of European Social Fund, component II and III for the use of European Regional Development Fund, component III for the use of Cohesion Fund and component V for implementing the common agricultural policy and its funds.

¹⁸ Council Regulation (EC) No 1085/2006 of 17 July 2006 on establishing an Instrument for Pre-Accession Assistance (IPA), Article 22 refers to multi-annual indicative planning document.

¹⁹ Commission Regulation (EC) No 718/2007 of 12 June 2007 Implementing Council Regulation (EC) No 1085/2006 of 17 July 2006 on establishing an Instrument for Pre-Accession Assistance (IPA), Article 5.

²⁰ Operational programmes for cross boarder cooperation with: the Republic of Slovenia, the Republic of Hungary, Bosnia and Herzegovina, the Republic of Serbia, the Republic of Montenegro, in the Adriatic region; Transnational operational programme Mediterranean; Transnational operational programme for South-East European space.

²¹ Operational programmes for: transport, environment protection, and regional competitiveness.

²² Operational programme for human resource development.

In order to implement the IPA properly, Croatia has created its IPA institutional structure according to Article 21 of the Commission Regulation (EC) No 718/2007 on establishing IPA. Thus, six different bodies and authorities have been established:²³

1. National IPA Coordinator – since 2006, that has been the role of the State Secretary at the Central Office for Development Strategy and Coordination of EU Funds (CODEF). The same body functions as a
2. Strategic coordinator – for regional development and human resources development component. This role is also performed by the head of the CODEF.
3. Competent Accrediting Officer – exercised by the Minister of Finance.
4. National Authorising Officer – exercised by a State Secretary of the Ministry of Finance.
5. National Fund – exercised by the Ministry of Finance.²⁴
6. Audit Authority – In 2010, Croatia created a new Agency for the Audit of the European Union programmes Implementation System.
7. Operational structure for each IPA component. Managing Bodies and Implementation Bodies have been set (Table 6). The operational structure comprises one main Managing Body responsible for enacting of the Operational plan and monitoring of its proper execution. Managing bodies are competent ministries. As for the components IPA III and IPA IV, each component is further divided into subcomponents, while subcomponents are subdivided into priorities/measures. For each subcomponent and priority/measure, a different ministry acts as a Managing Body and supervises the execution of the particular priority/measure. Implementation bodies are state agencies and institutions res-

²³ For competencies of each of this bodies s. Commission Regulation (EC) No 718/2007

²⁴ National Fund is the central entity, organised as treasury in the beneficiary country through which the EU pre-accession funds are channelled. The National Fund organizes and manages bank accounts, requests funds from the Commission and authorizes transfers of funds to the operating structures or the final beneficiaries and is in charge of financial reporting to the Commission (CODEF, 2009: 115).

possible for organization of the tendering procedure, for contract signing and for payments to the final beneficiaries.²⁵

The present IPA structure is important not just for the proper implementation of IPA funds (which is the main Croatian concern at the moment), but also because approximately the same institutional structure²⁶ will remain in place after the EU accession, i.e. after Croatia becomes eligible for the use of EU funds. That is why it is very important for Croatian institutional structure to start working properly as soon as possible. Acquiring proper knowledge and experience will enable it to fit into the functioning of the EU funds.

The management of the IPA programme is done through the Decentralized Implementation System, but it is expected that Croatia will receive the accreditation for the extended decentralisation system (EDIS)²⁷ during 2011 (Burić Pejčinović, 2010: 653).

An overview of the implementation of IPA funds until December 2010 is shown in Table 5. The contracting period is over just for IPA I 2007. Contracting is still in progress for the other components.

Regarding the implementation of IPA as well as the establishment of its institutional structure, in its 2010 Progress Report, the EC expressed satisfaction with progress made under Chapter 22 – Regional Policy and Coordination of Structural Instruments. It is said that Croatia is in a favourable stage of preparation for cohesion policy (EC, 2010: 46).

However, not everything is in order. The EC remarks that although the programming stage and the setting up of the institutional system for IPA implementation have been done correctly, the problem is the very implementation of IPA projects, especially in some IPA components (Table 5).

²⁵ For details on institutional structure, see Decree on the Scope and Content of Responsibilities and Jurisdiction of the Bodies Responsible for Managing the Instrument for Pre-Accession Assistance (IPA).

²⁶ After EU accession, CODEF will remain the Coordinating Authority, Ministry of Finance will remain the National Fund, the National Authorising Authority and Agency for the Audit of European Union programmes Implementation System will remain the Audit Authority. The operational structure will practically remain the same, and some new Implementing Intermediate Bodies will be added. C.f. Croatian Government Decision on Strategic Documents and Institutional Framework for the use of Structural Instruments of the European Union in the Republic of Croatia.

