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**JEL: R10, R13, R58**  
**Preliminary communication**

Received: November 16, 2020  
Accepted for publishing: November 23, 2020

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# THE INSTITUTIONAL FRAMEWORK MODEL FOR THE IMPLEMENTATION OF THE EU COHESION POLICY IN CROATIA FOR THE 2021-2027 PROGRAMMING PERIOD

## ABSTRACT

The EU cohesion policy is considered one of the most important policies implemented and financed through the EU common budget, as about a third of the EU budget is allocated to funds that are instruments of that policy. The goal of the EU regional policy is to reduce development disparities between EU regions by co-financing development projects. Given that the less developed regions benefit the most from this policy, it is extremely important for Croatia because it directly affects the country's economic and social development and helps it converge towards the EU average. Considering the above, this paper seeks to contribute to the scientific discourse on the use of regional policy funds by examining the topic beyond temporal boundaries of programming periods and by proposing an institutional framework model for the management of the EU regional policy instruments in Croatia. To empirically determine the key institutional factors in the absorption of EU funds, the paper considers the existing EU fund management systems of selected EU countries. Through scientific research and comparative analysis of management systems in nine Central and Eastern European countries and drawing on the experience of the Croatian system and its functioning, an optimal model for the management of the EU regional policy funds at the national level was formulated. The proposed model should improve strategic decision making by the executive branch and help Croatia make the best possible use of EU regional policy funding, which should in turn reflect positively on economic growth.

**Keywords:** EU regional policy, EU regional policy funds, a model of the institutional system for the implementation of EU regional policy instruments in the Republic of Croatia

## 1. Introduction

While acknowledging the modern trends in regional economic sciences, it is important to point out that modern research is largely focused on analyses of EU regional policy, long- and short-term EU regional policy issues and its financial framework (more in: Bachtler et al., 2018), while the link between institutional (often: administrative) capacities and regional policy fund management systems is analysed to a lesser extent (Boijmans, 2014<sup>1</sup>; Farole et al., 2011). Namely, the implementation of regional policy in the EU Member States is governed by national systems, i.e. the institutionally organised systems that differ between countries. This means there is no single, universal model, and thus the intensity and dynamics of the use of EU funds differ between countries.

Given that each EU Member State independently establishes an EU fund management system, i.e. an institutional system for managing EU regional policy funds, analyses of these systems are mostly done for individual countries and are limited to a description of the system, without any elaboration on its efficiency and improvement guidelines. In this context, it is necessary to further connect analytical and professional knowledge on the efficiency of the EU regional policy funds management system and theoretical concepts of regional development, with the need to adapt national management systems to meet real development needs, investment priorities and administrative capacity. This is particularly important because the contemporary research reveals positive trends in economic structure and productivity of Central and Eastern European countries (Dobrzanski, Grabowski, 2019), as well as in the quality of the business environment and business resilience (Malinic et al., 2020; Jablonska, Stawska, 2020), as a result of support from alternative financing sources (EU funds).

Some analyses were conducted for the previous EU budget perspectives to assess the effects of regional policy and spending, mainly by the professional and scientific community within the European Commission. In this context, it is necessary to mention several scientific papers on the impact of EU regional policy funds spending along with the efficiency analyses of those funds and policies (Varga, Jan in 't Veld, 2010; 2009; Ederveen et al., 2006; Ederveen et al., 2003). Some sources have also analysed the testing and evaluating of the impact of regional policy (De la Fuente, 2010; Bachtler, Wren,

2006). It is necessary to mention some earlier research papers by the authors who are familiar with the topics of regional policy and transfer of funds to the Member States and whose expertise will be referred to in this scientific research, such as Allard et al., (2008), Herve and Holzmann (1998). Moreover, research papers that link the issue of income inequality and regional policy such as those by Boldrin and Canov (2001), Burnside and Dollar (2000), Dawkins (2003), MacKinnon and Cumbers (2019) will be considered. All the above sources partially provide the foundation for understanding the structural reform scenarios (more on this in: D'Auria et al., 2009; Roeger et al., 2008; Varga and in 't Veld, 2010), which can be financed under the EU's regional policy.

In order to define a new or further develop the existing system in Croatia, in addition to describing the experience of Croatia, the paper presents and examines the EU fund management systems in nine countries (Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia, Slovenia and Poland). Special attention was paid to collecting comparable sets of data for the analysed countries, bearing in mind the limitations that may arise in research, such as the availability of data that can be used to compare the implementation systems of individual countries. It should be emphasised that the most transparent and available data were related to the amounts of contracting and disbursement of EU funds because the EU countries are required to submit such data to the European Commission. However, it was extremely difficult to obtain official and reliable data regarding the management system architecture and the changes in the system for management of EU regional policy funds over time. Therefore, the analysis of the EU regional policy fund management system included only those Central and Eastern European countries for which reliable data on the management system architecture could be obtained.

