

European Administrative Space - Balkan realities

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SOUTH-EASTERN EUROPEAN ADMINISTRATIVE STUDIES

Coordinator: Lucica MATEI

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Table of contents

Foreword	5
Keynote speech Public Administration Europeanization, South-Eastern European Trends and Comparative Analysis	7
<i>Lucica Matei</i>	
Chapter 1. European Administrative Space – from Concept to Reality	
Convergence régionale et fonds structurels européens	37
<i>Vinko Kandžija, Alen Host, Igor Cvečić</i>	
Relevance of “Western European public administration reform” on transition countries – “who learns what from whom?”	50
<i>Marco Meneguzzo, Gloria Fiorani, Cristina Mititelu, Lucica Matei, Ani Matei, Germano Cipolletta</i>	
A theoretical inquiry: Is European administration consensus-based?	71
<i>Diana Camelia Iancu, Daniel Mihai Ungureanu</i>	
Understanding the European Administrative Space	89
<i>Nikolaos Lymouris</i>	
Strengthening the Practice of Good Governance in Croatia – Are Civil Society Organizations Co-Governors in Policy Making?	94
<i>Jelena Matančević</i>	
Chapter 2. Legal, Administrative and Institutional Pillars of European Administrative Space – National Experiences	
Access to environmental information: a best practice scenario for achieving transparency	107
<i>Vera Theofilaktou</i>	
Innovative Decisions of the European Administrative Space Governance	112
<i>Roumiana Tsankova, Lyubina Doneva</i>	
The application of the principle of transparency in the decision-making process of public institutions. Case study: Romanian Ombudsman, Public Prosecutor’s Office and the Committee on Petitions of the Parliament of Romania	127
<i>Crina Ramona Rădulescu</i>	
Convergence of policies for promoting total quality management in the public administrations of Balkan states – European Union Member States	144
<i>Ani Matei, Carmen Săvulescu</i>	

Chapter 3.**Convergence and Europeanization of Public Administration – Premises for Strengthening European Administrative Space**

Life long learning and mobility for the creation of European identity in local governments. Experiences and perspectives177
Massimo Bianchi

Convergence of Local Administration in Croatia. Insight into LG Practices182
Marija Kaštelan Mrak, Morena Mičetić Fabić, Danijela Sokolić

A pilot factor analysis model for the estimation of the indicators of administrative convergence in Greece.....193
Eleni Kitrinou

Socio-statistical research on the internalization of the European Administrative Space principles in the Romanian Public Administration.....211
Ani Matei, Lucica Matei, Diana Camelia Iancu

Civil society and European administration system230
Panagiotis Grigoriou

Bulgarian administration under the conditions of joining the European Administration Space (EAS)240
Ivan Nachev

Questioning Financial Indicators of Civil Society Development.....245
Davor Vašiček, Davor Mance

Chapter 4. Integrating Balkan Traditional Administrative Values in the European Administrative Space Concept and Practice

Making public policy work: between responsiveness and convergence of the public agenda. The Romanian case257
Luminița Gabriela Popescu

Public Sector Modernization – Balkan Realities and Current Trends.....271
Margarita Shivergueva

Fiscal rules and fiscal sustainability at sub-national government level – experiences of Slovakia, Slovenia and Croatia279
Uros Pinteric, Daniel Klimovsky, Sasa Drezgic

Administrative Europeanization and institutional change: the case of Croatia.....304
Nenad Smokrović, Ivana Ilijašić-Veršić

CONVERGENCE OF LOCAL ADMINISTRATION IN CROATIA – INSIGHT INTO LG PRACTICES

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Abstract

Continuing on previous research, designed to explore the process of diffusion of project management in Croatian local administration, this paper proposes a discussion on the achieved level of development of administrative capabilities. In a way, it represents an attempt to explore the diffusion of innovative organizational practices and managerial techniques that could have an impact in the improvement of the efficiency, and thus of administrative capacity, of the Croatian public administration at city and county level.

The paper consists of three parts: context overview, empirical research and discussion. The first part derives primarily from desk research and presents the factors that, to our view, have contributed to shaping the present state of organization of Croatian public administration. This part also provides the basic definitions of administrative capacity used in constructing our research. Considering the complexity (and vagueness) of the term New Public Management, we choose to concentrate our attention on project management as a specific organizational arrangement and method of tasks coordination. In the second part, we present some results obtained through field research. Data was obtained by using structured questionnaires addressed to 42 local government units (10 counties and 32 cities). The questionnaires were structured to provide information on the diffusion of project practices, the dominant areas of conducting project activities and level of formalization of project management.