²⁷ In this Implementation system the Delegation of the European Union in a particular country exercises no *ex ante* control, which means no approval on the project selection, tendering and contracting is needed prior to project launching (s. ec.europa.eu/enlargement/how-does-it-work/financial-assistance/decentralisation_en.htm)

The main reason for this is a rather weak administrative capacity in certain IPA bodies. It is said that Croatia needs to enhance its administrative capacity and to ensure the transfer of know-how between the relevant IPA authorities (EC, 2010: 46). This could be a minor critique, but it must be emphasised that under IPA, the majority of funds are allocated for the IPA III component²⁸ and Croatia's weak project implementation capacity in this component make proper participation in EU Cohesion Fund impossible. However, the contracting period for IPA projects is not over, so Croatian bodies have time to improve and IPA I experiences suggest that this is possible.

With regard to the institutional structure, some criticism ought to be expressed and several recommendations proposed.

First, there are three main Managing authorities for IPA III (Ministry of the Sea, Transport and Infrastructure for IPA IIIa; Ministry of Environmental Protection, Spatial Planning and Construction IPA for IIIb; Ministry of Economy, Labour and Entrepreneurship for IPA IIIc). Then, there is the Ministry of Regional Development, Forestry and Water Management, which is responsible for »regional development ... and coordination of all activities related to harmonization with the EU in the field of regional policy and managing of structural instruments« (Article 16a, the Law on Organisation and Jurisdiction of Central State Bodies). Seeing the jurisdiction of the Ministry of Regional Development, it turns out that it is quite illogical to have four different managing authorities in charge of almost the same task of managing European funds related to regional development, when all of this can be done by just one body, preferably the Ministry of Regional Development.

Of course, it can be said that IPA IIIa, IPA IIIb and IPA IIIc need to be managed by the relevant Ministry that has the necessary experience, and internal regional development needs to be controlled by the special Ministry. In that case, a special Committee comprising the ministers and representatives of all four Ministries should be created in order to assure the necessary horizontal coordination and to avoid the very likely overlapping of their jurisdiction. In addition, this Committee should be given the task to harmonize external (IPA) and internal factors influencing regional development. It should be the main Managing Body for the IPA III component.

²⁸ See ec.europa.eu/enlargement/candidate-countries/croatia/financial-assistance/index_en.htm

Present institutional structure has a variety of implementing bodies. After the EU accession, new central state bodies or agencies will be added as implementing bodies. It must be noted that there is no provision that says that implementation bodies need to be central state bodies. It would be very useful, especially for IPA IIIc, to have regional implementation bodies, which by their nature know the situation on their territory and can help all the beneficiaries to present their respective projects correctly. Croatian counties have created their regional development agencies and, with adequate preparation (especially staff education), some of these agencies could very well assume the role of implementation bodies for EU funds. In addition, by setting some regional bodies as implementing bodies, the necessary vertical coordination between the central state actors responsible for regional development and regional bodies themselves will be established.

Counties and their bodies are capable of attracting the EU funds. A study of the capacity of counties and local units to absorb the EU funds²⁹ since the beginning of the CARDS 2004 (IIR, 2011)³⁰ has shown that the counties and local bodies could apply for €58.6 million from the pre-accession funds. Until the end of 2010, they had contracted 90.1 per cent of all the available funds. This shows that the counties and local bodies have the potential to attract and manage even larger funds. Unfortunately, nothing is as perfect as it seems. Counties and local bodies could apply for only 7.2 per cent of all the funds available to Croatia from the pre-accession funds³¹ (IIR, 2011: 9–10).

Since counties and local bodies are successful in attracting the funds available to them, perhaps it would be useful to allow them access to larger funds (IIR, 2011: 9–10). Furthermore, the establishment of regional implementing bodies can certainly facilitate application of the local units for various funds.

The study has also shown geographical allocation of the funds received in the last six years. The City of Zagreb has contracted the most funds (€9.4 mil.). The least developed county in Croatia (Ličko-senjska County)

²⁹ Analysis of Counties' Capacities for the Absorption of the EU Funds (in Croatian), <http://www.imo.hr/node/1362>

³⁰ This study has taken into consideration all the EU funds from CARDS 2004 to IPA IV 2007–2009 (where contracting had started before 31st December 2010) (IIR, 2011: 7–8)

³¹ In the last six years, county and local bodies could apply for €9.8 mil per year. On the other hand, the total amount of funds available for all the applicants in Croatia was €135 million per year (IIR, 2011: 10).

has contracted for the smallest amount of funds (€696.000). Taking into account only the counties and local institutions (excluding the broader civil sector and other applicants), the most successful county is the well-developed Istarska County. At the same time, the bodies of Ličko-senjska County, as well as the local units in same county, have not contracted for any projects (IIR, 2011: 36-38). This shows a significant imbalance between counties in Croatia. Therefore, it is necessary to stimulate the development of the counties that are lagging behind. Perhaps the introduction of regional implementing bodies, which would have sufficient expertise and would deal only with the mentioned geographic areas, could help to improve the institutional capacity of these regions to obtain EU funding.

