

# Institutional Capacity for Regional Development in Croatia on the County Level

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*The paper presents some of the results of a research of the institutional capacity in all Croatian counties and county development agencies, with the aim of analysing and assessing the currently existing institutional capacity for preparing and implementing regional development projects on the county level. The research was based on an implemented survey in which all counties and county development agencies were included.*

*Views are also given related to the importance of institutional capacity for Croatia's regional development from the point of view of overall absorption capacity of both the EU, as well as other international and Croatian financial sources, as well as its relevance from the point of view of ensuring good governance and the implementation of effective regional development initiatives and actions on the local and regional level.*

*On the basis of identified problems and needs in the Croatian counties in the process of preparing and implementing projects financed through, primarily, international financial sources, the paper identifies some of the necessary steps for further strengthening of institutional structures, coordination mechanisms, capacities and procedures related to planning and programming on the county level.*

**Key words:** Regional Development, Institutional Capacity, Planning and Programming

## 1. Introduction

This paper is the result of the research of institutional capacity, i.e. the analysis of the existing capacity in counties and county development agencies (CDAs) for the preparation and implementation of projects financed from international sources, for the purpose of which the survey was carried out. The research was implemented in the framework of the EU CARDS project: Technical Assistance for the Effective Implementation of Croatia's National Strategy and Action Plan for Regional Development. The initial results of the analysis have been incorporated into the policy paper: "The Use of the NUTS 2 level in the future management of national and EU regional policy in Croatia", with the aim of providing recom-

mendations related to the effective use of the EU pre-accession funds as well as other international financial sources for financing regional development projects.

When referring to "capacity", "institutional capacity", "administrative capacity" and similar terms, which, basically, refer to the same issue, we would like to point out that in the carried out research, under *institutional capacity*, we basically refer to the ability, i.e. knowledge and skills existing in the institutions on the county level for preparing and implementing development projects funded through the EU as well as other international financial sources. In this regard, we agree with the definition provided by Milio (2007), where she points that institutional/administrative capacity is defined by four key actions: management, programming, monitoring and evaluating.

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The institutional capacity for the effective use of financial sources in financing local and regional development is, among others, one of the requirements from the part of the EC towards the Croatian government in the process of accession, which is particularly stressed within the framework of the process of negotiations with the Commission within Chapter 22: Regional policy and coordination of structural instruments. The closing of this Chapter is expected soon and a number of activities and initiatives are currently being undertaken from the part of the main government bodies (including newly established agencies and institutions) which will be in charge of coordinating EC structural instruments (Maleković, Puljiz, Polić, 2007).

The basic aim of the research was to analyse the existing initial institutional capacity in counties and county development agencies (CDAs) for the preparation and implementation of projects financed from international sources, with the purpose of assessing the existing knowledge and skills as well as determining all major problems and needs currently present on the county level related to institutional capacity.

The cooperation within the county as well as inter-county cooperation and coordination issues were also assessed, from the point of view of being relevant aspects within the management component of institutional capacity.

On the basis of several years of experience in the elaboration of a number of Regional operational programmes (ROPs) in Croatia, as well as the implementation of other research and policy projects focused on institutional structures and regional development, some views and suggestions related to the existing institutional capacity have also been incorporated into the paper.

The further development of institutional capacity is perceived in the paper as one of the key steps in ensuring the most effective way of absorbing international, but also Croatian financial resources for promoting regional development, as well as an indispensable tool for implementing regional policy through the successful and efficient preparation and elaboration of socio-economic development projects on the county and LGU (local government units) level. This standpoint is in line with the main approach as advocated in the National Strategy for Regional Development documents and other relevant Croatian and EU strategic papers (NSRD 2006; Maleković, Filipić, et al. 2005; EC 2003, Bradley, 2006).

## 2. Importance of Institutional Capacity for Croatia's Regional Development

The Croatian Government is expected to reach the level of internal readiness for the EU integration by the end of 2007 and full membership in 2009. The EU membership negotiations started with a screening process in October 2005 and in October 2006 the screening of all 35 chapters of the *Acquis Communautaire* was completed.