## 2. EU cohesion policy and analysis of progress in EU funds allocations

All EU countries can use the EU regional policy funding through its instruments, i.e. funds. Regional economic growth is extremely important for long-term sustainable national economic growth. Therefore, it is necessary to establish the most significant long-term drivers of this growth and, where possible, identify those determinants that

are exogenous at the regional level and thus subject to intervention (Harris, 2010). A brief look at the history of economic thought from Adam Smith, David Ricardo, Thomas Robert Malthus, Karl Marx to John von Neumann shows that the growth of production in total depends on the behaviour of individuals, that is, it is endogenous, as stated by Kurz and Salvadori (in: Salvadori et al., 2003), Capello and Nijkamp (2011).

It should be noted that the economic policy of the national economy's transformation, as pointed out by Sukharev (2005)<sup>2</sup> is not influenced by the transformation process itself but by the conditions and opportunities for economic growth, requiring the correct choice of national development policy instruments. Ferry and McMaster (2013) point out that the establishment of a mechanism for the implementation of EU-funded regional development programmes has played a significant role in changing the perception of the domestic regional policies' objectives and content. The process of implementing the Structural Fund programme itself can introduce a new institutional framework and mechanisms into the field of regional policy, especially at subnational levels and within the private and voluntary spheres (more in: Roberts, Hart 1996, in: Ferry, McMaster, 2013). It is an inevitable fact that there is considerable diversity between European regions in relation to almost all economic, but also other factors, representing a great challenge at the EU level in terms of structural policies. As Ferry and McMaster (2013: 1504) point out, the regional policy can promote changes in internal policy by providing an additional source of funding for regional development, with a mandatory framework governing the content, governance, and implementation of the policy. Institutional reliability and institutional framework here become matters of great importance.

Brunetti et al. (1997) have analysed five categories of institutional reliability: 1) predictability of rules, 2) political stability (or lack of uncertainty), 3) security of property rights, 4) reliability of the judiciary, and 5) lack of corruption while trying to explain whether institutional changes have an impact on the relative economic performance of not only the former transition countries but also on the regional level. The results of the research confirmed that a reliable institutional framework could be an important precondition for the successful transformation of the economy and the improvement of the

economic performance of the countries of Eastern and Central Europe (see also: Fischer et al., 1996).

The analysis of the implementation progress of the European Structural and Investment Funds for the 2014-2020 programming period is based on the European Commission data, which are available on an annual basis (end of the calendar year and the last available quarter) (Figure 1). As expected, the disbursement rate in relation to the total planned funds for each individual state is extremely low in the first two years. Thus, at the end of the second year of the programming period (2015), no country has a percentage higher than 3% of disbursed funds in relation to the allocated funds. This may be related to delays in the preparation of operational programmes (strategic documents that define investment priorities from the EU funds) and to delays in the preparation, publication and implementation of tenders. The first disbursements can be received as advance payments, but only after the implementation of the project can we talk about real payments. Furthermore, the establishment or adjustment of a national management system for EU funds to the needs of the new budgetary perspective (2014-2020) also contributes to the low funding in the first two years of the financial perspective.

However, financial implementation in 2017 falls behind the dynamics of the previous programming period by almost a year, as a result of which the percentage of disbursements of EU funds is a cause for concern, which puts additional pressure on the audit of the efficiency of EU funds management system. In order to get a more detailed picture of the implementation of regional policy funds, the utilization of EU regional policy funds and progress in the implementation of the European Structural and Investment Funds in a cumulative amount are shown (Annex 1 and Figure 1, respectively).