3. Regional Policy in Croatia

There have been two main stages in the development of regional policy. The first covers a much longer period, spanning from the Croatian independence in the beginning of the 1990s to the formal adoption of the Law and Strategy of Regional Development. The second stage began with the formal adoption of the new Law and Strategy of Regional Development, followed by the adoption of secondary legislation that took place during 2009/2010.

3.1. Regional Policy in Croatia Between 1991 and 2009/2010

During the past twenty years, no single policy and legal framework of regional development has existed in Croatia. In the absence of a single and unified national policy of regional development, an assessment of the policy framework for regional development policy has to take into consideration several, primarily legal, documents that are a general policy basis of regional development. The main instruments of regional policy have been several pieces of legislation covering different parts of the country and establishing special statuses for different areas, such as Areas of Special State Concern, Hills and Mountain Areas, Islands, and the special status of the Town of Vukovar.

Many other legal and policy documents deal with and, directly or indirectly, affect some issues of regional development (for example, laws re-

gulating the system of local and regional self-government, tax laws, spatial planning regulations, state aid regulations, etc.). Apart from that, the possibilities of regional development are partly addressed in several other laws, the implementation of which is within the competence of different ministries, which, through their activities, considerably affect the development of specific areas. However, the adoption of other special laws did not aim at the implementation of regional policy.

The existing regulations combine different approaches to regional development. In doing so, they take into consideration different target groups and areas they refer to, and their starting points vary greatly. The existing legislation very often neither reflects a clear and coherent policy purpose nor sets up clearly defined implementation procedures.

Since Croatia has had a differentiated approach to the issue of regional development, there has been no single normative act which would, at the level of a general law, address the basic principles, set the basis for the policy of regional development, provide a single and generally accepted definition of regional development, define goals and principles and encompass the whole range of diverse and specific issues related to the regional development of Croatia.

The main shortcomings of the old system of regional policy in Croatia are the following:

Differentiated and partial system of regional policy. Current regional policy in Croatia consists of a number of elements regulated by several pieces of legislation. Parts of regional policy are built around the Areas of Special State Concern (ASSC), regulated by a special law adopted in the mid 1990s and amended more than a dozen times since; Hills and Mountain Areas (HMA), regulated by a special law adopted in 2002; and Islands, also regulated by a special piece of legislation adopted in 1999. The town of Vukovar enjoys a special status regulated by a special law due to severe devastation during the Homeland War. However, such a policy does not take into account the country as a whole nor its development at the county level. According to the available data, it is evident that almost a quarter of the total population (24.1 per cent or 1,070,783 citizens) are covered by some kind of regional policy measures, living on the two thirds of the Croatian territory (62.1 per cent or 35.129 km³) (Table 8). Besides, such categorization takes no account at all of the wider self-government units (counties; *županije*), nor of the level of their social and economic development.

Reactive policy measures. A vast majority of policy measures streaming from basic legal and policy documents are mostly directed towards removing the consequences of the war and not towards addressing the main cause of disadvantage. Financing of the regional development measures mostly goes through different indirect financing models, such as tax relief for psychical and legal entities, allocation of full amounts of some taxes to local units in the »assisted areas«, allocation of houses, construction plots, building material, etc. There is no effective mechanism for measuring the risk of displacement or the added value of such state investment.

Inadequate institutional system. The institutional system for regional policy management is based on sectoral approach and very high institutional fragmentation, especially among the central administrative bodies. Several central administrative bodies could play an important role in regional development. However, a clear focal point for policy elaboration and coordination has been lacking, which resulted in poor policy coordination. For many years, the ministry formally in charge of regional policy (Ministry of Sea, Tourism, Transport and Development) did not consider this policy seriously because it was mainly oriented towards the reconstruction of various private and public property (e.g. private houses and public buildings such as schools, kindergartens, etc.), devastated during the Homeland War, and towards the construction of infrastructure (e.g. motorways). Strategic planning of regional development and other regional policy measures (soft measures) have not been part of the everyday work of the ministry.

From the lack of political interest to over-politicization of regional policy. Modern regional policy was not on the policy agenda in Croatia for the most part of the 1990s. Instead, it was run according to the abovementioned differentiated and partial system, mostly characterized by reactive policy measures that neither followed regional policy developments in the EU nor in individual European countries. During the general election campaign of 2007, regional development became a hot political issue, which resulted in high political priority for regional policy and in the creation of special Ministry for Regional Development, Forestry and Water Management. The nucleus of the new ministry was Development Department of the former Ministry of Sea, Tourism, Transport and Development. Regional development policy became a prime focus of the newly established ministry and the minister in charge gain the status of the vice prime minister. During this period, Croatia also divided its territory into three statistical

NUTS II regions, although the first proposal of statistical division envisaged four NUTS II units.³²

Along with these general shortcomings, the system of regional policy in this phase could also be assessed from the perspective of several main principles of regional policy, elaborated by the successive regulation of the EU structural funds. These principles evolved from a major reform of EU structural funds in the late 1980s and they continue to be strong drivers of modern regional policy management (Đulabić, 2007: 125–133).