Croatia has already undergone comprehensive and demanding reforms related to the EU accession process. A number of economic policy and strategy documents have been elaborated, such as the National Programme of EU Integration, the Croatian Pre-accession Economic Programme 2006-2008 (PEP), National Development Framework, Economic and Fiscal Policy Guidelines and other, all emerging from or driven by the EU accession process.

The EC "Opinion on Croatia's Application for Membership for the EU" (European Commission, 2004) highlights that Croatia's regional policy mechanisms are at an early stage, and that considerable and sustained efforts to define strategies, create administrative structures and implement programmes will be necessary in order to allow Croatia, in the medium term, to apply Community rule and channel the funds from the EU structural instruments (Maleković, S., Puljiz, J., Polić, M., 2007). Adequate institutional capacity for preparing and implementing regional development projects/programmes which would open grounds for the most efficient use of international financial sources – EU and other – is only one segment within this whole process, but, together with the introduction of the main principles of the EU Cohesion policy, a very relevant one in the field of adjustments in the segment of regional policy. All undertaken activities are in line with the main propositions defined not only in the EU strategic documents but also in the National Strategy for Regional Development (EC 2003; EC 2004; NSRD, 2006).

In order to reach compliance with EC rules, requirements, practice and standards in the segment of regional policy, the raising of *absorption capacity* is one of the first and most important steps. By absorption capacity we define a country's/region's ability to spend its allocated resources to meet the programme requirements within a certain timeframe (Milio, 2007). Absorption capacity will be reached, among other things, once institutional capacity is developed for the effective use of financial sources for programmes financed with the EC, but also other international financial sources on all levels. The further development of the existing capacity on the lo-

cal and regional level in Croatia we perceive thus as a necessity, from the point of view of achieving the highest possible absorption capacity on the regional level, better accomplishment and accountability of implemented development programmes (Maleković, S., Puljiz, J., Polić, M., 2007), as well as for raising effectiveness of our public actions and development policy.

Institutional capacity is currently perceived as being even more important, as the result of research which confirms that the new member states are managing the Structural Funds with a minimal amount of involvement by sub national structures due precisely to the limited absorption capacity at regional and local levels (Leonardo, 2006). However, the experience of new member states shows that, in most cases, the accession process has played a major role in setting up a modern and coherent national framework and the necessary institutional structures in the field of regional policy and Structural Funds management. Promotion of programming and renewed emphasis on the importance of institution-building and institutional capacity are some of the important contributions of the Cohesion policy to the evolution of regional and national development policies in member states. (Mairate, 2006; Puljiz, Maleković, 2007 c). Croatia, even though being among the last in line in the accession process, can benefit tremendously on the basis of these experiences - trying to avoid mistakes and wrong approaches of its predecessors in this process.

It still remains to be seen whether at all, and, if so, to what extent, the counties will be involved in the management of the Structural Funds. Most probably they will only be involved in planning and programming on the regional level. However, as was the case in Poland, Hungary, the Czech Republic and Slovakia, in which there was a mix of national and regional operational programs, requiring these countries to make various provisions for the administration of the Structural Funds at the sub national level (Leonardi, 2006), the definite involvement of the counties, and much more so, of the new Croatian NUTS 2 regions, in the management of Structural Funds is still an open issue. The necessary agreements and consensus will most probably be reached along with the process of ratification of the new Law on Regional Development as well as the National Strategy for Regional Development (NSRD 2007; Puljiz, Maleković, 2007; Armstrong, 2007).

This whole process of raising skills for programming should not be perceived only as one of the necessary steps in reaching compliance with the EU Cohesion policy and enabling the most effective access to pre-accession funds as well as structural funds at a later stage. Just as relevant is the fact that this

raised knowledge and experience is of fundamental importance for the successful implementation of regional development projects funded through Croatian (central government's, regional and local), as well as bilateral and multilateral financial sources. In this regard, raised institutional capacity is only one element of good governance and effective management and implementation of regional development projects.

