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**Cross-border cooperation programme  
as an impetus for establishment of new modes of governance in Croatia**

*- Abstract -*

This paper explores new modes of governance in the new EU member and candidate countries, generated as a response to the requirements in managing European cross border cooperation programmes. Building capacity in planning practice and transfer of know-how on decision-making level is the main area of this research. The link between theory (literature on institutional and governance theories and collaborative approaches within planning theory) and practice (documents related to the EU INTERREG Initiative Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 (NP)) is in focus. The goal of initiative is to increase economic and social cohesion through cross-border, trans-national and interregional co-operation, and to enable balanced development of the entire Community area. As an external EU border candidate state, Croatia participates in this trilateral Programme, together with Hungary and Slovenia. The NP is implemented as a grant scheme in Croatia for the first time requiring many institutional changes for its implementation. On all levels of government, the NP contributed to the establishment of stronger relations among institutions, horizontally and vertically, and a transfer of know-how in preparation and implementation from experienced partners, Slovenia and Hungary. The introduction of such a complex programme created problems due to weak administrative capacity, different sources of financing and socio-economic discrepancies. Socio-cultural differences in Croatia were insufficiently considered while setting up the coordination system. This became visible through the extent and quality of submitted proposals and their success in the selection procedure. The following can be concluded: In terms of socio-developmental impacts, the joint-project proposal preparation process of the cross border partners created intensive inter-institutional cooperation and inter-institutional communication. However, only successful project proposals result in inter-institutional collaboration through joint implementation of projects, which is considered fundamental to the creation of a network society and building of social capital.

## **Introduction**

*In the period of the last fifteen years, a strong emphasis on the support of cross-border and interregional cooperation between regions of the European Union (EU) and between regions of the EU and neighbouring countries, has been put by the EU. Border regions, usually isolated from major economic centres in their respective countries are often facing developmental problems that furthermore can lead to overall economic, social as well as environmental imbalances. Free movement of people, goods, services and capital within the EU, calls for integration and balanced development of the entire European territory. As a response to this emerging need, there are numerous cross-border cooperation programmes, as well as financing instruments introduced. This paper explores new modes of governance, as well as its positive and negative aspects, especially in the new EU member and candidate countries, generated as a response to the requirements in managing European cross border cooperation programmes.*

As stated in the *Preamble* of the Neighbourhood Programme (NP) of Slovenia-Hungary-Croatia, the program is the result of several month lasting discussions and consultations held by representatives of national ministries and regional institutions of the three countries in order to participate in the EU Interreg III A Community Initiative. The process was undertaken in a partnership approach of all relevant partners under the coordination of the Slovenian National Agency of Regional Development, which was the proposed Managing Authority for the program. In the programming exercises big stakeholder groups were involved from the Slovenian and Hungarian side. On the Croatian side, the former Ministry of European Integration was directly involved in the process, and assured also coordination and involvement of other relevant Croatian stakeholders on national and regional levels.

The objective of this NP is not only to initiate development of a joint economic and human resources space in the trilateral border region and to help to overcome regional development disadvantages caused by the separation through national borders, but also to take care of the environment. The NP provides a basis for the development and implementation of joint development projects in the two defined priority areas: “1. Economic and Social Cohesion and Human Resources Development” and “2. Sustainable Development”.

In this paper the first experiences of implementing this very complex Neighbourhood Programme, from the Croatian perspective, will be presented. A specific elaboration structure was used, whereby firstly the practical experiences are presented and briefly explained. Thereafter, a reflective approach with regard to assessing the gained experiences in building new institutional structures and their functioning is used. The main implementation instrument of this programme is a grant scheme and accordingly launched calls for project proposals from non-profit applicants in the eligible cross-border area. But it has to be mentioned that in this reflection upon the new institutional processes, for the time being no concrete results on the implementation of successful project are available yet. Therefore, concrete immediate impacts in terms of reaching the set goals and objectives of the entire NP will be available in the following two to three years.