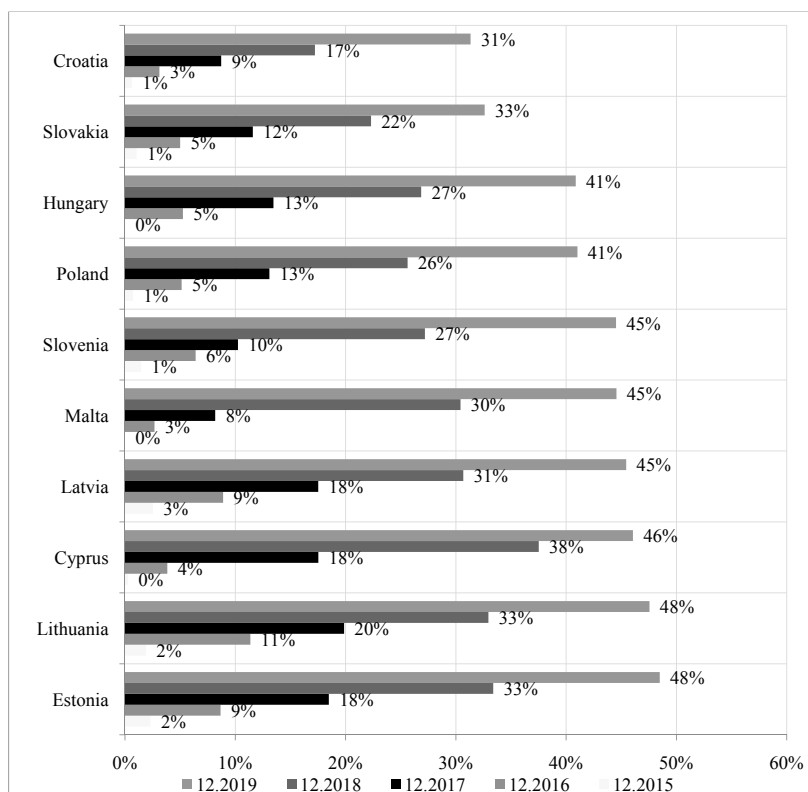
Given that there is a longer time period (from the end of 2015 to the end of 2019) in which progress (dynamics) in the disbursement of EU funds can be monitored, observing the relative change of the selected countries' positions and reaching certain conclusions is possible. One of the important observations is related to the dynamics of disbursements in the Baltic states. Namely, in the first part of the EU programming period, Estonia, Latvia and Lithuania, according to the data on disbursements of the European Structural and Investment Funds for the end of 2015, 2016 and 2017, were among the

top four out of ten observed countries (including Croatia) (Figure 1).

In the following years, these positions were retained - and at the end of 2019, Estonia was ranked first among the ten analysed countries, Lithuania was in the third place and Latvia was fourth. A more regulated and efficient system of managing EU funds in a country contributes to the stability and improves the dynamics of the EU funds' absorption, which is most visible in the Baltic states. In comparison, Croatia was persistently at the bottom of the scale of European Structural and Investment Funds' disbursements relative to the allocations, dropping from ninth place in 2016 and 2017 to last, tenth place at the end of 2018, where it remained at the end of 2019. In the case of Croatia, it should be noted that already at the beginning of the 2014-2020

programming period there was an objective problem that caused the somewhat slower preparation and delays in the implementation of EU regional policy projects, resulting in slower dynamics of cumulative disbursements of EU funds in comparison with other observed countries. Namely, before the start of the new (2014-2020) programming period, EU countries had already gained experience with the use of EU regional policy funds in the 2007-2013 programming period and had established management systems. In comparison, Croatia was at that time nearing the end of its accession negotiations with the EU and was using the Instrument for Pre-Accession Assistance (IPA). It started using the regional policy funds in the second half of 2013, while at the same time preparing for the new 2014-2020 programming period.

**Figure 1 Progress in the implementation of the European Structural and Investment Funds, paid out cumulatively, % compared to the planned (for the EU 2014-2020 programming period)**



Source: European Commission (2020)<sup>3</sup>, processing and calculations by the author

The dynamics of ESI funds disbursements differ greatly between countries (Figure 1), which is not a surprise at the beginning of the programming period, however, the dynamics of disbursements in relation to the planned funds after the first two years became increasingly different between countries. At the end of 2019, the percentage ranged between 32.6% in Slovakia and 48.5% in Estonia. It should not be expected that the dynamics of the utilization of EU funds across states to be identical over time because different countries have different investment priorities and dissimilar investment intensity from individual funds, which also have different implementation rules and implementation dynamics. However, the data in Figure 1 and the table in Annex 2 provide a framework for possible management systems that, due to their effectiveness in advancing the implementation of EU funds, may be an experience applicable to Croatia. For example, the data from the previous Figure suggest that smaller countries, i.e. countries with smaller economies and smaller populations, and thus lower allocation of EU funds and smaller administration, in recent years have generally recorded a higher percentage of implementation of EU funds compared to slightly larger countries. For instance, at the end of 2017, 2018 and 2019, the Baltic states, Cyprus and Malta, were at the top of the performance table. In these countries, changes in the system of managing EU funds have generally led to a reduction in the number of operational programmes, the centralization of the system and clearer procedures for the implementation of EU regional policy programmes and projects (Figure 1).

### **3. Effects of institutional and regulatory framework quality variables on the absorption of EU funds**

To evaluate the effectiveness of the management system of EU regional policy funds in individual countries, an analysis was conducted in nine countries that have received EU grants since 2005, Croatia included. How much of the available grants from the EU budget each country, including Croatia, will ultimately use depends on its absorption capacity. The absorption capacity is determined by three main factors:

1. administrative (institutional) structure and capacities for implementation of operational programmes (strategic documents de-

fining national development needs for co-financing by EU funds);

2. financial capacity to co-finance projects financed from EU funds;
3. the macroeconomic capacity of the state to provide enough productive investment opportunities for the efficient use of EU funds.