From this viewpoint, the EU Cohesion policy approach is welcome as the triggering "push" - i.e. the approach being widely considered to have a relevant impact on how regional development policies are managed and implemented - and with the increasing role of the regions in the administration of this policy (Leonardi, 2006). Here we can also fully agree with Mairate (2007) who stresses that, to the extent that they determine the effectiveness of interventions, strong emphasis will need to be placed on good governance and a strengthened institutional capacity. The analysis as elaborated below can be perceived as the first step in the process of further strengthening this institutional capacity, thus raising the absorption capacity for the use of the EU, other international, as well as Croatian funds to finance development programmes on the regional level.

### 3. Existing Capacity for Project Preparation and Implementation

This chapter provides the basic overview of the existing capacity for project preparation and implementation, with the views provided on the basis of the carried out research and survey in all Croatian counties (Maleković, S., Puljiz, J., Polić, M., 2007b).

While analyzing the existing institutional capacity, particular focus was given to personnel involved in the preparation and implementation of projects financed from international sources, existing specific skills and value of prepared project applications as well as implemented projects.

#### Personnel involved in the preparation and implementation of projects financed from international sources

The carried out research and answers received from respondents in all counties confirm that there are currently 221 employed personnel engaged on internationally funded project/programmes in the surveyed CDAs and counties. However, not all of these employed are continuously engaged in such projects. On average, six employees in the CDAs and nine employees in the counties are engaged in the management of the EU-funded projects. Table 1 shows a list of the counties

Table 1: Personnel engaged on internationally funded projects

County	CDA	County administration	County total	Share in country total
Istria	15	38	53	24.0%
Varaždin	4	18	22	10.0%
Zadar	6	15	21	9.5%
Koprivnica-Križevci	7	10	17	7.7%
Split-Dalmatia		15	15	6.8%
Brod-Posavina	4	8	12	5.4%
Primorje- Gorski kotar	9		9	4.1%
Krapina-Zagorje	8		8	3.6%
Međimurje	6	2	8	3.6%
Virovitica-Podravina	3	5	8	3.6%
Zagreb	4	4	8	3.6%
Karlovac		6	6	2.7%
Osijek-Baranja	2	3	5	2.3%
Sisak-Moslavina	2	3	5	2.3%
Dubrovnik-Neretva	3		3	1.4%
Lika-Senj		3	3	1.4%
Požega-Slavonia	3		3	1.4%
Vukovar-Srijem	3		3	1.4%
Šibenik-Knin	2		2	0.9%
Bjelovar-Bilogora			0	0.0%
City of Zagreb			0	0.0%
Inter-county (DAN)	10		10	4.5%

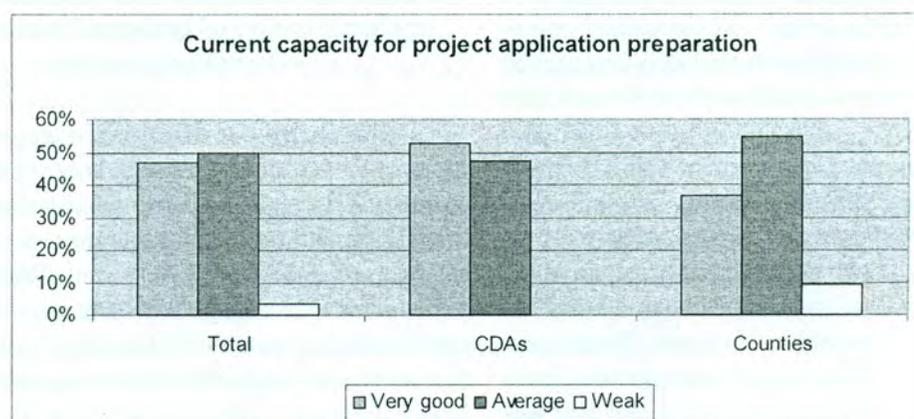
according to the number of personnel engaged in internationally funded projects. The County of Istria by far exceeds all others in regard to the number of personnel, employing 53 people, or around 24% of the country total. The Varaždin and Zadar County are the next two counties on the list, each employing more than 20 employees. On the other hand, counties like Dubrovnik-Neretva, Lika-Senj, Vukovar-Srijem and Šibenik-Knin employ only three or less employees engaged in preparation and implementation of projects funded from international sources.