## 1. EU Initiative – INTERREG

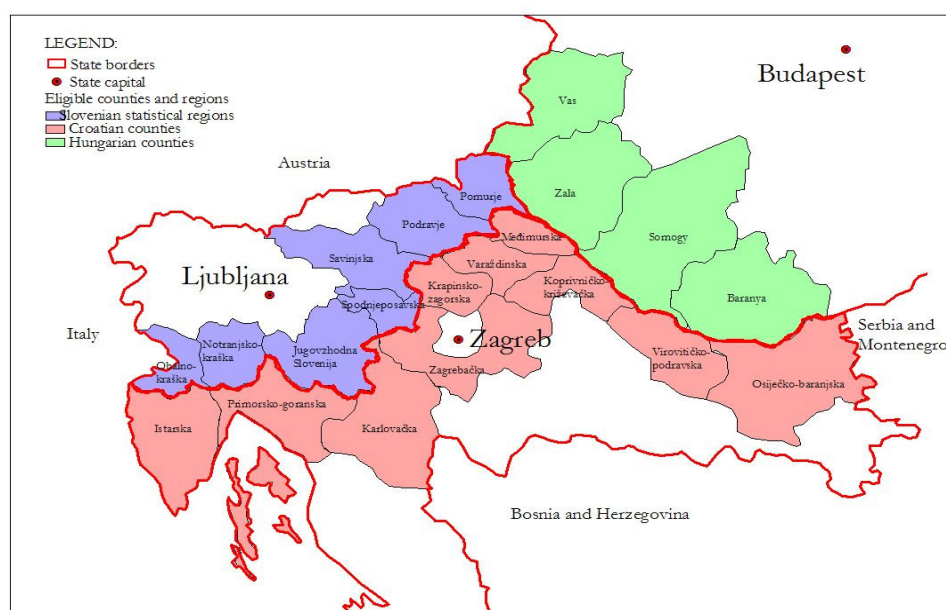
INTERREG is the most extensive initiative of the EU Community, financed from the European Regional Development Fund whereas both, the EU member states and non-EU member states contribute also from their own resources.<sup>1</sup> Its goal is to increase the economic and social cohesion by promoting cross-border, trans-national and interregional co-operation, which would enable a more balanced development of the entire Community area. A brief look at the map of EU regions and their GDP level reveals that border regions, particularly the ones bordering non EU member countries, are in most cases lagging behind in development from the national, but also from EU perspective. This was a strong case, why the European Commission (EC) decided to reserve additional financial resources to tackle this problem. These regions are facing various specific problems deriving from their peripheral nature, from demographic to transport and environmental ones, and are recognised and addressed by the EC. The EC also recognised that solutions of problems on external borders of EU should be made in cooperation with non-EU member states, and has thus opened the access to funds provided by the INTERREG Initiative. Consequently, Croatia as candidate country since 2004, and bordering the EU, received an opportunity to participate in this Initiative.

The INTERREG Initiative has three major strands: *cross-border*, involving only regions sharing a border; *transnational*, involving much wider areas (in some cases whole states); and *interregional*, dealing also with wider areas, but targeting different objectives. This paper is focused on the experience based on the participation of Croatia in one of the 17 Neighbourhood Programmes that are designed especially for the EU external border area. Neighbourhood Programmes (NP) refer to individual programmes designed for a specific group of border regions and are related to the cross-border strand of the Initiative. In this particular case, border regions include regions from Croatia and from neighbouring EU member states, namely Slovenia and Hungary, which are shown in Map 1 below.

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<sup>1</sup> INTERREG is one of the four European Community Initiatives for the period 2000-2006, which include URBAN dealing with specific problems of urban areas, LEADER that focuses on rural development and EQUAL, which refers to transnational cooperation in fighting all sorts of discrimination and inequality related to the labour market.

Map 1: Eligible area for the implementation of the Neighbourhood Programme Slovenia – Hungary - Croatia 2004-2006



Source: Guidelines for Preparation and Submission of Project Proposals under the Neighbourhood Programme Slovenia – Hungary – Croatia 2004 – 2006, 2004

The NP Slovenia – Hungary – Croatia 2004 – 2006 has been carried out in Croatia for the first time, and brought many institutional changes and modifications necessary for successful implementation of the programme.

## 2. Implementation of the Neighbourhood Programme SLO-HU-CRO

### 2.1 The Institutional Structure for the NP

When analysing the requirements for establishing the necessary institutional structures for the implementation of the NP, complexity of inter-institutional relations is unavoidable. In order to successfully carry out such a complex programme, as a first step, all three countries involved had to set up Programme Implementation Structures (see Picture 1) consisting of a joint Managing Authority, competent Contracting and Paying Authorities, National Authorities and Intermediate Bodies (see Picture 1). Beside the Programme Implementation Bodies in each country, there are also Joint Programme Bodies: Joint Monitoring Committee (responsible for supervising and monitoring the programme implementation), Joint Selection Committee (responsible for joint selection and approval of projects and monitoring of their implementation) and a Joint Technical Secretariat (with the main responsibility to support the Managing and Paying Authorities as well as the Intermediate Bodies in course of the programme implementation).