More specifically, absorption capacities mostly depend on institutional factors, i.e. on the extent to which the authorities at the central (as well as regional and local) level can prepare consistent multi-annual plans for EU funds utilization, and consequently deal with a large amount of administrative work related to withdrawal of EU funds and successfully coordinate and monitor their use. Success can be partly attributed to the ability of employees/administration in the preparation and implementation of EU funds, but the key parameter for considering the intensity of the performance of the EU funds management system, while monitoring the dynamics of contracting, is primarily the dynamics of disbursements.

In addition to Croatia, the model included nine other EU countries, which are comparable to Croatia and which meet the criteria for selecting countries for comparison of the EU funds implementation system (Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia, Slovenia and Poland) for the purpose of the analysis of the institutional framework. It is also necessary to keep in mind the specific long-term and structural problems that Croatia faced at the national level already at the beginning of the current (2014-2020) EU budget perspective:

- Ineffective functioning of the management and EU funds implementation system, including the insufficient administrative capacity (significant delays in defining and establishing the management system, lack of staff in the system of EU funds implementation).
- Non-compliance with strategic national decisions (agreed with the European Commission) on the definition of strategic documents for the use of EU regional policy funds and decisions on the establishment of the EU funds management system.

#### **4. Proposal for the institutional framework model for the management of EU regional policy funds in Croatia for 2021-2027**

New models of regional development seek to explain economic growth and innovation in some regions, while at the same time being tasked with creating and implementing policies to combat structural economic weakness in less developed regions. Overviews of the management systems of EU cohesion policy funds and the results of empirical research conducted on the example of nine EU Member States that meet the selection criteria for the purpose of comparing the EU funds implementation systems show that these management systems comply with the regulatory framework of the EU, but that system architectures visibly deviate between states.

Therefore, governance systems across countries are not identical but do have similarities that can be partly explained by the transfer of experiences between them (the example of Estonia). It is thus justified to conclude that it is possible to define an optimal and functional institutional system for the implementation of regional policy funds, based on the systems in comparable EU countries, and apply it in Croatia. However, the allocation of funds alone did not necessarily lead to an increase in the quality of the institutional framework and the competitiveness of the analysed countries.

From the current EU programming period (2014-2020), out of a total of 12.68 billion Euros of EU funds and national co-financing (that Croatia has at its disposal in this programming period) by November 2016, less than 0.4% was used, i.e. paid out for projects. According to this utilization indicator, Croatia ranked 22<sup>nd</sup> in the EU. Among the Central and Eastern European countries, only Slovenia and Romania were ranked lower. If we look at the allocated (and not yet paid) funds for projects, in relation to the total amount available, Croatia was in the 25<sup>th</sup> place with 9.1%. Given that this indicator of allocated, unpaid funds is indicative of future trends in actual payments, its low amount for Croatia suggests that Croatia's relative position will be among the worst in the EU for some time to come. Such trends are confirmed by later developments in the use of EU funds. Namely, at the end of 2019, in all EU countries, the disbursed funds from the European Structural and Investment Funds exceeded 30% of the allocation for the 2014-2020 programming period. Croatia, with just over 31% of disbursed

funds, was still at the bottom of the list of countries in terms of fund utilisation (disbursement of funds in relation to the total allocation). Compared to the nine countries of Central and Eastern Europe, Slovakia is ranked above Croatia (with 32.6%), while Hungary, Poland, Slovenia and Malta are somewhat more successful, with less than 45% of the utilised funds. Top-ranked are Cyprus, the three Baltic states and Malta.

It is important to emphasise that the dynamics of EU funds absorption since the beginning of the seven-year programming period of the EU (i.e. since 2014) is the fastest in the example of the Baltic states because for years they had been top-ranked in terms of utilization of EU funds. This is yet another reason to pay close attention to the EU fund management system in the Baltic states, in order to assess whether and to what extent the future EU fund management system in Croatia could rely on the experiences of these countries. The discussion of the institutional governance system for EU regional policy for political or interest reasons is usually focused on the topic of which ministry (or institution) should oversee coordination and management, including programme design and legal framework development. This question is pertinent, but the answers to the following two questions are of even greater importance:

- 1) Is the overall institutional structure more of a centralised or a decentralised system (or a combination of the two)?
- 2) How are responsibilities shared between the managing authorities (MAs) and intermediate bodies (IBs)?

Regarding the first question, considering the examples of countries that have joined the EU more recently, the basic institutional possibilities are the following:

- a) Centralised structure, as applied in the Baltic states, where a single managing authority has been established, with implementation delegated to line ministries and their agencies, as has been the case in Slovenia;
- b) Decentralised structure in which the managing authorities are placed within line ministries, with a relatively weak coordination function;

- c) Mixed structure, in which all or most of the managing authorities - although separate administrative units - are placed within the same ministry or agency, as in the case of Hungary 2007-2013.