Even though statistic analysis does not offer definite conclusions, it does point out to the fact that new organizational arrangements are rather randomly diffused in Croatian local public administration, which might imply a rather fragmented strategic approach to administrative capacity development and poor and inconsistent system of managing organization development.

1. Understanding the process of evolution of Croatian public administration

The process of transition of values and organization of Croatian public administration is often seen as long and slow, in spite of dedicated efforts and the pressure exerted by the general public and international factors. As a result the system is often defined as bureaucratic, inefficient and barrier to achieving international competitiveness. Therefore, in designing this research, we tried to systematize some factors that might have shaped the process of transformation in order to choose a research object, capable of providing a measure, representative enough of the achieved transformation. As a project approach is often considered an element of New Public Management, and the concept seems to be well understood by the administrative staff at LGU, we tried to collect data on the diffusion of project management on local administrative level.

1.1. Forces driving direction and pace of organizational changes in Croatian public administration

Relying primarily on desk research, we start by identifying the forces and conditions that we find central to the movements of raising public perception towards the importance of achieving efficiency, but also flexibility in performing tasks and activities in public services. Several, intensively intertwined, factors can be identified as driving forces demanding reforms in Croatian public administration:

- 1) The transition process in Croatia;
- 2) The transition in CEE and the global politics – the role of advisors as media for the diffusion on new concepts and practices (USAID, WB, etc.);
- 3) Demands related to the process of accession of Croatia to the European Union;
- 4) Available EU Programs and funds.

The process of transition,⁸¹ even though the mention of the term itself has lost intensity in the past decade, served as a catalyst that intensified the feeling of urgency of reforms and provided justification for fast paced and rather radical change of laws and institutions in all realms of public life. Some reforms were quite radical and carried broad and long lasting economic consequences, and yet were introduced almost over night, such as the pension system reforms (Kaštelan Mrak, 2008). Also other reforms, in public services and in the public administrations had been constant and far reaching, such as the establishment of the system of local government administration and the formation of bodies and agencies at central government level. In fact, during the past two decades, reforms in the Croatian public sector have been a constant issue on the agenda of politicians, public servants and the broader public (Croatia 2009 Progress Report, 2009).

However, concerning gains in efficiency and politically proclaimed goals, often the reforms were seen as mild, inconsistent and even unsuccessful, despite of the high level of attention dedicated, and money and time consumed. According to Koprić (2009), even though reforms aimed at increasing administrative capacity, they failed because of a too narrow understanding of the political, organizational, functional, personal and other issues involved. In his view, the preparations for defining the strategic framework of Public Administration Reform Strategy from March 2008 lacked proper coordination and were narrowed up to blocking those propositions that were deemed contradictory to organizational interests of individual bodies of State administration.

The impact of transition in CEE countries on Croatia was manifested under two directions. First, countries that were faster and more successful in implementing reforms served as role models and second, as transitions occurred simultaneously, they provided a rather wide market for advisors and consultants that set up business during the managerial reforms in western countries. In his book *Building the New Managerialist State*, Denis Saint-Martin (2004) refers to the reforms in Britain, France and Canada (as country case studies conducted by the author)⁸², during the eighties and nineties, as a favorable setting for the development of

⁸¹ The process of transition was not only a process of ideological, but also a process of (re)defining national economic aspirations on world markets. Expectation and higher standards of living and the related discussion on the role of government in driving economic development can be seen as a facet of the same transition process. So can the discussions on the adequate size/cost of government as a factor affecting national competitiveness on world markets.

⁸² His observation are quite relevant and indicative since D. S-M has studied the management consulting market (for example, its size) and relied on state agencies in charge of bureaucratic reforms, as well as civil servants involved in the reform process as sources. His major conclusion is that the management consulting industry had become an important industry in the countries where it developed and that this development has left legacies. (p. 35)

a strong management consulting industry. A decade later, once the European East entered the process of institutional convergence, this industry of consultants was prompt to shift to new markets. Private consultants and foreign government initiatives were involved in the process of reform design and implementation since the nineties (Antić, 2002).⁸³ In Croatia, the USAID (through the Urban Institute) was involved in the reform of the Local administration (our primary object of research). The Urban Institute established the first pool of well organized, and very influential, researchers and educators that shaped the mindsets and the practices by Croatian public employees.