Picture 1: Programme Implementation Structures

ERDF	CARDS→PHARE
<b>Managing Authority</b> NARD Slovenia (both calls), Government Office for Local Self-Government and Regional Policy (as from 1st January 2006)	
<b>Paying Authority</b> Ministry of Finance, Slovenia	<b>Contracting Authority</b> In the first Call, ECD; in the future Ministry of Finance (CFCU) with ex-ante control of the ECD
<b>National Authority</b> National Office for Regional Development (NORD), Hungary	<b>Programme Co-ordination Unit</b> Ministry of Foreign Affairs and European Integration
<b>Intermediate Body &amp; Sub-paying Authority</b> VATI, Hungary	

Source: Neighbourhood Programme Slovenia – Hungary – Croatia 2004 – 2006 (adjusted)

The trilateral Task Force developing the NP on the Slovenian side was constituted from representatives of the NARD Slovenia, Ljubljana central office, responsible for monitoring and evaluation, financial control, management and implementation of the entire programme, from the Ministry of Finance, National Fund, as a future Paying Authority, the Ministry of Finance Budget Supervisory Service as a 2<sup>nd</sup> level financial control institution, the Ministry of Foreign Affairs, the NARD-SLO Regional Offices in Štanjel and Maribor, and two representatives from regional level: Regional Development Agency Mura and Regional Development Centre Posavje. Elaborating the NP, representatives of different ministries and bordering regional development agencies have been informed and consulted (Neighbourhood Programme Slovenia Hungary – Croatia 2004 – 2006 2004).

The NARD as the Managing Authority is responsible among others for concluding the agreements to begin joint operations, presentation of the NP to the Commission and forward report, for setting up a system to gather reliable financial and statistical information on the implementation, for ensuring the monitoring of commitments and payments at the programme and the project's level, for organisation of final evaluation, for elaboration and submission of the annual report to the Commission following the approval of the INTERREG Monitoring Committee, for organisation of final evaluation, for the preparation and implementation of strategic decision of the MC etc. which clearly shows the concentration of decision-making power on Slovenian side.

The Ministry of Finance, as a Paying Authority in Slovenia bears the responsibility of installing and managing of a single bank account for this programme, preparation of application for payment, receiving payments from the Commission, transfer of the ERDF funds to the separate bank account of the Sub-Paying Authority, for ensuring the reimbursement of the ERDF funds to the National Budget from which the Final Beneficiary in Slovenia is pre-financed, for allocation of any interest earned on

the ERDF funds, for receiving and repayment of the ERDF funds to the Commission in case of irregularities etc.

Intermediate Body in Hungary concludes agreements to begin joint operations, co-operates in elaboration of the annual report for the European Commission, promotes actions of information and publicity, including notices on the submission of projects, verifies the eligibility of the projects with Community rules and policies and the consistency of the expenditure, prepares proposal for the programme amendments etc. In Hungary, VÁTI as Public Non-profit Company acts as a Sub-paying authority in the course of programme-level payments and bears the responsibility of installing and managing a separate sub-bank account for this programme, for receiving payments from the Paying Authority, allocation of any interest earned on the payment on account to the programme, submission of sub-statements of expenditure, sub-applications for payment, sub-certificates to the Managing Authority, for execution of payments to the Final Beneficiary etc.

In Croatia, an Intermediate Body performs the tasks of co-operation in elaboration of the annual report for the European Commission, co-operation in the programme evaluation that is performed by an independent assessor, promotion actions of information and publicity, including notices on the project submission, preparation of proposal for the programme amendments and reprogramming financial plans in co-operation with the Managing Authority etc. The Contracting Authority in Croatia with its main function of contracting the successful grantees as well as the monitoring and evaluation of the implementation at the project's level was embodied in the ECD during the first Call while in a decentralised system in the second Call this responsibility has been transferred to the Central Finance and Contracting Unit of the Ministry of Finance, Croatia. The Paying Authority for CARDS/PHARE announces calls for proposals for CARDS/PHARE funds, decides on the allocation of funds for specific projects, disburse CARDS/PHARE funds to Final Beneficiaries etc. The Programme Co-ordination unit is responsible for successful implementation of the programme and acts as the contact/info point for those participating in it.

