

*What future for Cohesion Policy? An Academic and Policy Debate;*

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**Dr. Marijana Sumpor ([msumpor@eizg.hr](mailto:msumpor@eizg.hr)) and**

**Dr. Irena Đokić ([idokic@eizg.hr](mailto:idokic@eizg.hr))**

*The Institute of Economics, Zagreb*

*Trg J.F. Kennedyja 7, 10000 Zagreb, Croatia*

*Phone: +385 1 2362 200, Fax: +385 1 2335 165*

## **"EU CROSS-BORDER COOPERATION IN CROATIA: A CRITICAL REVIEW OF DEVELOPMENTAL AND INSTITUTIONAL EFFECTS"**

### **1. Introduction**

In this paper we present a critical review of developmental and institutional effects of cross-border cooperation (CBC) in Croatia in the period 2004-2010 from an academic perspective. During this period, Croatian regions and localities had the opportunity to experience for the first time creation and implementation of EU funded cross-border cooperation projects. At the same time, institutional structures had to be built on national level in order to organise and implement the CBC programmes and projects. During that period programming frameworks have changed for Croatia, from the initial CARDS and PHARE programmes to the current IPA programme. This very demanding process of institution building contributes to the necessary preparations of Croatia for EU accession and the ability to fully participate and use funds that will be available through the ERDF in the near future.

Our research as well as practical experience in local and regional development including cross-border cooperation, participatory approaches and sustainable development, is reflected in this paper. Firstly, we intended to give insights on the current institution building process with regard to CBC in Croatia, reflecting the premise that *new institutions are characterised by old institutional habits*,

*which has certain consequences for Croatia's accession process.* Background information is given on the current state and the future of the EU accession process in Croatia and the neighbouring countries belonging to the Western Balkans region or Central and South-East Europe. An important question addressed here refers to *what extent can CBC be seen as a good opportunity for capacity building for the future of the countries in the wider region?* Theoretical insights behind CBC processes can be found within the regional development framework including spill over effects, institutional capacity, absorption capacity, etc. As cross-border cooperation programmes are implemented through projects on regional and local level, this level is the main perspective for analysing and evaluating the impacts of CBC policy. Impacts on territorial cohesion among bordering countries as well as impacts on EU level need to be viewed from a wider regional perspective, wherefore we consult available research literature, as well as monitoring and evaluation reports.

In this regard, the Croatian experiences on national, regional and local level will serve as examples in presenting deeper insights on how EU policy works in *candidate countries* as well as in relation to the neighbouring *potential candidate countries* for EU accession. We conclude with thoughts on future prospects of cross-border cooperation programmes and projects in Croatia and EU Territorial cohesion in general.

## **2. EU and National Policy Context for Cross-border Cooperation in Croatia**

Based on the information presented by the Croatian Ministry of Regional Development, Forestry and Water Management (MRDFWM) on its Internet web-site, Cross-border cooperation (CBC) is an important part of EU regional policy. Accordingly, the importance of it for national policy is demonstrated by the inclusion of this issue in the National Regional Development Strategy and accompanying legal acts (2010). On EU level, the aim of that policy is to improve the economic and social cohesion and to reduce disparities among EU regions. Following that goal, the EU also supports cross-border cooperation within its borders, as well as within the Candidate Countries. Cross-border cooperation aims at minimizing the adverse effects of borders on the social and economic situation of border areas. Though cross-border and transnational cooperation in the EU was initiated in 1990 as a separate Community Initiative (INTERREG) financed from the European Regional Development Fund (ERDF), in the current financial perspective (2007-2013), it became one of the three main EU Cohesion Policy Objectives, recognizable namely as part of the “territorial cohesion” objective.