Some do question the quality of the technical assistance delivered by foreign advisors and call for serious research. To the view of Sobis and de Vries (2009), the mission of foreign advisers was to advise in the process of designing and running public sector reforms and to act as catalysts in the public sector transformation process. Terms employed in the discussion (actually subtitles to the paper) include phrases such as “poisoned debate”, “aid commerce” and “inefficiency of foreign aid”. For them, the reasons underlying inefficient use of resources can be attributed to two sets of factors: managerial and substantial.

Available EU Programs and funds are related directly to EU accession. However, being a tool that directs actions on local level by providing incentives and demanding technical/organizational adjustment, we felt this factor should be considered separately. Rather than putting political pressure, organizational arrangement demands micro-organizational adjustment at the level of implementing new behavioral models and thus represents the narrower setting of our empirical research. First there were the CARDS programs. Since 2004, Croatia as a candidate country gained access to European Pre-Accession Funds (PHARE, ISPA and SAPARD). In 2007 they became IPA (Instruments of Pre-Accession Assistance). The first IPA component, Institution Building, explicitly recognizes public administration reforms to be an eligible component for EU financial assistance, as well as the institutional capacity to manage IPA projects. Since 2006, decentralization of the management of EU funds, has also been used as an instrument to help Croatia become better prepared for the management of EU structural funds (IPA, Multi-annual Indicative Planning Document (MIPD) 2009-2011, p. 4 and 7).

Table 1 provides some figure on EU funds available through IPA. However, numerous other projects were supported by international organizations (IMF, WB, EIB, EBRD). All of them provide additional financing opportunities. These funds are especially important at the present moment when Croatia is facing significant budget deficits, which makes it even more important to explore the issue of the present state of development the Croatian capacity to establish organizational forms at all levels that will be able to draw available funds and use them productively.

Table 1

IPA funds for Croatia (in millions)

	2007	2008	2009	2010	Total
Transition Assistance and Institution Building	47,6	45,4	45,6	39,5	178,1
Cross-border cooperation	9,7	14,7	15,9	16,2	56,5
Regional Development	44,6	47,6	49,7	56,8	198,7

⁸³ At the time the referred contribution was written, the author, T. Antić was affiliated to the Ministry of justice, administration and local self-administration), and had direct insight in reform of local government

	2007	2008	2009	2010	Total
Human Resources Development	11,1	12,7	14,2	15,7	53,7
Rural Development	25,5	25,6	25,8	26,0	102,9
Total:	138,5	146,0	151,2	154,2	589,9

Source: <http://www.mfin.hr/hr/odobrena-sredstva> (15.4.2010).

At the same time, the mere fact that additional funds are available stimulated the development of project type organizational arrangements. This circumstance motivated us to try to establish to what extent organizational capacities at local government level have already been established and whether these developments are evenly distributed.

The next session thus aims at providing a working definition of project management as a step in the process of establishing the extent to which the capacity of local governments in Croatia has developed so far.

2. Project management – concept and implications for understanding administrative capacity at local government level as a function of efficiency

Administrative capacity can be defined as capability to perform a certain task, i.e. achieve desired results. Capacity can be increased by increasing the pool of available resources. So, in tackling the problem of insufficient capacity one should primarily increase inputs.

Still, IBM Business Consulting Services, addressing answers to state budget crises refer to operational efficiency and organizational effectiveness as methods available for solving "financial pressures" and conduct a study (rank) on the achieved benefits, that is increases in efficiency and effectiveness that resulted from specific government initiatives, such as IT infrastructure, e-workplace, strategic planning, strategic outsourcing... (2003)

In a less sophisticated working environment, we settled with a more modest task of investigating the level of development of project organizations at the level of local government units in Croatia.

According to the definition of the Project Management Institute (PMI-) project management can be defined as "...the application of knowledge, skills, tools and techniques to project activities in order to meet the requirements of each project". (PMBOK Guide, p.8). A project organization would be a form of temporarily organization that employs team members on specific tasks that are outside their regular work assignments. This also provokes a change in the organizational culture of an organization. In the words of Richman (2002, p.13), "Organizations that were once hierarchical and bureaucratic now realize that success requires internal and external networking. Functional departments are no longer self-sufficient, but interdependent. Teams are formed from various functional departments to accomplish project work. When one project is completed, individuals are regrouped into another team to take on yet another project".