The first solution is better suited to relatively small states with small administration systems. However, its overall philosophy of a strong coordination function can also be applied to larger Member States. The theoretical advantage of a decentralised system could be a strong synergy between sectoral policies and the use of EU grants. Regarding the distribution of responsibilities between the MAs and the IBs, the Member States that joined the EU in the last waves of enlargement have contributed to the great importance of control-driven programmes (due to the great fear of possible financial corrections). This has usually led to overly centralised programme management systems or, to a lesser extent, overly strict control of IB's activities by the Managing Authority. The logical consequence of this is a slowdown in programme implementation, increased bureaucracy (administrative burden), and lack of resources (because controls have consumed significant human and material capacities).

Based on the existing regulatory framework (regional fund policy management system in Croatia), the number and thematic scope of existing operational programmes (for the period 2014-2020), and the results and conclusions of the research in nine Central and Eastern European countries, an optimal and functional system for the implementation of regional policy funds and related operational programmes can be proposed: Model with one operational programme within the framework of the EU cohesion (regional) policy (multi-fund national operational programme - NOP) with two managing authorities (MA) and a coordinating authority (CA) (see Figure 2).

The National Operational Programme (NOP) would be a multi-fund operational programme consisting of the Cohesion Fund (CF), the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF +). The National Operational Programme (NOP) would represent a certain continuity in relation to the 2014-2020 financial period and would combine previous experiences and know-how within two operational programmes from that period ("Competitiveness and Cohesion" Operational Programme and "Efficient Human Resources" Operational Programme).

Unlike the two separate programmes in the 2014-2020 financial period, this new proposed approach with one operational programme offers greater opportunities for linking, complementing, controlling, monitoring, evaluating, but also for flexibility, i.e. adaptability. In the 2014-2020 financial period, there is no operational programme that specifically addresses problems at the regional level, which has reduced the possibility of taking preventive steps against external risks that occurred after the accession of the Republic of Croatia to the EU (in terms of demography, employment, etc.). By launching the NOP, and based on lessons learned related to territorial development, including those arising from the Slavonia, Baranja and Srijem<sup>4</sup> project, in the 2021-2027 programming period, the possibility for financing regional initiatives would be expanded. A multi-fund OP would also be the only EU regional policy programme and would represent an integrated territorial development tool such as integrated territorial investment (ITI)<sup>5</sup>. Additional benefits arising from having one operational programme, compared to two operational programmes in the 2014-2020 period, are the inclusion of development needs simultaneously at both the national and regional levels and comprehensive approach to development problems. In the context of national sectoral policies, a multi-fund operational programme would enable a unified management and more effective coordination of the sectoral investments implementation. In terms of preparation of the operational programme, the development of the national operational programme would be coordinated by the ministry in charge of regional development and EU funds. The advantages of having a single national multi-fund operational programme are as follows:

- it considers development needs at both national and regional level and takes a holistic approach to development issues;
- it enables unified management and more effective coordination of the implementation of sectoral investments;
- it encourages the development of territorial strategies, thus promoting the importance of the strategic framework at the regional level (greater focus on regional development);
- it affords greater ability to control double funding, irregularities and fraud;

- it ensures a single system for monitoring and evaluating EU regional policy;
- it enables more efficient planning and better monitoring and control of the execution of the state budget;
- it accelerates business processes - no deep operational programme management structure is required.