Concentration means putting sufficient resources into lagging regions to make a real and lasting impact. This contrasts with the policy of the so-called »pepper pot« financing in which the objective is to spread or to »sprinkle« financial allocations across a wider area. While all basic regional development laws are territorially based (ASSC, HMA, islands), it is very hard to trace significant amounts of public resources that are allocated to these areas or to find a unified policy of support to the »assisted areas« that is followed by substantial amounts of public resources allocated for its implementation.

Programming connotes taking a long-term (in most cases multi-annual), strategic, integrated and holistic approach to tackle the complex array of problems that lagging regions are faced with. It involves coordinated, joint action on the part of national as well as regional level bodies. In spite of the fact that some programming activities are stipulated in the respective legislation, it is quite clear that those programmes are not fully in accordance with this principle. Some programmes are mere list of plans and projects and not coherent, multi-annual development programmes.³³ Furthermore, there is no clear procedure that would set the criteria for all stages of the development and acceptance of such programmes. Although in some cases there are detailed regulations on certain issues aimed at programming actions,³⁴ problems emerge in their implementation. This mainly happens because of inadequate monitoring and evaluation mec-

³² For details of the first proposals, see Koprić, 2007: 98, 99.

³³ E.g. The Islands Act foresees 14 different sectoral national programmes for the development of Islands. However, many of these programmes have gone through the long-lasting process of adoption and implementation, so there are no real evidences of their impact on targeted problems. The HMA Act foresees the Program for Sustainable Development of HMA and Operational Programmes for Development of HMA that is based on the previous one.

³⁴ Decree on Content and Methodology for Preparation the Sustainable Island Development Programmes.

hanisms, and because of the low level of understanding of the regional development context. There is a continuing institutional gap in the policy process because it is not clearly stated who is responsible for the operational programmes.

Partnership means involvement of all the key stakeholders of regional development – regional and local self government, social partners, civil society, special interest groups (environmental, minority, gender, etc.) along with national government – in all of the stages of the policy cycle – management, programming, implementation, monitoring and evaluation, and financial management and control. The partnership principle connects several different actors in all the stages of public policy cycle and creates networks among different public and private entities. While modern trends in the management of public affairs are widely promoting partnership approach in executing public affairs, this principle is not fully accepted in Croatian regional development context. There are some traces of promoting cooperation between different levels of public bodies, but the conditions for inclusion of non-governmental sector institutions in the regional development policy processes are rather unfavourable. Most of this cooperation is between different levels of public legal entities (ministries, administrative organizations, local and regional units, public utilities). There are no clear criteria or indication for involvement and active participation of non-governmental subjects (citizen's associations, entrepreneurs associations, social partners, etc).

Additionality in the context of EU structural funds means that the added effect of these funds in the »assisted areas« of a member state stays within that area and does not lead to the displacement of national and public funds from such regions. It has a special significance for the relationship between the EU and the Member States as co-financiers of the development agenda in each member state. Within the national policy context, this principle means that state support should not displace local or county self-government's commitments and financial obligations to local and regional development. There are no instruments that would promote the principle of additionality in financing regional development projects.

Effectiveness (monitoring and evaluation). The means should be in place to measure the impact of the public investments in regional development with a view to improving effectiveness. Although there are some articles in current legislation about administrative bodies that are responsible for supervision of the implementation of a variety of laws, clear procedures and the system of accountability is either missing or it is undeveloped.

In almost every legal document one can find very broad articles on supervision that are prescribing only monitoring institutions and reporting obligations. Most of implementing entities evaluate their own work by a procedure that is not clearly established and no direct consequences for avoiding these obligations are specified. This practice is a huge obstacle to the evaluation process of the policy impacts on targeted groups. It is evident that coordination between different implementing bodies is missing on the horizontal as well as on the vertical level of the system. In the end, we have to conclude that this principle is also not sufficiently developed in Croatian legal and policy framework of regional development.

It is evident that the current basis of regional development policy is aid to underdeveloped and war-afflicted areas rather than a coherent set of mechanisms for promoting effective policy. It is a reactive public policy that will largely maintain the *status quo* level of regional development.