Previously described bodies within the Implementation structure set up to implement the Neighbourhood programme Slovenia – Hungary – Croatia 2004 – 2006 have the main task of preparation the programming documents. Further tasks are to launch and close calls for submission of project proposals, administer the procedures, select the final recipients of grants, contract successful grantees. Finally they have to monitor and evaluate the implementation of the projects granted and the Programme as a whole.

Different sources of financing for the grant schemes are the main reason for differing administrative procedures that have to be matched in the final project selection process. Slovenia and Hungary as regular EU member states receive funding from the European Regional Development Fund (ERDF), while Croatia as an EU Candidate state has only right to receive funding from the pre-accession funds - in the pre-candidate phase from the CARDS program and PHARE till the end of 2006.

The European Fund for Regional Development (through which the Member States Slovenia and Hungary finance the implementation of the NP Slovenia – Hungary – Croatia 2004- 2006) is used to diminish the gap between the levels of development of the various regions and between different social groups. The measures eligible for financing from regional funds are infrastructure projects which are crucial for the development of a region, especially those targeted at the establishment or development of trans-European networks or environmental protection, investments in education and medical care and local development initiatives targeted at the development of or support to existing small and medium sized enterprises ([www.mei.hr](http://www.mei.hr)).

The implementation of the Neighbourhood programme in Croatia is financed through two financing instruments – CARDS and PHARE. CARDS (Community Assistance for Reconstruction, Development and Stabilisation) is the main EU programme of technical and financial assistance in Croatia adopted in December 2000. Its basic goal is to support active participation of south-eastern European countries in the stabilisation and association process. It covers the period from 2000 to 2006 and the total value amounts to 4.65 billion Euro for all CARDS countries. There are two envelopes of the CARDS programme: a national and a regional one. In Croatia the national component is programmed and implemented by the EC Delegation in co-operation with the national bodies. Another instrument through which the implementation of NP is financed is the PHARE programme as one of the three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union ([www.mei.hr](http://www.mei.hr)).

## 2.2 The Project Selection Process

The transformation of a project proposal from "a bunch of stapled papers" into real development actions is a long process, whereas a few decision levels are involved and a numerous decision-makers represented through different bodies. An explanation for this process is needed to demonstrate advantages and disadvantages of newly set up governance structures for implementation of the Neighbourhood Programme in Croatia, as well as to show positive and negative aspects of such a process and lessons learned.

Prior to launching a Call for Submission of Project Proposals many activities have to be undertaken, which usually include: preparation of the Programming documentation, which is an iterative process that consists of a lot of communication, negotiation, consensus building and reaching common understanding among the parties involved. Once the Neighbourhood Programme and its Programme Complement are determined (giving the most relevant facts such as eligible regions, priorities, measures, eligible activities, programme bodies etc.), they serve as the major documents for the preparation of the Call for proposals. The Call defines the eligible applicants and types of projects that can be financed through such a programme.

Since the aim of the Neighbourhood programme is to balance the development on all sides of the borders and to improve the cooperation of neighbouring countries, the one applying for funds needs to

have at least one cross-border partner. However, cooperation has to take place on at least two sides of borders, or if more countries are involved, on the respective number of borders.

The evaluation of projects in *phase A. Administrative compliance* and *phase B. Eligibility* is carried out by the Intermediate bodies, in this concrete case from Slovenia, Hungary and Croatia. The third phase refers to phase C. *Assessment of the quality of the project* and joint selection criteria, which are the following:

1. Cross-border cooperation,
2. Cross-border impact, and
3. Impact on horizontal EU policies

The assessments are carried out by groups of assessors, in the case of Croatia external experts financed through EC technical assistance, nominated and contracted by each country and respective Intermediate body.

After, the quality and joint selection criteria are assessed, the next step in the selection procedure is a meeting of a trilateral working group composed of all sub-groups of assessors, and their main task is to propose a joint list of recommended projects. The decision of *the Trilateral Working Group* is not the final one, if there is still a centralised system for the utilisation of EU funds, i.e. the Delegation of the European Commission (ECD) in the respective country is the main responsible instance for contracting and final decision making. In such cases, the ECD still reserves the right to give comments on the list of recommended projects. The first Call for proposals was implemented in Croatia within a centralised system. In the current, second Call for proposals the system is decentralised, and the Croatian Ministry of Finance takes over the contracting and financing activities for the successful projects. However, the ECD will supervise (monitor) all relevant steps in the process.

