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The Role of EU Pre-accession Assistance in the Establishment of National Coordination Structures for EU Funding: The Case of Croatia

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Abstract

Coordination at the national level is an essential part of the EU policy process. This article analyses the effects of EU pre-accession programmes on the development of national-level structures for the coordination of EU funds in Croatia. The article is based on an in-depth case study of the Croatian coordination structures for EU funding, using a three-step analytical framework of adaptation. The empirical research focuses on the role and influence of the Croatian Central State Office for Development Strategy and Coordination of EU Funds (CODEF). The main finding was that pre-accession assistance played a decisive role in the establishment and early support of national coordination structures. However, holistic reform in the state sector was not achieved and the new institutions were often challenged by domestic opposition structures. The research provides useful insights for the literature on Europeanization in accession countries, and for EU pre-accession policy.

Keywords

Coordination; Administrative capacity; CARDS; IPA; Croatia; Pre-accession aid; Europeanization

Over the past decade, the study of European governance has increasingly recognised the importance of institutional coordination. Partly, this reflects the need to gain a better understanding of “what governance implies for managing the relations within and between different national and European actors” (Schout and Jordan 2005: 202) and the coherence of policymaking and delivery (Christiansen 2001) as well as assessing whether and how the EU is achieving its goal of greater policy effectiveness through improved institutional coordination. The coordination of EU policymaking at the national level has been a particular focus of concern in studies of the most recent EU enlargements, with the conditionalities of accession requiring extensive reform of political and administrative structures, including institutional and policy coherence (Kassim *et al* 2000; Kassim 2003; Sedelmeier 2006). Coordination capability is regarded as one of four key essential requirements for effective administrative capacity (Hertie School of Governance 2013). The accession countries of Central and Eastern Europe have faced the challenge of establishing the necessary coordination structures prior to their accession, which in many cases involved a paradigm shift from a hierarchical, legalistic and centralised yet ineffective planning to more inclusive, accountable and network modes of coordination – albeit with very different outcomes in terms of the structures, functioning and effectiveness of national coordination systems (Dimitrova and Toshkov 2007; Gärtner *et al.* 2011). Similar challenges apply to candidate countries in South-East Europe (SEE). EU pre-accession assistance programmes including the current Instrument for Pre-accession Assistance (IPA) have sought to aid national administrations in establishing structures for national coordination of EU policies.

In this context, the following article explores the national coordination of EU policies in Croatia. Specifically, it investigates how EU pre-accession financial aid influenced the development of national structures for the coordination of EU funds. This was particularly challenging for Croatia given that the aid was expected to support the structural changes needed for the future implementation of EU Cohesion policy, which cuts across a wide range of policy areas (infrastructure, business development, employment and training, R&D, environment etc) and requires both horizontal coordination across different government ministries and agencies as well as vertical coordination between national and sub-national actors. This type of policy was new for

Croatia, and the preparation for EU accession also involved a domestic process for establishing a regional policy (Đulabić and Manojlović 2011). The research found that, while pre-accession had partial success in establishing the required coordination structures, the regulatory conditionalities and EU support were insufficient to overcome the deficiencies in administrative capacity, the effects of political and institutional stability, and the inability or unwillingness of the national coordination structures to manage effective coordination among national and sub-national actors.

This paper is based on research on the effects of EU pre-accession financial aid to Croatia (from 2008 to 2012) on the development of national-level structures for the coordination of EU funds (Antonopoulos 2013). The article begins by outlining a conceptualisation framework for analysing the adaptation of coordination structures at the national level, drawing on the literature, and setting out the methodological approach to the Croatian case. Second, it applies the analytical approach through empirical research focusing in particular on the institutional remit and the challenges faced by the main coordinating organisation for EU funding in Croatia, the Central State Office for Development Strategy and Coordination of EU Funds (CODEF). Third, the paper draws conclusions on the effectiveness of pre-accession aid in supporting national-level coordination and makes policy recommendations for enhancing the EU and domestic level exegesis of adaption in coordination structures.

CONCEPTUALISING THE ADAPTATION OF COORDINATION STRUCTURES

The coordination requirements for EU Cohesion policy typify the forceful dynamics of institutional and administrative change involved in preparing for accession. The establishment and evolution of coordinating institutions reflect both normative and regulatory stipulations emanating from the EU, as well as constituting milestones in the paths of domestic adaptation. Inter-ministerial coordination is a key measure of effective implementation of EU assistance given the multitude of actors involved in the planning, management and implementation process whose priorities and administrative procedures need to be aligned. An inadequate record of coordination is an inhibiting factor for institutional change at least in part (see Pierson 2004); conversely coordination achieved through pre-accession instruments is a facilitating factor for the effective use of Structural and Cohesion (now Investment) Funds after accession.