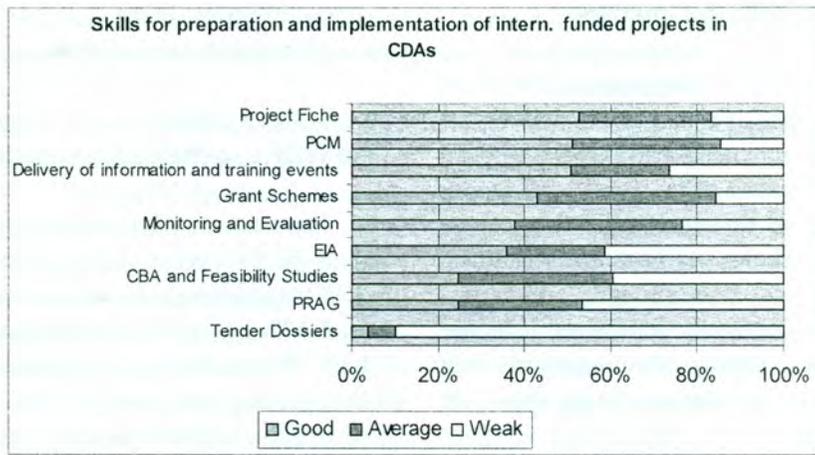
Counties have a slightly higher percentage in employing personnel on permanent basis, while the

CDAs have more than a double number of employed on temporary basis in comparison to the counties, being more flexible in this respect and adhering to ad hoc temporary employments when additional tasks related to project preparation and implementation are under way, as well as when other activities are initiated.

#### Current capacity for the preparation of project applications

By the term "capacity" we refer to the existing knowledge, experience and specific skills (such as preparation of project fiches, PCM, monitoring and





evaluation skills, elaboration of EIA, knowledge regarding PRAG, elaboration of CBA, feasibility studies, tender dossiers and other) necessary for the efficient preparation of project applications for projects funded from international sources, in line with the EU as well as the standards of other international financial, developmental and other organizations/institutions, such as the World Bank, UNDP, USAID and other multilateral and bilateral organizations.

As visible from the following graph, both the CDAs and counties state that their current capacity for the preparation of project applications is substantial. Only 3.3% see their capacity as weak.

CDAs have scored somewhat higher capacity than the counties which is probably due to their greater experience in the management of internationally funded projects.

Scores on current results of county actors with respect to participation in internationally funded grant schemes are less favourable when compared to the capacity for project application preparation, but are still rather high. Around 30% of the respondents state that their current capacity is very good, a further 53% state that it is average and only 13% state that it is weak. Counties are slightly less posi-

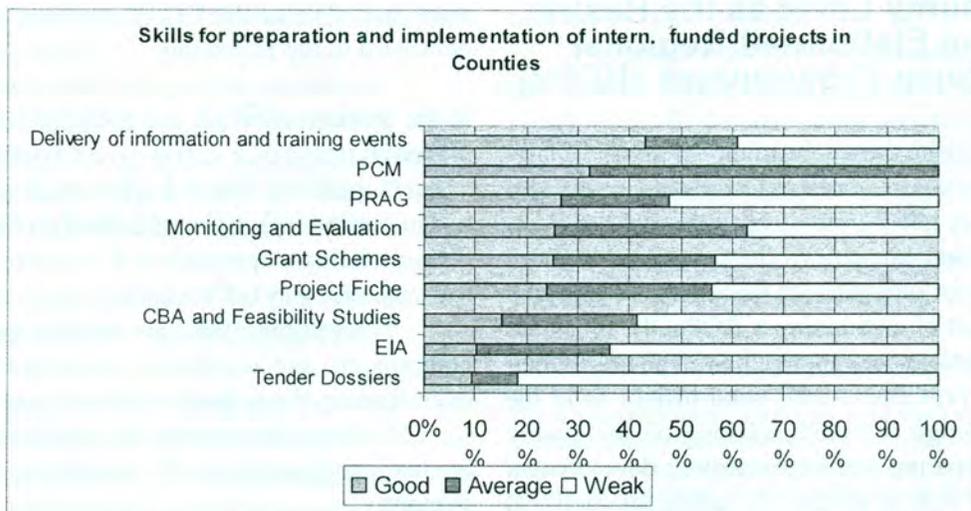
tive in that respect than the CDAs, but the difference is not substantial.