3.2. New Prospects for Regional Policy in Croatia

The above-mentioned considerations are some of the main reasons why Croatia needs a unified policy and legal framework for regional development policy with adequate capacity to direct the development activities that can equally benefit all parts of the country. Several important goals should be achieved through the new approach to regional policy. Firstly, the regional development policy measures should be more proactive (rather than reactive), they should be focused on the future development and not just ponder about the past. Clear boundaries within which such a policy could be formulated, implemented, monitored, and evaluated ought to be set out. Secondly, institutional framework for regional policy management has to be clear and simple, enabling policy actors to run a modern, coordination intensive regional policy. This could be achieved through reorganization of the existing administrative bodies at the central government level, but also by the establishment of the completely new bodies, that have not existed in the Croatian administrative system before.

In December 2009, after several years of political neglect and struggles over the need to have a separate regional policy based upon modern principles enshrined in the regulations on EU funds, Croatian Parliament finally adopted the Law on Regional Development, which has been in force since December 29, 2009. The Strategy of Regional Development was adopted by the Government in the first half of 2010. So far, all five

pieces of secondary legislation have been adopted³⁵, representing the new framework for regional policy in Croatia.

The bulk of work that resulted in today's new legal and policy frameworks for regional policy has taken place as a direct consequence of Europeanization. This happened within the context of several EU funded projects, beginning in the year 2000 in the previously elaborated »CARDS stage«. In spite of the fact that the adoption of the special law on regional development had been advocated even before, especially in the context of the EU negotiations and few EU funded projects (e.g. OBNOVA programme), the process of intensive LRD elaboration began under the CARDS 2003–2005 project *Strategy and Capacity Building for Regional Development in Croatia*. The main goals of the project were the development of National Strategy of Regional Development and the Law on Regional Development, the reinforcement of institutional capacity of central and sub-national institutions that are active in the field of regional development, with adequate staff training. The first completed draft of the Law on Regional Development and Strategy of Regional Development was presented to the public at the closing conference of the CARDS Project in September 2005. However, the Law and the Strategy had not entered the formal adoption procedure for another five years. In the meantime, the second CARDS project was carried out (CARDS 2007–2009 project *Regional Development Capacity Building Facility*).

Both of these projects were meant to provide support to the creation of modern regional policy that complies with the EU's cohesion policy. Their intent was to increase the institutional capacity of the central government and counties in order to allow them to make strategic plans and strategic documents concerning regional development (Đulabić, 2010: 17). Furthermore, the projects stimulated the Croatian counties³⁶ to create their own regional operational programmes and, through them, to set the foundations for strategic planning of their development (Đulabić, 2008:

³⁵ Decree on Establishment of the Partnership Councils of Statistical Regions; Decree on the Development Index; Rulebook on Establishment and Running of the Central Electronic Base of Development Projects; Rulebook on Obligatory Content, Methodology and Evaluation of County Development Strategies; Rulebook on the Register of Administrative Units of the Counties, Agencies and Other Legal Entities for Better Coordination of Regional Policy.

³⁶ Croatia consists of 556 first-tier local units (towns and municipalities) and of 20 second-tier units (counties). Zagreb as a capital city has a special status. Counties correspond to the NUTS III regions, so they are not an adequate institutional level for regional policy in the context of EU funds.

308). One of the aims of the programmes was to improve the coordination of regional policy. To complete that task an inter-ministerial coordination group was created (Đulabić, 2007). Nevertheless, the Law and the Strategy had been rewritten several times within the CARDS 2007–2009 project, and finally adopted at the end of 2009 (Law) and in 2010 (Strategy).

The adoption of the LRD, secondary legislation and SRD should be considered as a significant point of departure in the course of rationalization of regional policy management. »Adopting a law is, of course, not an indispensable prerequisite of a working and effective regional policy process but it indicates an advanced stage of conceptual elaboration since through a law governments bind themselves more than by decreeing rules.« (Brusis, 1999: 7).

The main characteristics of the new regional policy management system streaming from the new legal and policy framework could be summarized in the following way:

Proclamation of the modern regional policy principles as a basis of new regional policy. The new LRD clearly elaborates several general principles as the basis of the new regional policy in Croatia. These principles are very much in accordance with the modern EU regional policy principles, and should serve as a basis for all the future regional policy activities. Partnership and cooperation, equal opportunities, solidarity and concentration, strategic planning, monitoring and evaluation, and sustainability are among the main principles.

Introduction of strategic planning into the system of policy management. The National Strategy of Regional Development and county strategies of regional development have been introduced as the main tool for strategic planning of regional development. The main aim of these documents is to introduce longer, strategic planning of development activities.

Building institutional arrangements for better regional policy management. The role of the Ministry of Regional Development has been strengthened, as it is now the leading central body in charge of regional development policy in Croatia. The National Agency for Regional Development has been established as its main implementing body. The networks of county development agencies are accredited as county coordinators serving as an instrument of regional development at the county level, helping beneficiaries with the preparation of project proposals, documentation, and providing general help for utilization of the pre-accession funds.