The consequence of frequent project opportunities, in an otherwise stable working environment would be a possibility to perform activities and tasks that would not have been planned or executed at all, have there not been for the project. Over time such arrangements definitely bring on a new organizational climate that we characterized as dynamic and, probably, more productive. In a similar fashion, in our research we selected project management as an organizational practice pertaining to new management methods being introduced in public administration. A convenient circumstance is that the concept is not new (after the popularity of less formal organizational models in the business sector (and academic community) during the sixties, it has been re-actualized in the public sector during the 80-ties and 90-ies with the New Public Management movement).

Aware that project management may be just of one many possible indicators of the internalization of NPM principles in Croatia local government units (LGUs), in our research we selected project management as an organizational practice pertaining to new management methods being introduced in public administration.

At this stage of the research, we were not able to establish whether LGUs that employ project type organizational arrangements were capable to get more work done than those that do not. Also, we wondered whether project type organization increases capacity. Instead, we tried to prove a more modest point that there is some correlation between the existence of formal rules defining project management in a LGU and the amount of EU funds withdrawn by a county or municipality.

Since Croatian central and local governments have been able to engage in a number of international projects, we supposed that concepts of project organization are well understood by the Croatian administrative community. As mentioned under part 1.1., the availability of additional funding opportunities, per se, convinced us that it was appropriate to try to measure the level of achieved change by establishing how diffused has the process of applying for EU funds have become in Croatian LGUs.

As it appears from the perspective of LGUs, EU funds are funds that are not available on a regular basis (these are often scarce and already designated to specific uses), but represent additional possibilities/resources that can be designated for providing better working environments, and additional services for the citizens. Therefore, we interpreted that an effort to compete for such funds could be considered an indicator for the fact that a specific LGU has the needed entrepreneurial spirit (a new attitude and value) and that it has the capacity to perform the activities required in order to apply for a grant.

Expanding this reasoning, it can be expected that the amount of funds transferred, as a relative contribution of available financial capacity, increases the capacity of LGU to perform its functions, but also, than an above average successfulness in attracting grants indicates superior effectiveness and efficiency. A LGU successful in attracting grants has, on one side, increased available resources and, on the other, the ability to utilize existing resources better than others. Alongside, such ability can be interpreted as sign of changes in attitudes (a confirmation that new/innovative organizational practices had been successfully implemented).

3. The Croatian System of Local Government – the population

Croatia has a two-tier system of government administration: central and local government administrations. Municipalities and towns are units of local self-government and counties are units of regional self-government. In the Republic of Croatia there are:

- **429 municipalities,**
- **126 towns,**
- **20 counties and**
- **the City of Zagreb.**

Units of local self-government (LGU) and of regional government (RGU) in the Republic of Croatia were established by the Act on Counties, Cities and Municipalities in the Republic of Croatia (Official Gazette, 10/97, 124/97, 50/98, 68/98, 22/99, 42/99, 117/99, 128/99, 44/00, 129/00, 92/01, 79/02, 83/02, 25/03, 107/03 and 175/03). Their activities are defined by the Constitution of the Republic of Croatia and the Act on Local Self-Government and Administration (Official Gazette, 90/92, 94/93, 117/93, 5/97, 17/99, 128/99, 51/00 and 105/00), i.e. the Act on Local and Regional Self-Government (Official Gazette, 90/92, 94/93,

117/93, 5/97, 17/99, 128/99, 51/00 and 105/00).

Employment at local government units is regulated by the Law on civil servants and employees. Professional activities are performed by civil servants, while the activities of technical support in bodies of the state administration are performed by employees.⁸⁴ Civil servants are appointed to their positions according to qualification criteria prescribed by law or other regulation. Career advancement is often subject to legally defined criteria and implies and advancement to a higher level of salary. The internal organization of posts is defined by mandatory internal regulation and staff regulation. Unions represent an active partner in defining working conditions of public administration employees. Collective agreements regulate quite precisely many material aspects of work (Kolektivni ugovor za državne službenike i namještenike RH, 2009). The system of organization of public administration is often criticized as being bureaucratic in nature (Kaštelan Mrak, Vašiček, 2010) and not opened to innovations that could be considered in line with New Public Management approaches.