### Existing specific skills for the preparation and implementation of projects financed from international sources

#### Existing skills in the CDAs

In order to assess the level of specific existing skills for project preparation and implementation, the CDAs and counties were questioned as to the gained skills of their staff related to the preparation of project fiches, PCM, delivery of information and training events, grant schemes, monitoring and evaluation, EIA, elaboration of cost benefit and feasibility studies, their knowledge related to PRAG and elaboration of tender dossiers.

The survey confirms that the CDAs are most skilled in the preparation and implementation of internationally funded projects, project cycle management and delivery of information and organization of training events. On the other hand, by far the weakest skills area relates to the preparation of tender dossiers, as can be seen from the following graph.



### Existing Skills in Counties

The research confirms that good existing skills in the counties are mostly related to the delivery of information and training events and PCM. Skills are least developed in the case of preparation of tender dossiers, elaboration of Environmental Impact Assessment and Cost-Benefit and Feasibility Studies. In general, skills related to the preparation and implementation of internationally funded projects are at a lower level within county administrations than within the CDAs. The existing skills are shown in the following graph.

The analysis shows that the situation in several counties slightly differs from the point of view of number of employees with good or average knowledge of specific skills in county administrations, compared to the situation in the related CDAs in these same counties, as commented previously. Istrian and Zadar county administration are evidently among the best equipped, particularly when CBA and tender dossiers are concerned, and county administrations with least employed skilled staff are the Lika-Senj, Međimurje, Sisak-Moslavina and Virovitica-Podravina counties.

From the point of view of ranking of county administrations in regard to the number of staff with the concerned specific skills, the analysis shows that Zadar and Istria counties administrations are ranked highest regarding the employed with CBA skills, and Zadar, Zagreb and Karlovac counties in regard to feasibility studies. Istria, Split-Dalmatia and Zagreb counties are among the rare with EIA capacitated staff, while Zadar county is ranked highest in both tender dossiers and PRAG capacitated staff, with Lika-Senj, Međimurje, Sisak-Moslavina and Virovitica-Podravina, as well as Karlovac counties being ranked lowest in these two skills.

## 4. Institutional Capacity in the County Level as the Result of the Elaborated Regional Operational Programmes (ROPs)

Along with the results of the survey and analysis, the process of elaborating ROPs in Croatia also provided very good grounds for assessing the existing institutional capacity on the county level. Since the Institute for International Relations was engaged in the process of elaborating 5 ROPs, the much accentuated participatory approach in all phases of their elaboration provided a very good insight as to the main knowledge and skills existing on the county level for preparing and implementing development projects, as well as effectively using international

financial resources in this process. This experience was confirmed by the carried out survey.

### Current capacity and contribution of the ROPs to institutional capacity building

The answers from the survey related to ROPs showed the following results of the elaboration of the ROPs regarding their current capacity:

- \* 42% of CDAs consider that the elaboration of the ROPs resulted in substantial raising of capacity for planning and programming

- \* 37% consider that the elaboration of the ROPs resulted in capacity being raised to a certain degree and only 5% consider that the raised capacity was poor.

The survey confirmed that the main contribution of the elaboration of the ROPs in regard to institutional capacity building lies with the county administration and various departments of county governments (mostly Departments for economy and Departments for European integration) as well as within the CDAs.