The new model of objective measurement of the level of socio-economic development. Introduction of the criteria for objective measurement of the level of socio-economic development takes into account the country as a whole, not just the parts thereof. The backbone of the new system is the new development index based on several factors such as the unemployment level, per capita revenue of local and regional units, migration of population, population density and the level of formal education. The level of development of all self-government units – including towns and municipalities as the first, and counties as the second tier – are now assessed and categorized into different groups. This categorization should serve as a basis of the new development measures that should be tailored according to their specific development needs.

Adoption of the Law and Strategy serves as a tipping point for the new regional policy in Croatia. This new policy is based on several principles of modern regional development policy that are harmonised with the main principles of the EU cohesion policy. It is expected that such an approach should bring order into the policy area, especially with regard to strategic orientation. It should focus on all parts of the country and on both government levels, meaning towns and municipalities as the first, and counties as the second level, as well as on institutional framework and better policy coordination and management.

4. Conclusion: In Need of Better Coordination of Parallel Processes

Croatia is undertaking serious preparations for the future EU membership. One of the main challenges of this process is building the institutional structures that would allow the country to make the best use of EU funds that will be available for the support of the social and economic development. There are two parallel processes that can be traced.

The first one is connected with the wider context of IPA implementation and previous instruments of pre-accession assistance in Croatia, namely the CARDS, PHARE, ISPA and SAPARD programmes, while the other development process is related to the activities on the preparation of policy, legal, and institutional frameworks for the regional policy.

It is argued that these processes sometimes run on parallel tracks that are not adequately connected, which has led to, or has been a result of, institutional fragmentation and weak administrative coordination between

several central administrative bodies formally in charge of these policy areas. The level of involvement of the regional and local actors as well as the economic and social partners also varies in these two areas. While the process of regional policy is in a way taking into the consideration players from the county and municipal levels, the IPA implementation context is highly centralized relying only on administrative bodies from the central government level.

Croatian regional policy is in transition from the previous policy approach mostly characterized by reactive policy measures and inadequate institutional framework. There was no coherent regional development policy that would take care of all parts of the country. The previous policy was mainly managed at the municipal level, while the counties were completely out of focus. Although, according to the Law and Strategy of Regional Development, the Ministry of Regional Development, Forestry and Water Management should be a leading body in this process, other line ministries will also have a very important role in the whole process. This is particularly true for the Ministry of Economy, Labour and Entrepreneurship, which plays the role of Managing Authority for the OP Regional Competitiveness in the IPA institutional structure. When Croatia joins the EU, this could cause some major coordination problems.

The adopted legal and policy frameworks should serve as a tool for active instead of reactive regional policy. However, there is a real possibility that the situation will very much remain the same if the necessary steps are delayed or not undertaken. Despite the positive steps that have been undertaken with the adoption of the LRD, it can be concluded that several bottlenecks still exist. They should be removed if regional policy is to become a success story in Croatia. Weak policy capacity within public administration is a major restraining factor for the realization of strategic planning, and particularly for the strategic planning of regional development, which proves to be a rather coordination intensive field of public policy. Horizontal and vertical coordination is yet another crucial problem for regional policy management across various line ministries and different levels of government. Building strong, lasting, and functioning partnership arrangements, which would include all relevant stakeholders into the policy process, is to be set up for the purpose of better policy coordination in all stages of the policy process. The role of local and regional self-government units is quite weak and in many respects, they are not able to take full responsibility for the promotion of endogenous development. Territorial reorganization and re-conceptualization of the county structure should take place if this level of government is to play

any significant role in the process of regional development and further decentralization of the country.

However, the system for the future use of EU funds built around the IPA structure emphasizes the leading role of the CODEF. This is a highly centralized structure and it does not take into account the possible role of regional bodies. Setting some regional bodies as the implementing bodies for certain EU funds can stimulate the development of lagging areas by helping them prepare various projects that can be financed from EU funds.

Although the IPA institutional structure conforms to the present state of Croatian regional policy, it has to be noted that everything is centrally decided and implemented. Although some EU projects, especially those implemented under the CARDS and PHARE programmes, have set the bases for modern regional policy, and some steps forward, in particular with the adoption of Law on Regional Development, have been made, we must still say that Croatia has adopted a top down approach in creating its regional policy. The most evident proof for this is the total lack of any regional or local body in the IPA structure.

In the future, there should be closer harmonisation between the steps that prepare Croatia for the EU membership and steps that are building the institutional framework for national regional policy. These two processes should be better interlinked and harmonized in order to raise the overall absorption capacity for the future use of EU funds.