During the programming period 2000 – 2006, INTERREG III (A– cross-border cooperation, B– transnational cooperation, C– interregional cooperation) aimed at enhancing economic and social

cohesion in the EU by promoting balanced development of European territory through cross-border, transnational and interregional cooperation. A specific new emphasis was put on cooperation on the external borders of the EU, i.e. with the Candidate Countries. In the programming period 2007 – 2013, Territorial cooperation belongs to EU Cohesion Policy Objective 3, supporting three main types of cooperation: development of economic and social cross-border activities; establishment and development of transnational cooperation, including bilateral cooperation between maritime regions; increasing the efficiency of regional policy through interregional promotion and cooperation, the networking and exchange of experiences between regional and local authorities. Croatia's initial steps in EU cross-border programmes date back to 2004 by participating in the New Neighbourhood Programme Slovenia-Hungary-Croatia and Adriatic New Neighbourhood Programme. While the Member States with which Croatia cooperated under these programmes (Hungary, Slovenia, and Italy) used Structural Funds (ERDF) for their participation, Croatia used the financial resources provided through the CARDS and Phare programmes. Croatia also participated in one transnational programme, the New Neighbourhood Programme CADSES<sup>1</sup>. The fact of different sources of funding required significant additional administrative and legal efforts for the organisation of the programme and project implementation in the partner regions and localities of the neighbouring countries. These initial experiences as well as lessons learned were described in a previous work by Đokić, Sumpor and Puljiz (2006).

For the period 2007-2013, a single Instrument for Pre-accession (IPA) for financing the programmes between EU member countries, candidate countries and potential candidate countries was introduced. Importantly, this instrument is also being used by the member countries that participate in CBC programmes with non-member countries of the IPA programme area. Within the IPA Cross-border Cooperation Framework, Croatia has operational programmes with all neighbouring countries. This is also an important time for the Croatian administration responsible for EU programme implementation, as it will transfer for the first time its cooperation experience with member countries to cooperation with potential candidates for membership in the EU. Under IPA 2007-2013, Croatia participates in 8 cross-border cooperation programmes.

***With member countries:***

- Cross-border Cooperation Slovenia – Croatia
- Cross-border Cooperation Hungary – Croatia
- Adriatic Cross-border Cooperation

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<sup>1</sup> CADSES - Central Adriatic, Danubian and South-Eastern European Space.

***With EU potential candidate countries:***

- Cross-border Cooperation Croatia – Bosnia and Herzegovina
- Cross-border Cooperation Croatia – Montenegro
- Cross-border Cooperation Croatia – Serbia

***Within Transnational Cooperation Programmes:***

- South Eastern European Space (SEES) and
- Mediterranean (MED).

All operational programmes are elaborated and are in the process of implementation through publication of calls for proposals. Though factual results of the individual programmes and outcomes of the calls for proposal are important, we will not discuss them here, as these belong to the administrative reports published on the respective programme web-sites by the Joint Technical Secretariats (JTS). Our main intention is to look further and behind the administrative issues and give an academic perspective on the impacts of these programmes on the institutional structures in Croatia and developmental aspects across levels of government. However, this research is in its initial phase and cannot be a comprehensive evaluation of the programmes currently in implementation.

Croatia has finally adopted, after a long negotiation process among governmental levels, its ***National Regional Development Strategy and Act on Regional Development (2010)*** within which cross-border cooperation has to be considered in regional (county) development plans elaborated on the level of counties (NUTS III regions). Interestingly, the EU accession process and programming experiences on local and regional level have significantly contributed to the development of the national regional development policy framework. It can even be stated that significant know-how and institutional capacity has been built from the bottom-up. However, without a clear national policy framework, neither scarce EU grants provided through first CBC programmes nor local and regional needs presented in “early” regional development plans and programmes could be seriously addressed in a sustainable way. With regard to NUT II level regions, they exist as statistical regions and on this level partnership councils are now being established. From the national level, a recommendation of formulating interregional development projects (among NUTS III regions) is regularly given through e.g. IPA operational programmes.

The implementation of EU cross-border cooperation programmes has positive influence on the evolution of Croatia’s regional development policy and practice. First project proposals being

prepared in accordance with the project cycle management approach have significantly contributed to improvements in strategic thinking in local development actions. This learning process has been reserved for the time being for a number of interested local experts and consultants' dealing with EU projects, as general awareness is rising only slowly due to the demanding approaches requiring new ways of thinking and working.