Therefore, in the process of setting up this research, we tried to estimate what indicator to use in order get some feeling of the present state of organizational development at the level of local government in Croatia. The scope of our empirical investigation involved only into the activities of the personnel employed directly by local government units.

4. Research method and results

We started by developing a “working definition” of project organization s an organizational form adapted for performing projects, i.e. task limited in scope, time, finance (personnel and resources, in general). The next step was to plan the research, that is to develop (and test) a list of indicators and define some measure of performance or success in project management, to administer the questionnaire and to analyze the collected data.

The questionnaire consisted of two parts, one collecting demographic data about LGU and the other collecting responses on project management practices. Four questionnaire items were used for identifying elements of the existence of project organization. Items were expressed as statements requiring confirmation. These items were:

- A separate organizational unit or person in charge is responsible for coordinating project activities in our administration,
- Team members are officially nominated for each project activity,
- Team members are compensated (remunerated) for taking part in project activities and
- The services of functional units (offices) are at the disposal of project teams for performing auxiliary tasks.

The questionnaire was administered in the spring of 2010.

The research sample consisted of 42 local government units, 10 counties and 32 towns. This is only a fraction of the total population of LGUs in Croatia, accounting for 50% of counties, 30% of cities. Municipalities, being smaller that towns were not expected to have organized project management practice.

⁸⁴ Ministers, state secretaries and assistants, directors of state administrative organizations, and state secretaries and assistants are **officials** of the Republic of Croatia.

4.1. Research results

The performance measure used to indicate successful performance was the relative contribution of EU funds to LGU financial capacity.

It should be said that, considering the problem of measuring successful performance, in planning this research, we had some doubts concerning the question of how to measure the results attained by LGU in project organization, especially since the differences in size and financial capacity among the LGUs that participated in the research are significant. Another concern was that the amount of EU funds would correlate with LGU size (capacity in terms of employment), and also that the amount of EU funds would depend on the financial capacity of LGUs themselves (since co-financing is required). However, as the statistically tested correlation between the number of employees and financial capacity proved to be very high, we decided to use the relative contribution of EU funds to LGU total budget as an appropriate measure of performance, rather than use per over total number of employees or EU funds per number of persons engaged in preparing and administering EU funds, etc.) Also, such measure was easier to calculate, considering the collected data and the fact that organizational practices in performing project activities showed high levels of variations among LGUs (mostly depending on size, but without a precise pattern).

We used factorial analysis of variance (Factorial ANOVA⁸⁵) to establish whether specific organizational arrangements reflected on the relative amount of funds withdrawn from EU funds. The obtained results presented in Table 2 suggest that there are no statistically significant differences between LGUs that would depend on organizational arrangements employed to manage projects.

Table 2

Influence of organizational dimensions of project management on contribution of EU Funds to LGU budget

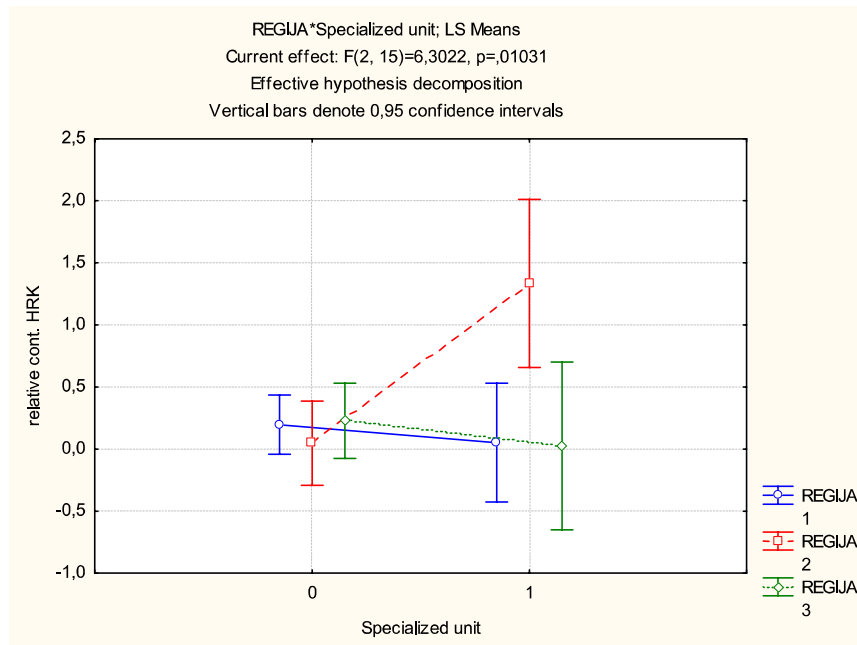
Effect	Univariate Tests of Significance for relative cont. HRK (Spreadsheet1 in JM tablica Sigma-restricted parameterization Effective hypothesis decomposition			
	SS	Degr. of Freedom	MS	F
Intercept	1,46075	1	1,460753	1,254570
formal coordination	0,30747	1	0,307470	0,264071
nomination	0,01305	1	0,013050	0,011208
administrative support	0,36313	1	0,363126	0,311871
formal coordination*nomination	0,25497	1	0,254967	0,218979
formal coordination*administrative support	0,16838	1	0,168382	0,144615
nomination*administrative support	0,05482	1	0,054818	0,047080
formal coordination*nomination*administrative support	0,26679	1	0,266792	0,229135
Error	24,45126	21	1,164346	