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Annex

Table 1: The amount of EU assistance received by Croatia 1991-2000 (in € million)

	1991–1995	1996	1997	1998	1999	2000	Total
Humanitarian aid	244.87	21.15	14.5	6.95	8.0	–	293.8
OBNOVA programme		7.02	8.59	14.0	14.2	15.34	59.15

Source: CODEF, 2009: 13

Table 2: Amount of funds allocated to Croatia during the CARDS PROGRAMME (in € million)

	CARDS 2001	CARDS 2002	CARDS 2003	CARDS 2004	TOTAL
Allocated funds	58	59	62	81	260

Source: CODEF, 2009: 15

Table 3: The decentralized usage of CARDS 2003 and CARDS 2004 programmes (in € million)

	CARDS 2003	CARDS 2004
Allocated funds	29.36	46.57
Contracted funds	28.68 – 97.68%	44.06 – 94.61%
Paid to the beneficiaries	27.25 – 95.01%	41.44 – 94.04%

Source: Croatian Government, 2011: 2

Table 4: The usage of pre-accession programmes Phare, ISPA and SAPARD (in € million)

	Phare 2005	Phare 2006	ISPA	SAPARD
Allocated funds	73.14	64.14	59.00	25.00
Contracted funds	63.91 – 87.38%	54.66 – 85.22%	56.05 – 95.00%	15.42 -61.70%
Paid (percentage with regard to the amount of contracted fund)	58.53 – 91.95%	46.99 – 85.97%	31.03 – 55.36%	11.63 – 75.43%

Source: Croatian government, 2011: 2

Table 5: The usage of IPA 2007–2010 (in € million)

	IPA I 2007	IPA I 2008	IPA I 2009	IPA II 2007–2008	IPA III 2007–2009	IPA IV 2007–2009	IPA V 2007–2010
Allocated funds	44.55	41.37	42.10	5.39	142.35	38.27	102.90
Contracted funds	41.11 – 92.29%	9.93 – 24.00%	5.06 – 12.04%	2.72 – 50.79%	33.78 – 23.73%	25.38 – 66.31%	6.07 – 5.90%

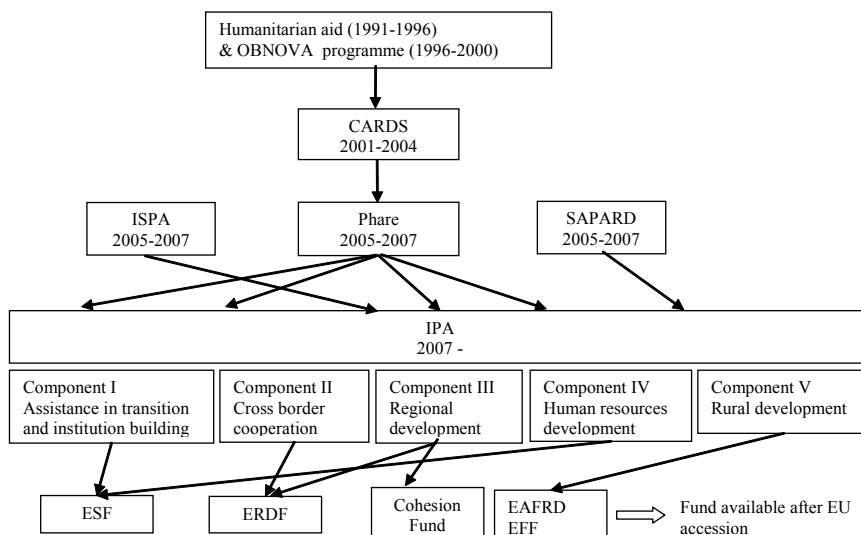
Source: Croatian Government, 2011: 8

Table 6: IPA Institutional Structure in Croatia

National IPA Coordinator	Central Office for Development Strategy and Coordination of EU Funds (CODEF)
Strategic coordinator for IPA III and IPA IV	Central Office for Development Strategy and Coordination of EU Funds (CODEF)
Authority for the financial management of IPA	Ministry of Finance – National Fund
Managing Authority (*main Managing Authority for indicated IPA component / **Managing Authority for specific priorities/ measures contained in component)	<p>IPA I – Central Office for Development Strategy and Coordination of EU Funds (CODEF)</p> <p>IPA II – Ministry of Regional Development, Forestry and Water Management</p> <p>IPA IIIa – Ministry of the Sea, Transport and Infrastructure</p> <p>IPA IIIb – *Ministry of Environmental Protection, Spatial Planning and Construction –**Ministry of Regional Development, Forestry and Water Management</p> <p>IPA IIIc – *Ministry of Economy, Labour and Entrepreneurship –** Ministry of Regional Development, Forestry and Water Management –** Ministry of Science, Education and Sports</p> <p>IPA IV – *Ministry of Economy, Labour and Entrepreneurship –** Ministry of Health and Social Care –**Ministry of Science, Education and Sports</p> <p>IPA V – Ministry of Agriculture, Fisheries and Rural Development</p>
Intermediate, Implementing Authority	<p>Central Finance and Contracting Agency – IPA I, IPA II, IPA IIIa, IPA IIIb, IPA IIIc</p> <p>Agency for Regional Development – IPA II</p> <p>Croatian Railways – IPA IIIa</p> <p>Environmental Protection and Energy Efficiency Fund – IPA IIIb</p> <p>Croatian Waters – IPA IIIb</p> <p>Croatian Employment Service – IPA IV</p> <p>Agency for Vocational Education and Training – IPA IV</p> <p>Agency for Payments in Agriculture, Fisheries and Rural Development – IPA V</p>
Audit Authority	Agency for the Audit of European Union programmes Implementation System (ARPA)