Positive aspects of cross-border cooperation experiences in Croatia so far can be definitely seen in the transfer of institutional know-how through cooperation in sustainable economic, social and environmental development. It can be stated that the EU accession process represents an opportunity for building as well as rebuilding territorial cohesion in the territories of the Western Balkan, Central and South-East Europe. This process is being enabled through territorial cooperation based on new and strict rules set by the EC, the responsible managing authorities in member states as well as candidate and potential candidate countries for EU accession. Of high importance are transparent procedures based on which better governance practices can evolve through cooperation in new institutional settings and territories. Also interesting and important factors in areas mostly affected by the recent war are the new CBC programmes with Croatia's neighbouring countries, which used to belong to former Yugoslavia. The process of creating and implementing joint projects can be also seen as an opportunity to re-establish social and economic links between inhabitants on local level in the border regions that were severely affected by the recent war. In this way joint environmental issues can also be tackled easier than before.

### **3. Theoretical aspects of Territorial Cohesion and Cross-Border Cooperation Policy**

The meaning of territorial cohesion in the regional and spatial development theory context is still not fully explained and will further evolve as real life experiences in policy implementation feed back the academic discussions. This is clearly a scientific research field that needs to be built on reflective approaches and evaluation of diverse experiences made throughout the European territories.

An important step forward has been made with regard to outcomes of communication between the representatives of the academic and policy society, as the notion of territorial cohesion entered the most important development documents on EU level, enabling the transfer of these policies into national legislative and development frameworks. Namely in 2006, the Community strategic guidelines on Cohesion, the Council of the European Union explicitly refer in the Decision to the importance of the territorial dimension of cohesion policy and the possibility for all areas to contribute to growth and jobs. In addition, investment needs of urban and rural areas should be

taken into account in order to promote balanced development, sustainable communities and social inclusion. The importance of the European territorial cooperation objective is also emphasised and its role in ensuring balanced and sustainable development of the territory of the Community. Transfer of this objective into national, regional and local frameworks is crucial and shall enable the transfer of these ideas to mainstream national and regional cohesion programmes. (CEU 2006, art. 12 and 13) Today, almost five years after the publication of this document, it can be stated that in Croatia important institutional and developmental effects can be recognised. In particular, this is reflected in the ability of local and regional actors to understand the importance of strategic planning as one of the main condition for project financing from EU sources is the existence of comprehensive or integrated forward looking development documents. Also, these trends need to be viewed differentiated across local and regional authorities as the level of understanding the importance and existence of strategic documents is not direct. Evolution in institutional cultures takes time and cannot be simply imposed by legislation and regulations.

In 2008, the European Commission has introduced its position on Territorial cohesion in its Green Paper (CEC, 2008). In the paper it is stated that Territorial cohesion is about ensuring the harmonious development of all these places (emphasizing the rich territorial diversity of the EU) and about making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU. Also, it is stated that the concept of territorial cohesion builds bridges between economic effectiveness, social cohesion and ecological balance, putting sustainable development at the heart of policy design. Here it needs to be stressed once more, that sustainable development as a concept does not refer only to ecological development, but to overall, integrated and balance development of all aspects (economic, social and environmental including spatial and ecological dimensions). With regard to actions within territorial cohesion policy, in the Green paper concentration (overcoming differences in density), connection (overcoming distance) and cooperation (overcoming division) are emphasized, in particular with regard to geographical regions that pose particular challenges to territorial cohesion (incl. border, rural, islands, and mountainous areas). With regard to “cooperation” within territorial cohesion, cross-border cooperation receives its right importance within the framework of territorial cohesion. Here cooperation is necessary on various territorial and administrative levels as well as among various sectors.

