

## **Regional policy in Croatia – in search for domestic policy and institutional change**

Aida Liha, Faculty of Political Science, University of Zagreb, Croatia

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### **1. Introduction<sup>1</sup>**

The purpose of the thesis is to explain the policy and institutional change in the area of regional policy in Croatia and to explore the factors which influenced institutional adjustment to the EU Cohesion policy in Croatia, in the period from signing of Stabilisation and Association Agreement (which marks the start of the EU pre-accession process in Croatia) until today. It will also seek to describe and test the change introduced by implementation of the EU partnership principle in Croatia.

The first Chapter of the thesis gives an overview of development of understanding of the process of Europeanisation. It outlines the major 'generations' of Europeanisation study from mid 1990-ties onwards, setting the research problem within the ongoing discussions and dialogues in the literature (Ladrech, 1994; Risse, Cowles and Caporaso, 2001; Olsen 2002; Heritier, 2005; Radaelli 2000, 2003). The overview and recent developments illustrate the need for a more 'applicable' definition of Europeanisation in public policy studies, the definition which will serve as explanatory instrument of the domestic change. Radaelli's definition of Europeanisation as 'the process of a) construction, b) diffusion and c) institutionalisation of formal and informal rules, procedures, policy paradigmes, styles, 'ways of doing things' and shared beliefs and norms which are first defined and consolidated in the making of EU policy process, and then incorporated in the logic of domestic discourse, identities, political structures and public policies' (Radaelli, 2003:30) is accepted as the definition leading to further uncovering of the theoretical background. The thesis follows by elaboration of theoretical background in the form of neoinstitutionalism, more specifically rational choice and sociological institutionalism. The chapter uses the analytical framework for exploring institutional adjustment and change suggested by Borzel and Risse and develops a new framework specifically tailored for the pre-accession policy arena. The new framework takes into consideration the specificities of 'Eastern Europeanization', such are the strong influence of the EU conditionality policy

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<sup>1</sup> Work on the thesis is currently at the stage of refinement of analytical model (for this reason the focus of this paper is to discuss and 'test' the model). Estimated work done is around 70% of the thesis.

and a significantly shorter timeframe given to a candidate country for adjustment in a specific policy. This 'temporal dimension' in combination with the absence of the more detailed policy template conditions the type of institutional and policy change.

At this point the thesis provides with the overview of development of the EU Cohesion policy, its major reforms and policy outcomes of its major principles that the EC introduced in one of its radical reforms in the year 1988 (principles of programming, concentration, partnership, additionality and effectiveness). Partnership principle defined as 'close consultation between the Commission, the member state concerned and the competent authorities designated by the latter at national, regional, local and other level, with each party acting as a partners in pursuit of a common goal' (EEC Regulation 2052/88), has been one of the most prominent EU policy instruments. In Croatia, the pressure to implement the principle of partnership at all levels has been subject to a strong adaptational pressures on domestic actors and institutions. The next chapter adds to the adaptational pressure concept with a specific EU conditionality policy which conditioned institutional and policy adjustment in the new EU Member States from Central and Eastern Europe (CEECs). It elaborates specifically on the three explanatory models (External incentives model, social learning model and lesson-drawing model) which explain the adjustment and learning process that the countries underwent (Schimmelfennig and Sedelmeier, 2010). The EU Conditionality policy serves as a 'door-opener' to the overview of the specificities of the EU adjustment of the countries of CEE. Having a strong conditionality component, it adds to the body of literature on the pre-accession EU policy template in the area of regional policy, formal and informal conditionality and regional policy and regional governance in NMS.