Source: authors.

As we did not obtain the expected results when looking at the whole sample, we tried segmenting the sample by different criteria such as size of LGU entity (in terms of number of employed, size of budget) and running t-tests for establishing differences between groups, but again we could not establish a statistically different distribution of results. Only when we used REGION as a criterion influencing performance we did have a statistically significant difference in withdrawn EU funds.

⁸⁵ Statistica 8.

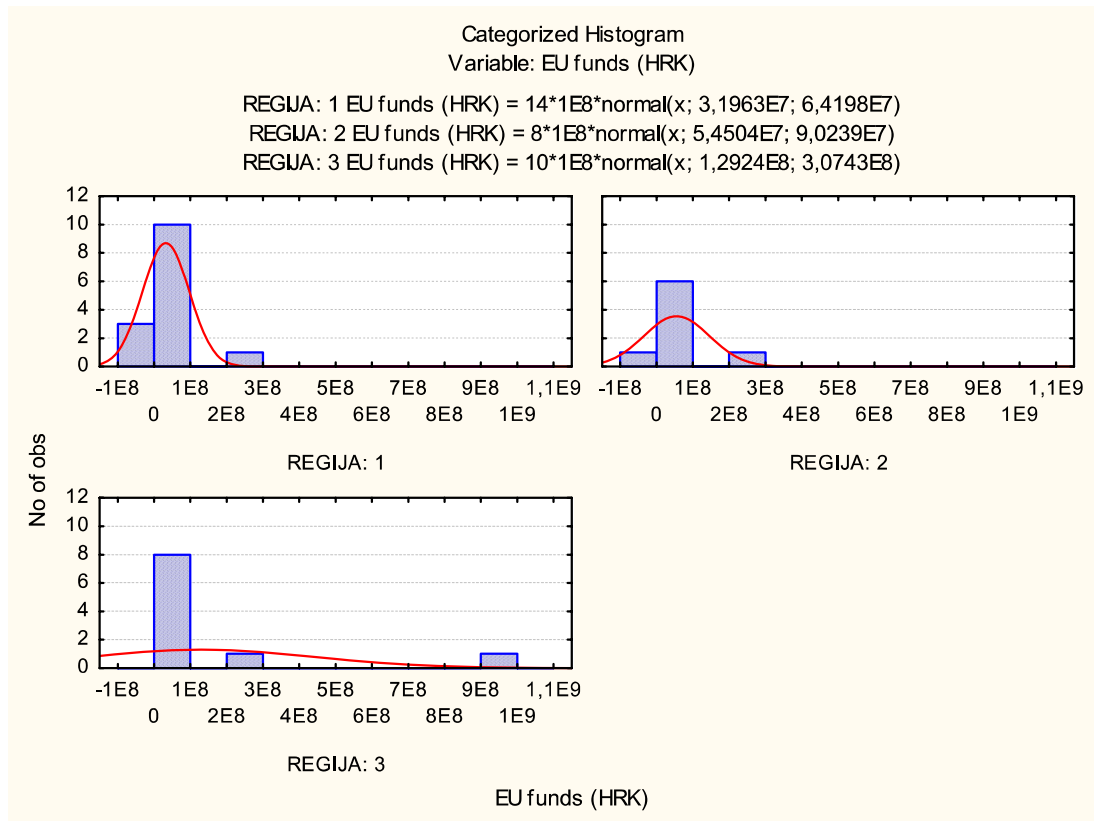
Post-hoc Bonferroni tests showed differences between LGU located in the Adriatic Region, Central region and Eastern Region of Croatia as demonstrated in Chart 1.