On its tour of "*being a selected project for financing*", a project from the list of recommended projects is presented at *the Joint Selection Committee* that takes the final decision on the joint ranking list. Though, the Joint Selection Committee composed of members from each country takes formally the final decision, Croatia was an exception. Due to the aforementioned decentralised system in the first Call, the ECD reserved the right to grant those applicants the requested funds that have successfully passed through the negotiating procedure and fulfilled all the necessary conditions prior to signing the contract with the ECD (first Call for project proposals).

On all levels, the Neighbourhood Programme contributed to the establishment of stronger relations (among the institutions horizontally and vertically) and a faster transfer of know-how in preparation and implementation of the new NP (from more experienced partners from Slovenia and Hungary). However, introducing such a complex programme into existing weak institutional structures in Croatia, brought also problems mainly generated as a result of weak administrative capacity, different sources of financing, socio-economic discrepancies and language barriers.



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### **3. First NP experiences in Croatia**

#### **3.1 The clash of new, old and transitory institutions**

The initial counterpart on the Croatian side on national level was the Ministry for European Integration (MEI). In 2005, after a political decision, this ministry was merged with the Ministry of Foreign Affairs (MFA). Regardless of these changes, the transitory status of the Ministry of European Integration was already a known fact. However, initially it was expected that not many changes will take place, that is, the existing departments will merge into a bigger institutional structure.

Even within the newly merged Ministry of Foreign Affairs and European Integration (MFAEI), the fact of weak administrative capacity remains. The department responsible for the program is being transferred mid 2006 to a completely different ministry, namely the Ministry of Sea, Transport, Tourism and Development, while after decentralising the EU financing system for Croatia, the Ministry of Finance will be the most important national institution in implementing the NP. In addition to the lack of necessary institutional stability, which can be seen, also the lack of professionalism directly influenced the initiation and implementation of the programme due to insufficient human resources dedicated to the NP. The main task of the technical assistance was to build capacity within the partner institution and to enable its staff to implement such grant schemes in the future. However, based on the first experiences, it seems that only the frequent use of external experts (consultants) through technical assistance projects will become a stable fact.

In the Management structures of NP, there is an Intermediate body, whose role and responsibilities were not clearly defined in the NP from the beginning, thus creating difficulties in the decision-making process of the MFAEI, even in regular daily tasks. An unclear role of an Intermediate body, coupled with an unclear relationship between MFAEI and ECD caused difficulties in developing new administrative procedures between these two institutions and have increased the need for search of new modes of governance.

Besides insufficiently transparent mechanisms of information dissemination (e.g. from the counties to the local levels, where sometimes Invitation to the Workshops were sent out on selective basis) and the information accessibility had direct influence on the quality and later selection of proposals in certain counties. Therefore, these mechanisms have to be improved in order to avoid discriminatory manner of selection and that equal opportunities for potential applicants are ensured. It can be concluded that improvement of transparency in general and better functioning of the public

administration on all levels of government requires establishment of a monitoring and evaluation system as the next step.

The impact of two different financing sources, the Structural Funds and CARDS/PHARE, each with its administrative procedures and requirements impacted also the implementation of the programme, by significantly slowing down the implementation process. Adjustments were required in budgetary planning procedures due to newly created direct link between domestic financing and grant schemes financing. New funding schemes, such as cross-border cooperation programmes, target relatively smaller local projects and involve a larger number of beneficiaries. In an organisational and administrative sense, more staff is needed, due to complex procedures and necessary administrative adaptations. This fact has been neglected and consequently caused unnecessary slow downs of the procedure at times when staff was needed the most. It has to be taken into account, that there is insufficient existing administrative and organisational capacity devoted to new funding schemes.

### 3.2 The Croatian context of the NP implementation

Observing Croatia from geographical, demographic, socio-cultural, level of development and many other points of view, it can be argued that the country is very heterogeneous. Most of all, socio-cultural discrepancies within Croatia were not sufficiently taken into consideration while setting up the new institutional coordination system. This fact became visible through the extent and quality of the submitted proposals, as well as their success in the selection procedure.