The last part of the thesis explains the process, actors, policy outcomes of the adjustment process related to the regional policy development in Croatia. The evolution of regional policy in Croatia can be divided into two stages. The first stage is marked by the year of signing of Stabilisation and Association Agreement between the EU and Croatia, marking the official start of the EU pre-accession stage in Croatia. The first stage lasted from the year 2000 until 2010 bringing intensification of relationships, the start of the negotiation process with the EU and finalisation of the first Law on Regional Development (December, 2009) and National Strategy for Regional Development in Croatia (June, 2010). The first stage is characterised by the policy and institutional inertia, coercive Europeanisation driven solely by the external incentives leading to partial domestic change, and as such can be explained by the external incentives model of Europeanisation (Schimmelfennig and Sedelmeier, 2005). The external incentives model represents a rationalist bargaining model which is based on the proposition that governments adopt EU rules if the EU's

rewards for compliance exceed the domestic costs of adoption of the rules (Sedelmeier, 2006). The second phase which has been ongoing since 2010 is strongly marked by the intensified process of further adjustment, reform initiatives having a strong component of social learning and lessons-drawing. As such it can be explained by the social model starting from the main premise of social constructivism and explaining the transfer of rules via acceptance of appropriate rules and behaviours, persuasion and a 'complex learning' (Sedelmeier, 2006:152), or a 'thick learning' (Radaelli, 2003:52). What is left unclarified is to what degree has the policy and institutional change been accepted within the Croatian regional policy arena and to what degree the change has been internalised?

## **2. Theoretical framework**

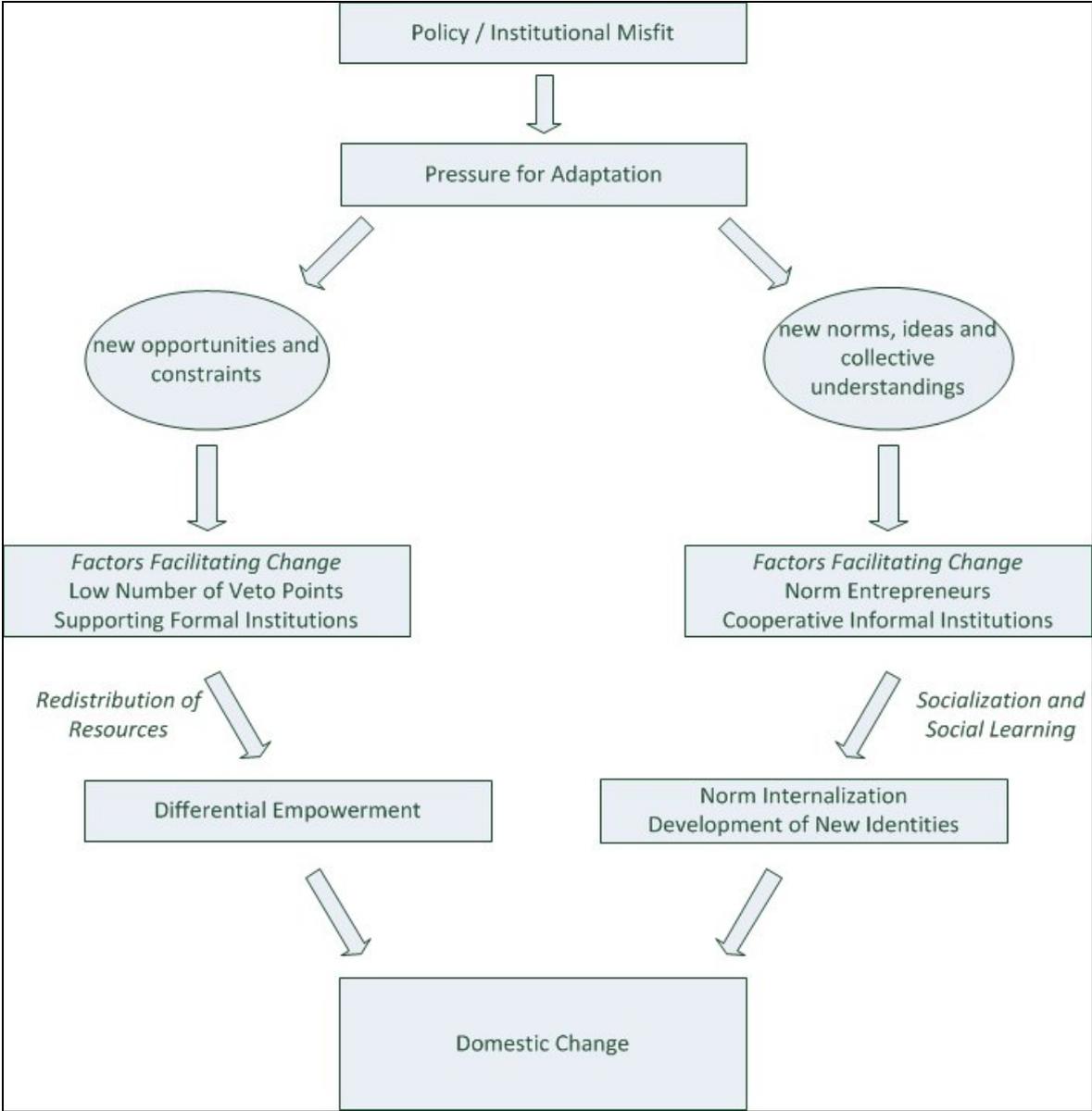
In order for Europeanisation to produce change, there has to be some degree of 'misfit' between the processes, policies and institutions at European and domestic level which result in adaptational pressure. Nevertheless, the main precondition for the change to happen is to have facilitating factors – whether institutions or institutional actors who respond to adaptational pressure.