The contribution of the ROPs to the strengthening of county administration and those employed in the CDAs mainly depended on the implemented approach, organization and quality of preparation and elaboration of the ROPs. In the counties where the methods of strategic and operative planning were used in the process of preparing and elaborating the ROPs – tailored to members of the county working teams (experts from county institutions), and where methods of experience based learning, as well as learning by doing methods were implemented – these contributions were substantive. The survey confirms that this was the case in nearly half of the counties.

Thus, the contribution of the ROPs to the institutional capacity in the county administration and employed staff in the CDAs can thus be basically perceived in the following:

- \* awareness raising and better understanding of the process, methods and techniques of strategic planning;

- \* enabling the stakeholders to clarify and widen their perspectives regarding problems by applying a holistic approach and overcoming of (narrow /sectoral way) of thinking;

- \* developing linkages among main problem components and upgrading understanding of the overall reality from the part of each participant;

- \* orientation towards the establishment of the institutional framework for managing local development;

\* orientation towards the future, i.e. the capacity for developing sophisticated mental responses to the question "what if";

\* perceiving in an integral way the development potential and development constraints of the counties and LGUs – linking of development needs and development possibilities;

\* gaining of experience and knowledge related to how to design and define development visions, strategic goals, priorities and measures for the development of the counties and LGUs;

\* team building by enabling communication among participants, stressing of communication dynamics and skills for reaching mutual understanding and agreements (enabling consensus).

In some counties, i.e. more than a third, the contribution related to the capacity building of the CDA staff was relevant, since they participated/co-operated on partner basis with the consultants in the overall process of preparing and elaborating the ROPs. In these cases, the whole CDA team cooperated from the very beginning till the final adoption of the ROP, as well as in the preparation of the implementation plan and elaboration of project data bases. In 4 counties the implementation of the ROPs is elaborated by the establishment of a system of managing projects and elaboration of the pipeline, which is an important step for raising capacity of CDAs.

In about ten counties, in the overall elaboration of the ROPs, about 30 experts from the county administrations participated on average. In other counties this number was slightly smaller. It is estimated that around 500 people – experts from county institutions, had undergone capacity building through the ROP elaboration process. They were mainly the heads of departments of county administration which were involved as well as representatives of other institutions. Either the county prefect or his deputy participated in the process of finalization of the main phases of the ROP.

## 5. Main Problems in Planning and Programming and Cooperation on the County Level in the Use of International Funds

Existing problems in the process of elaboration of project proposals

The survey sought feedback from the counties as to the main problems they faced related to the process of elaboration of project proposals for programs financed from international sources. Amongst

the most frequently mentioned problems stated by the CDAs and counties were:

\* Around 60% of respondents felt they suffered from poor information flow between the central and regional level as well as within the county, with the LGUs particularly stressed in several cases as being difficult to communicate with

\* Over 50% stated that their capacity<sup>1</sup> was negatively affected by the lack of staff and/or insufficiently trained employees

\* Around 17% stated that the period for submitting project proposals was too short for the preparation of high quality proposals

\* Less than 10% stated that they suffered from insufficient county financial resources for co-financing of projects.

Some other mentioned relevant problems are:

\* 6% of respondents consider that county financial sources for co-financing of the projects were insufficient

\* About 6% stated that project partners were inadequate.

### Existing problems related to the implementation of projects

With respect to the implementation of projects financed from international sources the main problems stated by the CDAs and counties were the following:

\* Around 30% of respondents stated that they suffered from non-existence or inadequate experience, knowledge and skills, which reflects in the small number of implementations, and even those took place only in a small number of counties.

\* Around 13% stated that they suffered from insufficient support from state institutions.

\* Around 13% cited insufficient involvement and motivation of the partners engaged in the implementation of the projects.

\* Financial barriers are also stressed by 18% of respondents - obstacles ranging from insufficient county funds for the investment into human resource development, raising existing capacity and employing new necessary staff, to the lack of their own sources for co-financing.

\* Around 10% stated that the lack of trained personnel was the main problem.