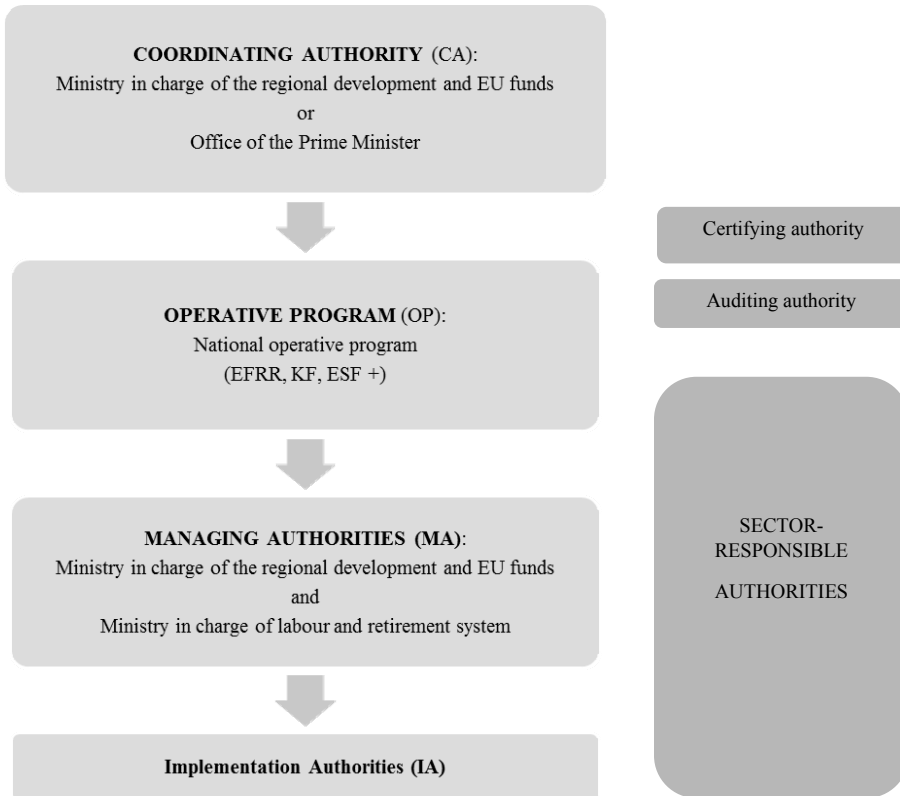
These advantages far outweigh the disadvantages of the proposed model, which should also be mentioned, and relate to the following:

- a possible temporary (short-term) downtime of the system that would be applied for the period 2021-2027, if the integration of the employees of the Managing Authority for ESF Operational

Programme “Efficient Human Resources 2014-2020” would follow (short-term);

- a potential risk of partial loss of Ministry of Labour’s institutional knowledge in the implementation of the ESF Operational Programme “Efficient Human Resources 2014-2020” due to changes in the institutional framework;
- the institutional framework becomes shallower vertically, but widens significantly horizontally, thus increasing the challenges and responsibilities in covering sectoral/sub-sectoral policies/ investments;
- the possible administrative burden of the management and control system, such as the issue of the number of MAs, reporting, implementation...)

**Figure 2 Proposal for the institutional framework model in Croatia for the EU 2021-2027 regional (cohesion) policy (single operational programme)**



Source: Author's work



Considering all the argumentation provided, the proposed institutional system for the implementation of regional policy funds in Croatia for the 2021-2027 EU programming period has only one operational programme that includes the following (Figure 2):

- **Coordinating authority:** Ministry in charge of regional development and EU funds (or the Office of the Prime Minister of the Republic of Croatia, which has even greater coordination power because all ministries report to it, and due to its long-term coordination role in other important processes of preparation and drafting of strategic documents, such as the National Reform Programme).
- **Managing authority:** Ministry in charge of regional development and EU funds and the ministry in charge of labour and pension system (i.e. the ministry in charge of the area within the scope of the European Social Fund).
- **Certifying authority:** Ministry of Finance, which would continue to certify at the national level the statement of expenditure and requests for payments before sending them to the European Commission.
- **Auditing authority:** The Agency for Audit of European Union Programmes Implementation System (ARPA), which would continue (as a national body functionally separate from the managing authority and the certifying authority) to be responsible for the external audit of the regularity and efficiency of the system.

Sectoral authorities in the system of management and implementation of EU regional policy funds are also listed in the proposal for the model (framework) to emphasise that these bodies (primarily ministries) include institutions that create sectoral policy. More specifically, the managing authority should have full and well-defined powers to ensure strong coordination and management of intermediate bodies, to enable the concentration and to improve the coordination of programmes and their effective implementation. The proposed institutional system for the implementation of regional policy funds in Croatia for the 2021-2027 EU programming period is partly based on the experiences of other countries that have adjusted their governance systems to increase efficiency. The proposed system (Figure 2) is fully in line with the 2021-2027 policy objectives in terms of the application of the new

thematic concentration rules based on the 2021-2027 Multiannual Financial Framework (MFF)<sup>6</sup>. Specifically, the thematic concentration rules for allocation of regional policy funds for the 2021-2027 EU programming period must be followed at the level of the Partnership Agreement, i.e. they must be harmonised between operational programmes.

## 5. Conclusion

Although the EU regulations define the necessary framework and institutions that must exist in the system for management and implementation of EU regional policy in Member States, the margin for the existence of different systems is considerable. Therefore, national experiences differ due to several factors, such as the intensity and type of EU funding, the coherence of the area to which EU funds are directed, the relative strength of national and regional administration, and national economic and regional traditions. For similar reasons, the implementation system architectures can vary significantly between countries.

The analysis of the EU funds management system across individual countries did not show that the change or adjustment of the management system in any of the countries analysed was completely or even largely influenced by theoretical knowledge related to regional development and management systems of EU funds; rather, it was mostly influenced by previous experiences and practical problems, which prompted them to adapt the management system.