Theoretical framework of the thesis initially relies on the two main institutionalisms: rational institutionalism and sociological institutionalism as the main theoretical backgrounds for explaining the adaptational pressure. Institutional lenses provide an explanation for the variables in questions. Rational choice institutionalism assumes that institutional actors behave in a strategic or rational manner, adapting their strategies and beliefs to the assumed actions of other players. Institutional actors are guided by the 'logic of consequentialism' (March and Olsen, 1998) in their estimation adopting or rejecting (veto blocking) the EU rules and norms. Observed from the rationalist perspective, the two mediating factors might influence change: multiple veto points or veto groups and formal institutions which provide actors 'with material and ideational resources' (Borzel and Risse, 2000:1). At the same time, according to the rationalist standing, the dominant incentive for import of change to the candidate country is strategy of conditionality (Grabbe, 1999, 2001; Dimitrova 2002; Hughe 2006). Whether the change in domestic policy arena or domestic structures would lead to change 'depends on redistribution of power' (Börzel i Risse 2003:58, in Featherstone i Risse, 2003). Europeanisation process and adaptation pressure shows that rational institutionalism is the most appropriate tool for research of domestic policy environment in the candidate countries (Sedelmeier 2011; Hughe 2006).

On the other hand, sociological institutionalism is based on a cognitive dimension according to which individuals within institutions are run by a collective understandings of appropriate behaviour, beliefs,

identities, memberships or practices within an institution (March and Olsen, 1989, 1998). The actors are run by the 'logic of appropriateness' in their understanding of courses of action. According to this perspective there are two mediating factors which influence the degree to which institutional or policy misfit results in internalisation of change: Change agents or norm entrepreneurs which persuade others to change attitudes, identities and beliefs and a Political culture and other informal institutions which are sensitive to costs of adaptation. The two perspectives of 'logic of consequentialism' and 'logic of appropriateness' (March and Olsen, 1998) are not mutually exclusive, they often occur simultaneously or in different stages, as presented by Börzel and Risse below (Börzel and Risse, 2000):

**Illustration 1: Domestic impact of Europeanisation on domestic change**



Source: Börzel and Risse (2000)

Nevertheless, the framework suggested by Börzel and Risse does not fit to the specific policy environment of the transition countries in the pre-accession stage. A more integrated approach is needed if one is to provide research of the accession process strongly marked by the (financial and political) EU conditionality policy as well as with a fast-track process of adjustment. Institutionalism is not able to provide with exploratory framework comprehensive and detailed enough in order to specify the policy or institutional change. One of the main questions that follows from elaboration of different institutionalist narratives is: When does one logic replace the other? When does the change occur? When is change internalised?