Faludi (2009) discussed in its paper possibilities for the future of territorial cohesion within Cohesion policy and proposed that the Commission could put territorial cohesion forward as a new rationale for sustaining cohesion policy and as a platform for improving, by means of integrated territorial

strategies, upon its famous programmatic approach. Beyond investments in human resources, this need mean neither extra funds for territorial cohesion policy nor new regulations. Indeed, squaring the complex, multi-dimensional and sometimes conflicting objectives of EU and national sector policies with each other would represent a great leap forward. In addition, he emphasized that all reactions to the Green Paper (on Territorial Cohesion) stress the point that coordination of EU policies is a first requirement, maybe the most important one.

#### **4. Territorial Cohesion and Cross-border Cooperation in and around Croatia**

Borders are important for Croatia's development, because of its specific geographical shape and lengths of borders. Additional importance of its borders can be linked to historical and cultural difficulties related to the formative years of becoming an independent state due the recent war clearly linked to socio-economic as well as territorial problems among peoples of former Yugoslavia. Thereafter, communication and cooperation was sporadic and on individual basis, primarily among businesses. Now, twenty years later, in the light of new political challenges, cross-border cooperation represents an open window for re-establishing old ties and creates new platforms for joint development, by building new relations based on common interests and needs. The European Union can represent a useful and positive vehicle for these processes in the problematic territories of the Western Balkans in the forthcoming decade. This task can be considered as a grand example of European territorial cohesion at work.

##### ***4.1 Institutional aspects***

The most important issue emphasised regularly in the context of joining the European Union refers to ***institutional capacities*** for handling European laws and regulations, e.g. adoption of the "Acquis communautaire" by translating all relevant legal acts into the national legislative framework and demonstrate the ability to implement them. Another institutional issue refers to the strengthening of the administrative capacities for future coordination and use of structural funds within the framework of the EU Cohesion policy.

Institutional and administrative capacities on national level has been built in a particular way, whereby parallel administrative structures evolved, namely those dealing with EU issues and those dealing with national policy issues. The latter are embedded in their existing bureaucratic procedures that lack transparency and understandable criteria for actions. While in the administrations (e.g. departments, units) dealing with EU issues implementation of very strict and "different"

administrative regulations and procedures are being adopted and handled by often young and enthusiastic public administration “professionals”. As implementation of new procedures causes significant pressures and burden on a relatively low number of professionals, fluctuation of competent staff is high, using the gained knowledge in the field of private consultancies. These professionals often reoccur in the same administrations as external local experts in cooperation with more experienced EU consultants funded through EU technical assistance projects. So, outsourcing of internal administrative capacities is common in the early stage of the EU accession process. These problems have been considered by the Croatian public administration system, and the intention is to raise the wages of staff working on EU related tasks by cca 40% above the level of other colleagues working on national policy issues. In this way, the necessary additional competences such as fluency in English as well as ability to work under severe pressure should be compensated. The combination of working on challenging EU topics and higher wages should provide additional motivation for interested and highly qualified individuals to enter the Croatian public administration.

It needs to be stressed that institutional change and raising administrative capacities is a long and rather painful process. To request an overall and rather fast change in institutional traditions and cultures is an almost impossible quest. However, gradual adaptation seems and is more realistic. This can be seen as a step by step systemic change and public administration reform, as those administrative departments that work on EU related issues can represent beacons within the sphere of closed, uncooperative and administratively strictly separated departments and units as they are most common in unreformed public administrations. On regional and local level, changes occur at different paces. Those regional and local authorities that are successful in applying for EU funds show also a significant step forward towards more modern administrations. These can predominantly be found in the border regions towards the EU member countries. Those regions and localities lagging behind in development that can be found in the border areas towards non-EU member countries have significant administrative capacity deficiencies. Continued technical assistance through various operational programmes (now through IPA) is highly recommended. Transfer of institutional know-how can in these cases be primarily expected on the level of national authorities and its departments.