The research has shown that changes in the system for managing EU regional policy funds, i.e. changes in the implementation structure of countries are not frequent because the moment of transition from one programming period to another was used to adjust the system to needs (for example, from 2007-2013 into the 2014-2020 period), so that the change would have as little negative impact as possible. The quality of the institutional framework was analysed in nine countries that have been benefitting from EU funds since 2005, and compared against that of the Republic of Croatia. The management and allocation of EU regional policy funds require a developed institutional structure and a clear division of roles in the system of governance and implementation of regional policy in the beneficiary country. Therefore, in terms of how to manage regional policy funds, each EU Member State has developed its

own management system. It should be emphasised that management systems differ in the extent to which they are integrated into the national administrative system. In addition, the level of system complexity is different, and the management systems of national and regional programmes are different too. More specifically, reviews of the EU cohesion policy funds management system (attachments) on the example of nine EU Member States that meet the selection criteria, which were performed in order to compare the systems for implementation of EU funds, show that these management systems are in line with EU regulatory framework, but architectures of the systems visibly diverge between states.

Therefore, governance systems between countries are not identical but do have similarities that can be partly explained by the transfer of experiences between countries (the example of Estonia). However, the allocation of funds alone did not necessarily lead to an increase in the quality of the institutional framework and the competitiveness of the analysed countries. This reaffirms the importance

of establishing an effective institutional framework for the management of EU funds, as it will not only increase the absorption but will also improve the overall efficiency of public sector operations and the competitiveness of the state. It is important to emphasise that if EU funds are not used appropriately and purposefully, the assistance itself may produce long-term negative effects on the development of recipient countries. Thus, evidence suggests that to use the funding provided by the three regional policy funds efficiently and effectively, a Member State must be able to analyse and adequately organise a national management system, taking into consideration its administrative capacity and institutional interrelations, as well as drawing on the experience of comparable countries. The combination of these two factors will maximise the effectiveness of regional policy in supporting the economic and social development of any EU Member State, Croatia included.

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# MODEL INSTITUCIONALNOG OKVIRA ZA PROVEDBU FONDOVA KOHEZIJSKE POLITIKE EU 2021. - 2027. U HRVATSKOJ

## SAŽETAK

Kohezijska politika EU smatra se jednom od najznačajnijih politika koja se provodi i financira kroz zajednički proračun EU, jer oko trećine proračuna EU se usmjerava na fondove koji su instrumenti te politike (Kohezijski fond, Europski fond za regionalni razvoj te Europski socijalni fond). Cilj regionalne politike EU je smanjivanje razvojnih razlika u regijama EU putem sufinanciranja razvojnih projekata. S obzirom da najviše koristi od navedene politike imaju manje razvijene regije, koje se, u pravilu nalaze u manje razvijenim državama EU (pretežito države središnje i istočne Europe), za Hrvatsku je navedena politika od iznimne važnosti, jer izravno djeluje na gospodarsko-socijalni razvoj i približavanje prosjeku razvijenosti EU. U tom kontekstu, znanstveno se istraživanje izdiže iznad vremenskih ograničenja proračunskih razdoblja jer analizira problematiku korištenja sredstava regionalne politike u kontekstu znanstvenog doprinosa predlaganju modela institucionalnog okvira sustava upravljanja instrumentima (fondovima) regionalne politike EU u Hrvatskoj. Kako bi se iz postojećih sustava upravljanja odabranih država EU empirijski mogli utvrditi ključni institucionalni čimbenici apsorpcije fondova EU, uzimaju se u obzir postojeći sustavi upravljanja. Znanstvenim istraživanjem i komparativnom analizom sustava upravljanja fondovima regionalne politike EU u devet država središnje i istočne Europe te iskustvima funkcioniranja hrvatskog sustava, formuliran je optimalni model nacionalnog sustava upravljanja fondovima regionalne politike EU koji bi mogao omogućiti donošenje kvalitetnijih strateških odluka izvršnoj vlasti kako bi se isti, u što je moguće većoj mjeri, odrazio na gospodarski rast putem učinkovitosti korištenja sredstava fondova regionalne politike EU.