<sup>1</sup> Here meaning existing knowledge, experience and specific skills necessary for efficient preparation of project applications for projects funded from international sources, in line with the EU as well as standards of other international financial, developmental and other organizations/institutions.

### Assessment of current cooperation and coordination activities on the county level in the use of international funds

#### Cooperation with other institutions in the county

Since institutional and absorption capacity issues are much related to the existing level and quality of cooperation with other institutions in the county, some of the survey results concerning this issue are given below.

##### Counties

\* around 55% of counties hold that cooperation is well coordinated with excellent flow of information

\* another 45% of counties hold that cooperation is averagely coordinated with basic flow of information

##### CDAs

\* around 42% of CDAs hold that cooperation is well coordinated with excellent flow of information

\* another 42% of CDAs hold that cooperation is averagely coordinated with only basic flow of information

In most counties, with the exception of, for example, IDA and AZRA, the cooperation of the CDAs with other institutions related basically to the exchange of information, while overall cooperation related to the implementation of development goals in the counties is weak. It is the result of generally poor cooperation among county institutions. For example, the ROP elaboration process has confirmed that the development goals of certain institutions have not being harmonized, that the sectoral approach to development questions and solutions is much stressed, that the communication among the public and private sector related to the management of development processes is missing and that the coordination of development activities of county institutions which would have effective and synergic impacts is lacking. A further reason is that the CDAs are relatively new institutions, which have been established in different ways (some being transformed from previous entrepreneurial centres, other as new institutions), whose role and place in county development have not being defined integrally and in accordance with the needs of regional development as fostered on the EU level.

#### Cooperation with county government

\* around 40% of CDAs hold that cooperation is excellent, another 40% hold it is on an average basis

The cooperation of the CDAs with county government was rather complex. It is estimated that most of the CDAs on the one hand implemented some tasks as defined by the government. On the other hand, they implemented activities which they individually initiated and then proposed for funding (for example projects from the EU programmes, foundations and other). Most of the CDAs still do not have integral plans of their activities in the framework of which the flows and processes of cooperation with the county government and county institutions as well as LGUs could be determined. The elaboration of the ROPs for the first time enabled the process of joint analysis and consideration of the overall development of the counties both by the CDAs and the county government. However, the fact that detailed implementation plans of the ROPs did not exist made the further development and institutionalization of this cooperation impossible. In this regard, along with several exceptions (as for example IDA, AZRA and ZARA) the effective cooperation in the regional development of the counties among the CDAs and the county government is not fully determined, integral, coordinated and implemented on a continuous basis.

#### Cooperation with other counties

The extent of cooperation of some counties and CDSs with other counties has evidently helped in the raising of institutional capacity. Among others, the survey showed that:

\* around 36% of counties hold that cooperation is well coordinated with excellent flow of information

\* another 55% of counties hold that cooperation is averagely coordinated with basic flow of information

The cooperation of a certain CDA with other counties mainly takes place through the CDA in those counties. The main characteristic of this cooperation is that it is spontaneous, based on an individual approach and ad hoc basis, and mainly focused on neighbouring counties. In some cases, the emerging of a new well conceptualized and planned cooperation among CDAs is visible in relevant development projects involving several counties. Such an example is the cooperation of several Northern counties in Croatia in the establishment of centres for waste disposal, as well as the example of several counties jointly engaged in attracting of investments. Till now, there is still no institutional form (association, or similar) which would link the CDAs and promote their cooperation. ZARA is in the process of initiating such linking and cooperation.

## 6. Concluding Remarks

So far, little attention has been paid to institutional and organisational aspects of regional policy in Croatia, resulting in weak institutional capacities - particularly on the county and local level, with the problems of inadequate capacity being much more stressed in the least developed counties. A number of the existing county development agencies in these counties still act in an uncoordinated and isolated way and, in most cases, with relatively limited resources at their disposal (Puljiz, Maleković 2007c).

The analysis based on the survey has confirmed that, regardless of the raised initial capacity, a number of specific skills necessary in the framework of programming have still not been developed in most counties, and has given an insight into the most pressing problems and needs, as well as some recommendations for their solution.