Source: authors.

Chart 1. Factorial ANOVA – post-hoc Bonferroni tests

This finding led us to investigate further into the structure of the projects that received EU funding. Our intention was to see whether the fact that LGU from Eastern Slavonia were more successful in withdrawing EU funds compared to the average LGU could be reflecting that LGU being more afflicted by the war in the first half of the nineties were still receiving some funds to help for post-war recovery. However, this was not the case. The distribution of LGUs in terms of performance appeared rather random. In fact, each of the three regions had one or two extremely successful LGUs with above average performance. Consequently, our attempt to establish statistically relevant conclusions about a positive influence of organizational factors in increasing usage of EU funds was restrained due to rather small sample of respondents and the divergence of our sample and subsamples from a normal distribution, which decreased our chances to getting statistically sound conclusions.



Source: authors.

Chart 2. Comparison of distribution of size of EU funds (LGU by region, in kunas)

The scatter plots indicate a pronounced dispersion in the distribution, especially for the region of Eastern Croatia. This dispersion, along with a small sample size is a possible explanation for the fact that we could find no statistically significant correlation among project management approaches and the amount of funds withdrawn. It is very probable, that while using this same sample, we would not get any final conclusions in the case we tried to establish correlations between performance and any particular organizational arrangement that can be related to New Public Management principles.

5. Conclusion

This paper presented a starting effort to get some insight into the level of development of administrative capacity of Croatian local government units, considering that Croatia has the possibility to take advantage of additional financing opportunities for a number of projects aligned with EU strategic goals. The conducted research revealed that quite a number of Croatian counties and cities were already taking advantage of such possibilities. The study also revealed the existence of a broad range of organizational practices in tackling the problem of competing for funds and administering projects. No uniform pattern appeared when trying to establish the influence of specific organizational practices. The same happened with all LGU specific factors, such as formalization of the process of managing projects, either through the establishment of specialized organizational units, persons explicitly in

charge of projects, or through the adoption of specific rules defining the formation of project teams and compensation arrangements for individuals engaged in project related activities.

In fact, statistical analysis did not allow for any final conclusions. The only factor that came out as a possible common denominator for above average performance in project management was the regional factor. Regions came out as the dominant factor affecting performance in terms of additional financial resources withdrawn from EU funds, but the LGUs that appeared to be more successful were not the ones located around the capital city or the largest cities where more college graduates and a higher availability of information, experience and other enabling resources would be expected. Rather, the grouping of above (and below) average performance was very random.

Still, a possible explanation for not getting any statistical significance might also lie in the fact that the elapsed time since projects became active has been too short for a comprehensive system to evolve. If this study would be repeated in two to three years, it would be expected to find different results. Also, in the future research, the content of the project and its alignment with proclaimed EU policy should be taken into account. This time we had a narrow perspective, looking only at Croatian LGUs and not taking into consideration eventual network arrangements with cross-border partners (which we suspect might explain why some cities were more active in EU project activity) and also institutions of support developed in some regions.

We are also aware of some methodological problems in our research. The size of our sample presented a limitation for the statistical research, even though the respondent sample included 50% of counties and 30% of the whole population of cities. Since we don't have basic data (regarding size in employment, budget, etc.) for all counties and cities, we are not aware of possible existence of non-respondent bias. Further research should attempt to include as close to the total population of Croatian counties and cities. There is also the question of whether questionnaires as a data collection method provide relevant data.

In any case, further, more detailed research is needed. It should include additional variables and inquiries into content of project activities, and other factors such as network arrangements involving co-operation among LGUs in Croatia and with partners from abroad. Other forms of defining performance should also be explored, as well as additional indicators of organizational practices that would confirm that new managerial/organizational concepts are being successfully introduced in Croatian public administration. In any case, assessing the diffusion of only one specific organizational practice – project based organizational arrangements.

So, even though statistic analysis did not provide definite conclusions, it does point out to the fact that new organizational arrangements are rather randomly diffused in Croatian local public administration, which implies that a more comprehensive strategic approach is needed on the State level for administrative capacity development and consistent and systematic managing of organization development.

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