**Ključne riječi:** regionalna politika EU, fondovi regionalne politike EU, model institucionalnog sustava za provedbu instrumenata regionalne politike EU u RH

## Annexes

### Annex 1 EU Cohesion Policy absorption for the 2014-2020 programming period

Absorption by fund*	Country									
	HR	PL	SK	LV	LT	EE	MT	CY	SI	H
<b>Cohesion Fund</b>										
Planned, m EUR	2,953	27,300	5,010	1,588	2,410	1,515	256	347	1,075	7,089
Decided, m EUR	3,772	26,096	4,578	1,555	2,200	1,314	285	301	1,097	8,189
Decided in %	127.7%	95.6%	91.4%	98.0%	91.3%	86.7%	111.4%	86.6%	102.0%	115.5%
Decided - rank	1/10	6/10	7/10	5/10	8/10	9/10	3/10	10/10	4/10	2/10
Paid, m EUR	559	11,863	2,187	509	1,296	896	123	119	530	3,193
Paid in %	18.9%	43.5%	43.7%	32.1%	53.8%	59.1%	48.0%	34.3%	49.3%	45.0%
Paid - rank	10/10	7/10	6/10	9/10	2/10	1/10	4/10	8/10	3/10	5/10
<b>ERDF</b>										
Planned, m EUR	5,084	47,502	12,995	2,825	4,119	2,459	475	353	1,824	12,612
Decided, m EUR	4,816	46,121	7,147	2,873	3,823	2,057	464	378	1,610	13,104
Decided in %	94.7%	97.1%	55.0%	101.7%	92.8%	83.7%	97.7%	107.0%	88.3%	103.9%
Decided - rank	6/10	5/10	10/10	3/10	7/10	9/10	4/10	1/10	8/10	2/10
Paid, m EUR	1,732	19,433	1,966	1,174	1,702	984	214	195	675	4,593
Paid in %	34.1%	40.9%	15.1%	41.5%	41.3%	40.0%	45.1%	55.2%	37.0%	36.4%
Paid - rank	9/10	5/10	10/10	3/10	4/10	6/10	2/10	1/10	7/10	8/10
<b>ESF</b>										
Planned, m EUR	1,664	15,206	2,479	717	1,289	682	132	134	898	5,611
Decided, m EUR	1,155	11,267	2,604	638	1,052	611	139	156	823	5,390
Decided in %	69.4%	74.1%	105.0%	88.9%	81.6%	89.6%	105.1%	116.3%	91.6%	96.1%
Decided - rank	10/10	9/10	3/10	7/10	8/10	6/10	2/10	1/10	5/10	4/10
Paid, m EUR	371	5,549	945	254	508	302	58	72	370	2,367
Paid in %	22.3%	36.5%	38.1%	35.4%	39.4%	44.3%	43.8%	53.5%	41.1%	42.2%
Paid - rank	10/10	8/10	7/10	9/10	6/10	2/10	3/10	1/10	5/10	4/10

\* Financial data as of 31 December 2019

Source: European Commission, available at: <https://cohesiondata.ec.europa.eu/countries/>, graph: Total cumulative EU payments by fund, author's processing

Annex 2 Criteria for comparison of EU funds implementation systems

No.	Criteria	Country																		
		HR	PL	SK	LV	LT	EE	MT	CY	SI	HU									
1	Latest EU enlargement waves countries (year of enlargement)	2013					2004*													
2	Countries similar in size to Croatia (000 km2)	57	312	49*	65*	65*	45*	0.3	9.2	20	93*									
3	Countries similar in size to Croatia (population in millions, 2015)	4.2	38.5	5.5*	1.9*	2.9*	1.3*	0.4	1.2	2.0*	9.8*									
4	Number of NUTS regions (NUTS1/NUTS2/NUTS3)	1/2/21	7/17/73	1/4/8*	1/1/6*	1/1/10*	1/1/5*	1/1/2*	1/1/1*	1/2/12*	3/7/20									
5	Countries with similar Cohesion Policy allocation as Croatia (2014-2020 period, bn EUR)	8.6	77.6	14.0*	4.5*	6.8*	3.6*	0.7	0.7	3.1	21.9									
6	Countries with similar Cohesion Policy allocation as Croatia (2014-2020, per capita, 000 EUR)	2.5	2.3*	2.8*	2.8*	2.8*	3.4*	1.9*	1.0	1.9*	2.5*									
7	Cohesion Fund recipient countries [1]	YES					YES*													
8	Countries with similar level of development as Croatia (GDO p/c, 2008/2018) [2]	64 / 53	56 / 71*	73 / 74*	60 / 69*	64 / 81*	70 / 82*	80 / 99*	107 / 90*	91 / 88*	64 / 71*									
9	Criteria fulfilled / Total number of criteria		4/8	8/8	8/8	8/8	8/8	5/8	4/8	6/8	5/8									

\* Number of criteria fulfilled (indicators of comparable value with Croatian indicators)

Note [1]: For the 2014-2020 period, the Cohesion Fund recipient countries are Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia, source: [http://ec.europa.eu/regional\\_policy/en/funding/cohesion-fund/](http://ec.europa.eu/regional_policy/en/funding/cohesion-fund/)

Note [2]: For GDP p/c, source: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1> (Accessed on: 24 May 2020)

Source: Eurostat, European Commission (2016), author's processing