In the process of preparing project proposals, the basic stated problems related to the poor information flow, lack of staff and/or insufficiently trained employees, too short periods for the preparation of high quality proposals as well as insufficient county funds to co-finance projects.

On the other hand, in the implementation of projects, a number of respondents mentioned that the non-existence of the necessary knowledge and skills were reflected in poor implementation. Among other stated problems were the insufficient support from state institutions, insufficient involvement and motivation of the partners engaged in the implementation of projects, as well as financial barriers (obstacles ranging from insufficient county funds to invest into human resources to the lack of its own resources for co-financing).

Overall cooperation of the CDAs with other institutions in the county were referred to as very weak in most cases and related mainly to the exchange of basic information - with the absence of much more relevant cooperation related to joint implementation of defined county development goals and priorities. After all, the ROP elaboration process has confirmed that the development goals of certain institutions have not been harmonized, that the sectoral approach in regard to development issues is much stressed, that the communication among the public and private sector related to management of development processes is missing and that the coordination of development activities of county institutions which would have effective and synergic impacts is lacking.

A part of the mentioned problems refers to the fact that most of the CDAs are relatively new institutions, which have been established in different

ways (some being transformed from previous entrepreneurial centres, other as new institutions), whose role and place in county development have not being defined integrally and in accordance with the development needs and priorities of their counties.

However, even though the results show that most of the counties have just recently embarked with the first engagements in project preparation and implementation of internationally funded projects - with their overall institutional capacity still at a low level, in this same period, some very concrete steps have been undertaken in the most developed counties, particularly in Istria and Varaždin, as well as in a number of others. However, these counties are the minority and it is all the more evident that a number of the commonly stated problems on the county level need to be faced both from the central government level, as well as from the county level administrations and institutions - i.e., by way of the combined "bottom-up", along with "top-down" measures and activities.

From the point of view of organizational and management capabilities, the analysis confirmed that the mentioned problems related to better coordination and cooperation in the process of programming were among the mostly referred to. Counties with better access to information from central government institutions, as well as the ones which have undertaken more activities and initiatives in processing of that information, along with the ones which have promoted internal raising of capacity and cooperation among LGUs, as well as among LGUs and county government institutions, are among those with higher institutional capacity, particularly higher overall level of existing management/organizational and programming skills. With such an approach, these same counties have enabled their active and successful involvement in inter-regional and cross-border cooperation programmes (EU as well as on bilateral basis), thus benefiting even more from learning on the basis of their own best practices in preparing and implementing the first projects funded through international sources.

We underline the following proposals from the part of the counties and CDAs related to improving coordination of activities and their cooperation:

- \* It is necessary to develop "coordination of counties" with the aim of promoting their joint cooperation on projects within the framework of cross-border cooperation

- \* Support is necessary in the process of preparing joint projects

- \* Coordination of responsible actors should be established, who would periodically meet, exchange information and experience

- \* The elaboration of joint plans should be promoted, for example, tourism master plans
- \* Joint workshops should be organized, with the aim of exchanging experience (twice a month)
- \* Strengthening of infrastructural capacities support is particularly relevant to the CDAs
- \* Standards and mechanisms should be developed for continuous and efficient informing and cooperation (info systems)
- \* Joint data bases should be established for projects and other information relevant to county development agencies.

On the basis of the analysis one can conclude that this first valuable experience and knowledge in preparing and implementing projects has not only opened grounds for more effective use of international financial sources for programming, but also

for more effective use of their own (local/county), as well as central government and other Croatian sources for implementing regional development projects. In this regard, the role of the counties, and even more so of the county development agencies is very important, particularly the one of CDAs for which the proposed National Strategy for Regional Development envisages a coordination role on the regional level.

As far as the central government level is concerned, it is expected that the implementation of the proposed National Strategy for Regional Development (particularly its Action Plan) as well as the Law for Regional Development would help to trigger these institutional improvements and changes from "above" (Puljiz, J.; Maleković, S. 2007c).

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