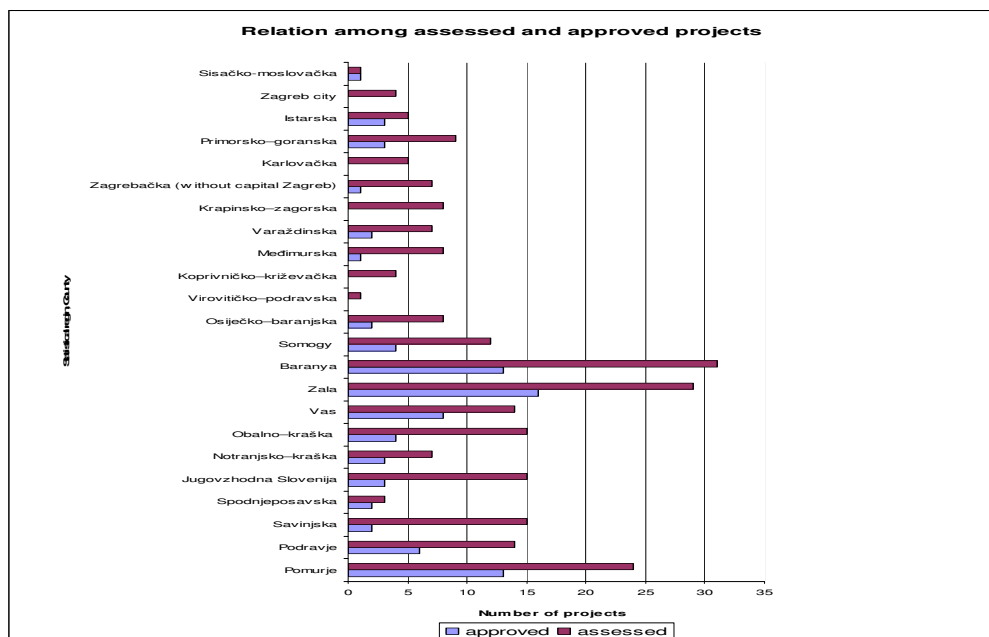
For example, in one of the most advance counties in Croatia, the county of Istria, the INTERREG coordinator played the most important role in coordination of project proposals on county level. Namely, there was a number of project proposals, which was after a lot of communication with the applicants and networking activities reduced to a smaller number. This coordination contributed to an increase in the overall quality of the proposals, ensuring coherence and harmonisation with the programme documents on higher governance levels. A good response from the applicants to these newly introduced EU application procedures is also in close relation to the fact that significant experience with grant application exist in Croatia. Since the 1990ties, there are international donor organizations that have contributed to the development of the civil society sector and contributed to capacity building in project management. Through the development of the civil society sector specific know-how concerning preparation of project proposals and project management techniques has been developed and used. Also, previously made cross-border contacts of a number of counties has contributed to a higher number of submitted project proposals in the first Call.

In north-western counties along the Slovenian border, many applicants showed great interest and submitted a significant number of project proposals. However, those applicants were not so successful, as presented in Table 1 (Krapina-zagorje, Varaždin and Međimurje County). The majority of the applicants showed lack of capacity to formulate sound and comprehensive project proposals. Beside this fact, many applications had overlapping project objectives and activities which demonstrate insufficient search for partners from the same region and possibility to cooperate within

one project instead of many different ones. In the eastern part of Croatia along the Hungarian and partly Serbian border, applicants from these counties showed lower interest and very low capacity in preparing sound and coherent project proposals. This region of Croatia was strongly affected by the war and the consequences are still tangible. There is a great lack of skilled workforce, low interest to participate in cross-border cooperation programmes with the Hungarian side. Also the language barriers appear as an insurmountable obstacle and deprivation is present in general.

The development of a cross-border region through joint projects heavily depends on the existence of the language barriers that have to be overcome and to enable smooth and unambiguous communication. Maintaining national identity in the context of EU, among others, is reflected through the use of native languages. Nevertheless, in this particular case, official languages for proposals were different: for Croatian proposals – English, and for Hungarian and Slovenian proposals – the native languages. As Slovenia and Croatia used to be part of the former Yugoslavia, today there are only minor language differences, which could be easily overcome in the project proposal preparation process. It appeared as one of the barriers that slowed down the procedure and needs to be carefully reconsidered in the future Neighbourhood Programmes. Such areas need special attention and carefully designed approaches to attract potential applicants. Assistance should also be provided to support their involvement in cross-border cooperation and other types of projects in the future.