Normatively charged concepts employed in discussion of pre-accession processes, such as administrative capacity, are only slowly being operationalised in theoretical accounts. Invoking concepts is a key part of the negotiation process and an aspect of the cultural interface between EU and domestic negotiators. Parties give substance to concepts by offering rewards, threatening sanctions or stressing constraints. A significant part of the Enlargement literature provides abstract theorising by stressing the role of misfit of EU and domestic models. Other scholars substantiate assertions with explanations of the prescribed models and the initial conditions *in situ* either in pre-accession contexts or ENP and third countries Europeanization (Chandler 2006; Holden 2009; Schimmelfennig and Sedelmeier 2005; Zielonka 2007). Financial assistance has often not been a field of investigation *per se*, but treated as a concomitant part of Enlargement policy (Dimitrova 2002; Grabbe 2006; Niemann 2006; Vachudova 2005) with the exception of some accounts from outside the Europeanization literature (e.g. Bailey and De Propriis 2004; Tulmets 2005) and other occasional contributions on institution-building issues (Bechev and Andreev 2005).

Conceptualisations of Europeanization as the evolution of domestic institutions in response to EU pressures constitute the theoretical basis of inquiry. Europeanization is understood as 'the reorientation or reshaping of politics in the domestic arena in ways that reflect policies, practices or preferences advanced through the EU system of governance' (Bache 2008: 2). Europeanization is further interpreted as: 'Processes of [...] construction, diffusion, and institutionalisation of formal

and informal rules, procedures, policy paradigms, styles, “ways of doing things”, and shared beliefs and norms which are [...] incorporated in the logic of domestic discourse, identities, political structures, and public policies’ (Radaelli 2003: 30). The approach proposed here is a heuristic hybrid between the standard model of Europeanization (Green Cowles et al 2001) and Knill’s three-step model of administrative Europeanization (Knill 2001). In the standard model, EU pressure, mediated by intervening variables, leads to reactions and change at the domestic level including resistance and inertial responses (Radaelli and Pasquier 2008). European politics and institutions are an independent variable and the pressure created by Europeanization is a function of the degree of fit (misfit) or congruence between ‘Europe’ and the domestic level (Caporaso 2008). Thus, pressures to adjust and goodness of fit, mediated by domestic-level factors, produce certain outcomes. The first stage of the model corresponds to European integration, the second stage to fit or misfit, and the third stage to mediation. On the other hand, Knill’s model requires the institutional assessment of the compatibility of national and European policies as a first step for the complete examination of adaptation pressures, but stresses that ‘goodness of fit’ is an insufficient indicator of ‘the institutional scope of the changes’ required by the EU legislation (Knill 2001: 43).

The question for this study is how the multi-level and compound EU political system (Hix 2005) interacts with the simple and unitary Croatian polity (Bache et al 2010). The two models interact in the policy area of pre-accession assistance, the independent variable for the research. The dependent variable are the “structures” that originate as a result of pre-accession aid influence. Structures refer to the purpose-built institutions either for policy-implementation in a sector of the *acquis*, or the management and implementation of pre-accession assistance. The establishment of public agencies and semi-autonomous organisations to carry out public services is considered a change in government structure (Ongaro 2009: 3).

Contractually required institution-building interventions as a result of pre-accession aid (including Technical Assistance and Twinning) reveal the goodness of fit of the EU model (see Grabbe 2006). This is most directly exposed by the success or failure of an accession country in meeting the accreditation criteria for pre-accession assistance structures (EC 718/2007 Art. 11), which is undoubtedly an explicit part of the *acquis* and a case of “hard transfer” (see Grabbe 2006: 60) – arguably contradicting the predominant view of Chapter 22 (Regional policy and coordination of structural instruments) as “thin” (Hughes, Sasse, and Gordon 2005: 73). Fit/misfit is also revealed through such measures as the record in managing, implementing and spending funds. Pre-accession instruments incorporate a range of channels for EU assessment in the form of benchmarking, monitoring, reporting and evaluation (Grabbe 2006: 83). Further, socialization fora established via pre-accession aid (comprising committees¹, events, meetings, regular personal and impersonal communication) provide EU fields to exert influence on local mediating factors.

The sum of the above comprise the adaptation pressures generated through the EU funding instruments. These pressures can be assigned values of weak or strong, although in practice there will be a spectrum of influence. ‘Weak’ pressures can be characterised as a mix of conditionality and communication that are insufficient or only partially effective in influencing opposition structures – such as overcoming inertia, political or administrative resistance, capacity deficits etc. ‘Strong’ adaptation pressures comprise a credible mix of conditionality (rewards such as financial transfers, conferral of delegated EU funding management responsibilities) or sanctions (suspension of funding, limited access to components, programme and project conditionalities) and effective communication which is capable of overcoming domestic opposition. Three end results are: structural change; stagnation; or retreat. This is of course a simplified concept, and the literature offers a fuller range of intermediate configurations of change (Ongaro 2009; Radaelli 2003; Streeck and Thelen 2005). Finally, adaptation pressure feeds back into the domestic model as demands for structural change, and into pre-accession aid as demands for changes to intervention priorities according to the situation on the ground.