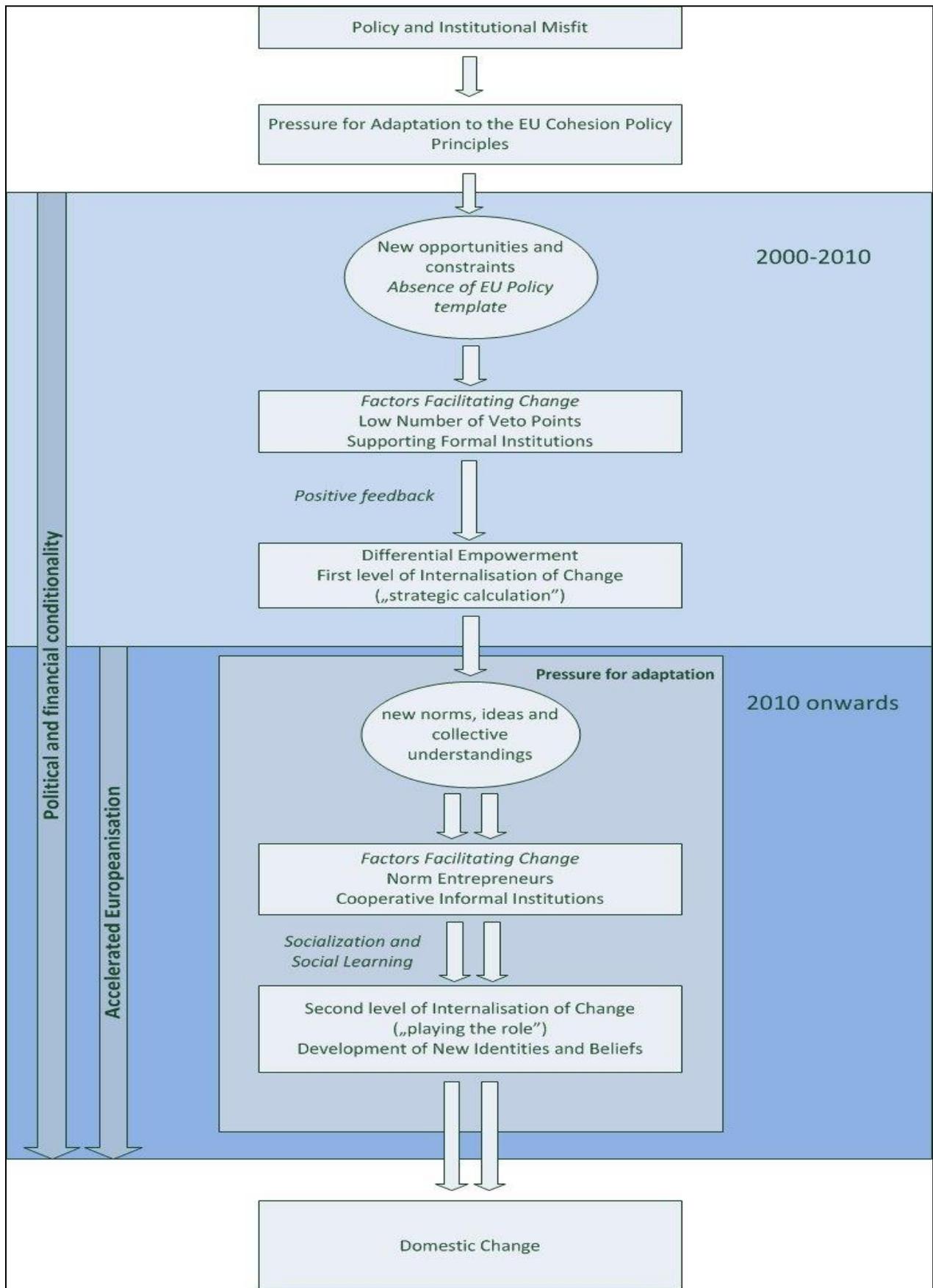
One of the ways to provide the answers to these research questions suggested in the thesis is introduction of elements of historical institutionalism to the integrated approach to rational choice and sociological institutionalism, while considering historical institutionalism as a 'particular variant of rational-choice theory' (Pollack, 2008:4). The context of adjustment and policy change depends on temporal dimension and the 'path' of decision-making in the past that influences decisions that institutions take in the future, except in the cases of 'strong shifts or pressures from abroad' (Peters, 1999:64) and 'critical moments' (Ikenberry, 1994; Krasner, 1989, in Pierson 2000). Paul Pierson (2004) also suggests that political institutions and public policies are very often characterised by what Pierson calls 'positive feedbacks', allowing only incremental adjustment but not changes (Pierson, 2004, in Pollack, 2008:4).