Croatia has received an explicit opportunity to prove their newly gained competences in managing EU programmes, as it is responsible for the management and implementation of the 3 operational programmes referring to cross-border cooperation with Bosnia and Herzegovina, Serbia and Montenegro. So far, calls for proposals in all 3 programmes have been implemented and the first round of cross-border cooperation projects has been selected.



#### **4.2 Developmental aspects**

As cohesion policy is built now clearly on three pillars of economic, social and territorial cohesion, so does the concept of sustainable development also refer to almost the same three integral elements or dimensions of development, namely the economic, social and environmental. In this regard, these two concepts do not have to be viewed as complementary or even competitive, but they are clearly overlapping as all descriptive explanations of the notion of territorial cohesion are actually based on the concept of sustainability and need for policy coordination implying integrated policy approaches.

When looking at the objectives and priorities in operational programmes for cross-border cooperation in which the Republic of Croatia participates, all of them are built on the idea of sustainability and integrated development. All of them include social, economic and environmental aspects. Participatory development approaches are inherent in the obligatory requirement that project proposals need to be developed by at least two cross-border partners. The mentioned sectors in the programmes are often regarded to as the vertical elements of the programmes within which the objectives and priorities and measures are formulated. Proposed projects have to comply also with EU policies referring to social inclusion, gender equality, environmental aspects, accessibility, information and communication technology, which are most commonly integrated in the programmes as the horizontal policy axes. All project proposals have to comply with these objectives and policies in order to be considered for financing. The programmes provide in that sense a top-down development framework for the respective border areas with a clear indication of funding opportunities. The implementation of the programme is accomplished by projects developed by the targeted institutions (usually local and regional authorities, non-profit organisations) and funded through the respective operational programme grant schemes. In this way, bottom-up development is fostered and capacity building of the lowest levels of governance is enabled. Hardly, any local authority in Croatia exists, which did not try or think of applying for EU grants.

All over Croatia project cycle management seminars and workshops are held, where the logical framework approach is being taught and promoted. Regional levels (i.e. counties) have established and accredited regional development agencies and coordinators that support this process and coordinate often the submission of project proposals for the various grant schemes. Cross-border cooperation grants schemes represented the first opportunities for the local and regional institutions to participate in EU funded programmes and learn about the complexity of administering such projects. As visibility and communication strategies are obligatory, these grant schemes and projects funded through them can be considered as very useful vehicles for promoting the EU as an important