Table 1: Relation among assessed and approved projects



Source: Author

#### 4. Positive aspects of the NP in Slovenia – Hungary – Croatia

Even though the grant schemes have been relatively late introduced in Croatia, the capacity for preparation of project proposals exists on local level and can be used for EU grant schemes. Grant schemes, as a way of financing is understandably appealing. This is mainly because such types of

financing can cover a relatively wide range of objectives. The Neighbourhood Programme covers numerous objectives that fall within the following priorities and measures:

Priority 1 - Economic - Social Cohesion and Human Resources Development with the measures:

1. Joint Economic Space,
2. Joint Human Resources Development, and
3. Joint Tourism and Culture Space.

Priority 2 – Sustainable Development encompasses following measures:

1. Sustainable Use of Natural Resources and Environment Protection,
2. Nature Protection, and
3. Accessibility

Within such variety of measures and type of projects (*joint* ones with the strongest cross-border cooperation component, the *mirror* one with somewhat less and the *cooperative* ones with the lowest degree of cross-border cooperation), a lot of different projects can be elaborated. Since, the eligible applicants are those from non-profit sector, the Neighbourhood Programme with its objectives seems suitable for the units of local self-government at different levels in eligible regions. Through such a programme, the local units have to carry out their everyday tasks and have access to additional support to accomplish their goals using alternative ways of financing. These new modes of financing that are introduced through the NP, present a direct link between domestic financing and foreign financing procedures for grant schemes. Such additional funds are especially important, when local units prepare their budgets for the coming fiscal year and reserve the necessary funds to finance the projects, for which they applied.

Successful project proposals were those that showed above average quality. Some of them based their partnerships (one of the conditions to apply) on existing cross-border contacts. Namely, very good co-operation among national, regional and local actors in Slovenia and Hungary was developed already in pre-accession period. Slovenia and Hungary, having both Phare CBC instrument and joint programme, managed to develop and implement joint projects successfully. This has been a very good basis for co-operation within the Interreg Programme. Under the Small Project Fund Slovenia/Croatia, in the recent past a lot of projects applied showing that there has been a great interest for co-operation among municipalities and tourist organisations and this has been supported from the Interreg funds through this NP, while the cooperation with the Hungarian side on bilateral level with Croatia exists for a long time. These contacts have been used, deepened and further strengthened during the project preparation and later on it is expected in particular in project implementation. It is also of significant advantage to have experienced partners in implementing such schemes, as the Slovenian partner in the project. Slovenian previous experiences in the NP Austria-Italy-Slovenia contributed positively to the preparation and implementation of the new NP. The experienced Slovenian partners enabled faster transfer of know-how, which resulted in the selection of the projects.

## **5. A Theoretical Reflection on Practical Cross-border Planning Experiences**

### ***Multi-level governance in the frame of the NP***

Building capacity in planning practice and the transfer of know-how on decision-making level (Ministries, Units of regional and local (self)government are some of the research areas that can be recognized in this paper. This case research represents the link, which can be established between practice and theory. Applicable theoretical insights derive from the literature on collaborative approaches within planning theory, institutional economics, institutionalism and governance within political economics and public administration.

The Neighbourhood Programme as an EU – Programme has certain previously mentioned objectives, brings money, and along with that decision making power. Through such programmes, Croatia has been tested whether its institutions are able to handle EU programmes and to what extent capacity building (“key actions proposed to achieve the core principles of governance in the public sector”, Ahrens 2002) is necessary. At the Croatian national level a great transfer of know-how from the experienced neighbours about managing EU programmes occurred. Optimal adjustment of existing national procedures through CBC experience is an on-going process so far and the transitive nature of MFAEI does not allow fast recognition of the best solution. The transfer of know-how has also happened at the local level, where the applicants have learned from their neighbours through preparation of joint project proposals. Governance capacity of Croatia has increased since from the first trilateral Call for proposal. The second Call for proposals was launched at the end of 2005. Thereafter, the cooperation will be changed into bilateral cross-border cooperation programmes with all the neighbouring countries.