Such an approach to the research goes one step further in capturing the complex reality of internalisation of change in a candidate country, following Checkel's work on socialisation as the stage which leads to internalisation of change (Checkel, 2005). Checkel suggests that domestic actors switch from following a logic of consequences to a logic of appropriateness 'by learning a role – acquiring the knowledge that enables them to act in accordance with expectations' (Checkel, 2005:804) and the given requirements. This stage of 'strategic calculation' is replaced by the 'role playing' when agents accept community or organisational norms 'as the right thing to do' (ibid). Only at this stage the policy or institutional change occurs.

This problem-driven perspective proposes the new framework for analysis of regional policy in Croatia via examination of variables given by the integrated approach in order to determine the response to conditionality and adaptational pressures and to put light on the subject of change internalisation.

As the second Illustration shows, I developed a visual analytical model that interrelated variables, derived the model inductively and placed the model at the part of the thesis in which the overview of policy changes occurred in regional policy in Croatia is elaborated, i.e. at the end of the work (Chapter dealing with the policy actors and the policy arena in Croatia).

Illustration 2: Analytical framework for exploration of change in Croatian regional policy



**3. The goals of the research project, research question(s) derived from the review of literature or/and thesis/ hypothesis;**

The first hypothesis postulates the character of Europeanisation process in Croatia. Europeanisation process strengthened administrative capacities for regional policy:

*H1: The process of Europeanisation initiated integral development of regional policy and regional development in Croatia.*

Europeanisation of the Croatian regional policy is characterised by the long period of institutional inertia which was followed by coercive approach to the Europeanisation process. Having institutions and institutional actors as dependent and Europeanisation adjustment pressure (goodness of fit) as independent variables, evolution of the regional policy can be divided into two stages:

*H2: Europeanisation of regional policy can be divided into two stages which can be explained by the external incentives model (stage 1) and social learning model (stage 2).*

Throughout the process, the partnership has been one of the major requirements directed to the institutions and bodies dealing with the regional policy in Croatia. It ensures participatory approach and a stronger voice of regions in Croatia, although to a limited extent (only the stages of informing and consultation). Therefore, implementation of partnership principle serves as a good indicator of domestic response to change at national and subnational level:

*H3: Introduction and implementation of partnership principle enhanced programming and implementation of the EU pre-accession funds.*

Nevertheless, the partnership principle is still not an integral part of national approach to regional development. Its implementation is coordinated and monitored from the national level which still dominates the process.

*H4: At subnational level the partnerships were set up largely too fulfil the requirements of funding while central government dominates the policy process.*

**4. Clear description and argumentation of the research methodology, research methods and structure of the thesis**

The main research approach is the qualitative research methodology which will be implemented at two levels. The first level represents the national institutions. Research will be conducted through questionnaire to be forwarded to all former members of the three Committees for Partnership at the level of NUTS II regions. The structure of the Committee (representation of various national institutions, bodies and agencies) is given by the Law on Regional Development. At this level, the author will also conduct semi-structured interviews with the major actors of regional policy in Croatia (institutions and the agency responsible for the regional policy and public and private stakeholders). The questions will explore the variables given by the external incentives and social learning model. The second level of research will be implemented at the subnational level (Counties at the level of

NUTS III regions) responsible for implementation of decision-making on strategic priorities of the region (county, via County Partnership Boards) and implementation of partnership principle.