Source: Regulation of the Scope and Content of Responsibilities and Jurisdiction of the Bodies Responsible for Managing the Instrument for Pre-Accession Assistance

Table 7: EU help and programmes in Croatia since 1991



Authors' table based on Glossary, 2009: 11

Table 8 – Areas with special status

Local Units			Inhabitants		Area	
Type	No.	% (556 = 100)	Number	% (Croatia = 100)	km ³	% (Croatia = 100)
ASSC	184		733,453	16.5	25,789	45.6
HMA	45		212,233	4.8	5,922	10.5
Islands	50		125,097	2.8	3,418	6.0
Total	280	50.4	1,070,83	24.1	35,129	62.1

Data includes the Town of Vukovar, which has 31.670 (0.7%) inhabitants, and area of 98.9 km³ (0.2%) of Croatia.

Source: Calculation of authors and data of the Ministry of Regional Development, Forestry and Water Management, April 2010

ADMINISTRATIVE ASPECTS OF REGIONAL AND
COHESION POLICY IN CROATIA:
IN SEARCH OF A BETTER COORDINATION OF PARALLEL
PROCESSES

Summary

The paper presents and critically assesses the state of regional and cohesion policy in Croatia with an emphasis on the new policy, legal, and institutional frameworks in the context of general administrative reforms and the process of decentralization. Two parallel development processes can be noticed. The first one is connected with the earlier activities on the preparation of policy, legal, and institutional frameworks for regional policy, while the other is more related to the broader context of IPA implementation and previous instruments of pre-accession assistance in Croatia, namely CARDS, PHARE and ISPA. These processes sometimes run on parallel tracks that are not adequately connected, which has led to, or is a result of, institutional fragmentation and weak administrative coordination between several central administrative bodies, formally in charge of these policy areas. The level of involvement of the regional and local actors as well as the economic and social partners also varies in these two areas. The argument in favour of improvement of the overall institutional capacity for better coordination and institutional reshuffling in these two closely interlinked policy areas is intended to be strengthened. The paper uses a case study and covers the development of the Croatian regional and cohesion policy after 2005, when the main policy and legal documents were drafted and when institutional framework was developed.

Key words: regional and cohesion policy – Croatia, regional development, decentralization, institutional capacity, administrative coordination, administrative reform

UPRAVNI ASPEKTI REGIONALNE I KOHEZIJSKE
POLITIKE U HRVATSKOJ:
U POTRAZI ZA BOLJOM KOORDINACIJOM
USPOREDNIH PROCESA

Sažetak

Rad prikazuje i kritički ocjenjuje stanje regionalne i kohezijske politike u Hrvatskoj s naglaskom na nove javno-političke, zakonske i institucionalne okvire, u kontekstu općih upravnih reformi i procesa decentralizacije. Primjetna su dva usporedna razvojna procesa. Prvi je povezan s aktivnostima na pripremi javno-političkih, zakonskih i institucionalnih okvira za regionalnu politiku, dok se drugi odnosi na širi kontekst primjene IPA programa, kao i primjene ranijih instrumenata predpristupne pomoći Hrvatskoj, programa CARDS, PHARE i ISPA. Spomenuti procesi katkada teku usporedno, ali nisu povezani na odgovarajući način, što dovodi do, ili pak ima za posljedicu institucionalno usitnjavanje i slabu upravnu koordinaciju nekoliko središnjih upravnih tijela, koja su formalno nadležna za ova područja javnih politika. Razina angažiranosti regionalnih i lokalnih aktera te gospodarskih i socijalnih partnera također varira na oba područja. U radu se nastoje osnažiti argumenti u prilog povećanja ukupnog institucionalnog kapaciteta radi bolje koordinacije i institucionalne preraspodjele u ta dva usko povezana područja. Koristi se studija slučaja, a obuhvaćeno je razdoblje razvoja hrvatske regionalne i kohezijske politike nakon 2005., kada su sačinjeni glavni javno-politički i pravni dokumenti i kada je razvijen institucionalni okvir.

Ključne riječi: regionalna i kohezijska politika – Hrvatska, regionalni razvoj, decentralizacija, institucionalni kapacitet, upravna koordinacija, upravna reforma