Governance as the “capacity to establish and sustain workable relations between individuals and institutional actors in order to promote collective goals” (Chazan 1992) or as the “capacity of a country’s institutional matrix (in which individual actors, firms, social groups, civic organizations and policy makers interact with each other) to implement and enforce public policies and to improve private-sector coordination” (Ahrens 2002) in case of Croatia best describes the generation of multiple relations, networking and interacting amongst the parties involved in the implementation of the Neighbourhood Programme Slovenia-Hungary-Croatia 2004 – 2006. An institutionalist analysis emphasises the complex interactions between the activities of formal government bodies, economic activity and social life, interlinked through social networks and cultural assumptions and practices, which cut across formal organizations (Healey, 1997), and will be included in the further research on the given topic.

For a particular country, the governance structure, representing the underlying institutional matrix (comprising formal and informal political, economic, and social institutions) is critical, because different types of governance frameworks can have different development outcomes (Ahrens 2002). Assuming that the NP has been timely and successfully implemented, we can argue that this governance

structure is effective, since “it ensures that policies and projects conducted by governments are properly implemented and enforced...” (Ahrens 2002). This is in close relation to policy-driven approach to governance activity, which requires that policy objectives and strategies are articulated, and linked to programmes of action, judged by output and outcome criteria linked to the objectives. A policy-driven approach helps to render the exercise of governance power in a society legitimate. Planning understood in the general sense of the policy analysis tradition, is a style of governance within a policy-driven approach. It could be equated with that approach, but it is helpful to add two further qualities, the taking of a long-term and strategic look at the direction of governance activity, and the attempt to interrelate different spheres of that activity, that is, different policy fields. Clearly, also, the introduction of planning processes into governance has the capacity to challenge the forms of governance, the distribution of power within government agencies, and the power relations of governance activity. Such processes will flourish better in some governance cultures than others (Healey 1997).

In modern societies, governance has traditionally been equated with what governments do, with the machinery of the “state”. The growth of the modern state is one of the most characteristic features of modernity. Government as a separate sphere of social organisation is recognised in the distinctions often made between “the state” and “society”, or the “public sector” and the “private sector”. Neo-liberal political philosophers and neoclassical economists commonly make this latter distinction, arguing that the state, as the public sector, should deal in those matters, and only those matters, which the “private” economy has difficulty in addressing (Low, 1991). In everyday life in western societies, our metaphors and arguments commonly present government as an autonomous structuring power, over which we have limited influence, but which yet shapes our worlds (Ahrens 2002).

## ***Conclusions***

### ***Impacts at the technical level***

The main task of the Programme is to connect people and present them the advantages in joint implementation of projects. Unfortunately, lot of applicants were small municipalities that were not connected with their neighbours or other actors for various reasons:

- lack of time when preparing the application (the applicants started to prepare the proposal too late);
- great individualism
- lack of previous experience in similar programmes.

This resulted in low quality of prepared joint project, inadequate partners or insufficient number of them, dubious operational and financial capacity to implement the projects etc.

## ***Socio-economic impacts of new modes of governance***

NP contributes to the establishment of important socio-economic preconditions through:

- joint-project proposal preparation that requires inter-institutional **communication** (partner search) and initiation of inter-institutional **cooperation** (project proposal preparation);
- successful project proposals result in inter-institutional **collaboration** through the joint implementation of the project which is fundamental to the creation and development of a network society and building of social capital across the European space.

Comparing stated impacts to current practice in planning and running projects, where communication and collaboration is much more restricted, including only ministry in charge of related policy field, or in majority of cases, including only the municipality itself participation in NP led to described new forms of policy implementation with much more time and resources devoted to joint preparations and later implementation of project proposals.

### ***Next steps and considerations***

Further cross-border, as well as trans-national and interregional cooperation, in order to be more effective will require:

- establishment of a monitoring and evaluation system that is necessary for the improvement of transparency and better functioning of the public administration on all levels of government;
- dissemination of gained knowledge on national level which means that the other national institutions need to be more involved in implementing EU grant schemes;
- closer collaboration of actors on national, regional and local level in order to better harmonize views on specific objectives that Croatia wants to pursue within the NP framework;
- capacity building support for less experienced regional and local actors in order to achieve more equal distribution of quality project proposals.

### References:

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Map 1: Eligible area for the implementation of the Neighbourhood Programme Slovenia – Hungary - Croatia 2004-2006

Picture 1: Programme Implementation Structures

Table 1: Relation among assessed and approved projects