## **5. Argumentation of the original contribution of the thesis to the selected scientific field**

Research on policy and institutional change in regional policy in Croatia viewed through the institutional lenses (March and Olsen, 1998, 2004; Börzel and Risse, 2003) is important for several reasons. First, understanding of the policy and institutional change in the area of regional policy can reveal the underlying logic of policy and institutional change as such in Croatia. This research contributes to better understanding of the factors which conditioned implementation of the regional policy in Croatia and to better understanding of key factors of success in implementation of the partnership principle as one of the core principles of functioning of the EU Cohesion policy at national and subnational level.

The structure of the thesis illustrates multidisciplinary approach to the issue of institutional adjustment and change.

### **Structure of the thesis**

#### **1. Introduction**

- 1.1. Statement of the problem
- 1.2. Purpose of the study
- 1.3. The research questions
- 1.4. Delimitations and limitations

#### **2. Theoretical background**

- 2.1. Europeanisation – methodological framework
- 2.2. New institutionalism
  - 2.2.1. Rational institutionalism
  - 2.2.2. Sociological institutionalism
  - 2.2.3. Historical institutionalism
  - 2.2.4. Integrated/synthesized approach
    - 2.2.4.1. Change of logics of consequentialism and logics of appropriateness
    - 2.2.4.2. Combined and integrated institutionalist approach
    - 2.2.4.3. Analytical framework for research of Europeanisation at the national level
- 2.3. Possible policy outcomes of Europeanisation
- 2.4. Policy learning
- 2.5. Policy transfer

#### **3. EU Cohesion policy**

- 3.1. Introduction to the EU policy process
  - 3.1.1. Policy cycles of the EU Cohesion policy
- 3.2. Evolution of the Cohesion policy - Development, goals and reforms
- 3.3. Institutionalisation of the partnership principle
  - 3.3.1 Influence of the EU Cohesion policy on mobilization of sub-national actors
  - 3.3.2. Influence of the EU Cohesion policy on redefinition of governance
- 3.4. Policy outcomes of the partnership principles in the EU

#### **4. EU Conditionality policy**

- 4.1. Introduction to the EU conditionality
- 4.2. Models of conditionality

- 4.2.1 External incentives model
- 4.2.2. Social learning model
- 4.2.3. Lessons-drawing model
- 4.3. Explanatory framework for the EU membership conditionality in the countries of Central and Eastern Europe (CEECs)
- 5. Europeanisation in the CEECs
  - 5.1. Research framework for europeanisation in CEECs
  - 5.2. Regional governance in CEECs
  - 5.3. Conditionality policy in the area of regional policy – policy template
  - 5.4. Policy outcomes of the partnership principle in the new MSs
- 6. Regional policy in Croatia
  - 6.1. Croatian accession to the EU – the history of conditionality and relationship dynamics
  - 6.2. Legal and institutional framework for the regional policy
    - 6.2.1. Legal basis of the regional policy
    - 6.2.2. Institutional basis for the regional policy
    - 6.2.3. Policy instruments for the regional policy
  - 6.3. Policy conditionality and policy templates for adjustment to the EU Cohesion policy
  - 6.4. Europeanisation of the regional policy in Croatia
    - 6.4.1. Domestic actors, adaptation pressures and policy outcomes
    - 6.4.2. Internalisation of policy change – the partnership principle
    - 6.4.3. Learning by doing – case of social learning and policy transfer
  - 6.5. Conclusion
- 7. Research
- 8. Conclusion

## **6. List of sources cited in the proposal**

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