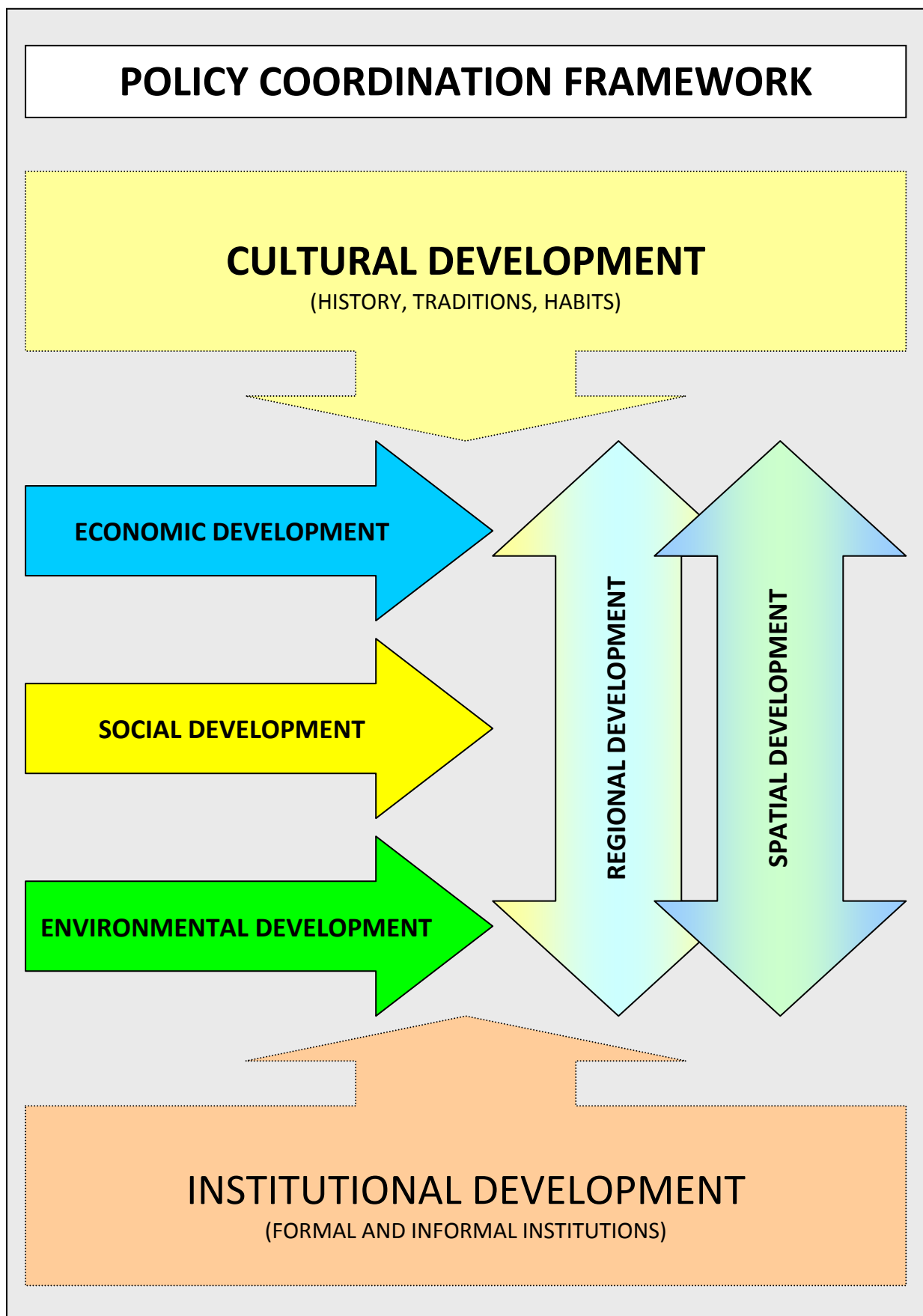
development partner. In this sense, these developments and experiences can be taken as examples for the national levels in promoting the partnership with the EU. Obviously, most benefits are generated in those areas that have developed significant competences in using these schemes in funding their development ideas and needs. In Croatia, these regions are also the most vibrant (statistically just behind the most developed capital city of Zagreb) and economically advanced. These regions (Varaždin County, Međimurje County and Istria) are bordering with the EU member states – Slovenia, Hungary and Italy (Adriatic Sea). Partners from these regions and localities are regularly invited to various conferences and seminars to present their experiences and are also active as lead partners with other less experienced partners in joint project development. In this way, transfer of know-how and experiences is regularly promoted through the operational programmes and fully used by various partners in the various programming areas (with EU and non-EU members).

## **5. Conclusions**

If thinking of future prospects of cross-border cooperation programmes and projects in Croatia and EU Territorial cohesion, it needs to be stressed that this policy is of very high importance for the local levels involved in the programme implementation process through its cooperative projects. This is where the European Union comes the closest to the small people especially in peripheral border regions, towns and villages. This is where the EU is needed and matters the most.

Social and economic cohesion is not implemented in an amorphous unspecified space, it happens in a concrete locality with concrete people with concrete needs. Giancarlo Canzanelli emphasised also that development does not take place in a spatial vacuum devoid of any geographical attachments or context (cited in Pike et al., 2006). Therefore, territorial cohesion represents the natural third pillar of cohesion policy that will enable the full evolution of sustainable development policy throughout Europe and its neighbours. The policy coordination framework, integrating all development policy aspects of the EU cohesion policy as well as policies on all other levels of governance, is visually presented in Picture 1:

Picture 1



Source: prepared by authors.

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