Operationalising the above through an analytical framework for the Croatian case, the present study takes a simplified but theoretically grounded three-step approach to investigating the domestic reaction to EU pressures. The analytical steps address in turn:

- (i) the *ex ante* situation – which involves varied levels of (in)compatibility between the management model for national resources and institutional functions required for the management of EU Funds;
- (ii) EU institutional influence – involving new institutions established outside the core executive, and the requirement for new administrative systems, procedures or other ways of working; and
- (iii) domestic reaction – which, depending on the power of influence and control of the new institutions over national policymaking, may lead to compliance or resistance by the national elites.

Institutional compatibility

As discussed above, it is the institutional compatibility between EU policies and national administrative arrangements that defines the domestic impact of EU policies (Knill 2001). Crucially, an examination of how “core” the challenged institutional arrangements are, constitutes a major element of the examination of the degree of adaptation pressure. The empirical discussion of this step builds on research focusing on the structural characteristics of national systems of governance and the role they play in facilitating/obstructing change. The distinction between simple and compound polities is employed in this regard (Schmidt 2006 in Bache *et al.* 2010). The assumption is that unitary states with disorganised systems of representation find it harder to adapt to EU policies. Similar case studies have been carried out in South-East Europe: Greece is a simple polity with disorganised interests (Featherstone and Papadimitriou 2008). Croatia is also characterised as a simple polity with a majoritarian representation, which adds to the rationale for the above assumption (Bache *et al.* 2010). An outline of the required coordinating structures in the IPA regulations is provided together with a discussion of the domestic processes taking place which may be incompatible with the EU model.

EU influence

This step develops the existing literature on multi-level governance and the spread of agencies in the EU. It examines the likelihood that institutions established for the purpose of managing the EU Funds in Croatia follow the Type II multi-level governance logic (Marks and Hooghe 2004), which refers to institutions of specific purpose, with more limited duration, extrinsic, fluctuating and intersecting membership and competing jurisdictions (Frey and Eichenberger 1999). Furthermore, other studies have explained the results of such pressure as a proliferation of “double-hatted” national regulatory agencies serving both national ministerial departments and the Commission (Egeberg and Trondal 2009: 779). Similarly, institutional mechanisms of change have been given many labels, including layering, which is defined as ‘the creation of a new policy or institution without eliminating the old’ (Streeck and Thelen 2005: 170). Other forms are: conversion (formal reform, replacement or elimination of an existing policy or institution); diffusion (Parrado-Diez 2008); displacement (discovering and activating alternative institutional forms that existed before); drift (gradual and sometimes unplanned adaptation of institutions); and exhaustion (the institution gradually loses its purpose and, though formally still in place, it ultimately breaks down).

The literature provides answers on how organisational autonomy can be operationalised. Morten Egeberg and Jarle Trondal (2010) take the frequency of contact between institutions as a potential indicator of agency autonomy, agency influence and inter-institutional coordination: less contact equates to more autonomy, less agency influence and less inter-institutional coordination. Conversely, they expect that greater contact involves less agency autonomy, more agency influence and more inter-institutional coordination (Egeberg and Trondal 2010). Furthermore, when measuring agency autonomy, they take into account the perceived importance of various actors when important decisions are made within their issue area, the extent to which steering signals from other actors are emphasised, and the extent to which agency personnel identify themselves with the central administration as a whole: the more they identify with the executive, the less independent the agency should be. Agency influence is defined as the extent to which agencies succeed in getting their argument across. Lastly, the authors measure inter-institutional coordination through the perceptions of how good the coordination of various actors is considered to be and through 'the perceived degree of mutual trust'.

Domestic reaction

The third issue is the influence and control of the new institutions on national policy. In the EU10, the picture was mixed. On one hand, PHARE/twinning influences were characterised as bringing about "ideational cross-fertilisation processes" and "institutional hybridization" between old legacies and EU influence (Tulmets 2005: 83). On the other hand "islands of excellence" created through the specific focus of administrative-capacity programmes on liaison offices in the national administration, could even have detrimental effects on the capacity of the administration as a whole, by diverting funding from other departments (Goetz 2001: 1043). In fact, few of the EU10 expanded best practice approaches from pre-accession to the public management systems at large (Verheijen 2007). However, recent studies found positive results with respect to the implementation record in the 2004-06 period (for the 2004 accession countries) but with questions about the durability of administrative capacity and implementation performance in 2007-13 (Bachtler *et al*, 2013).

In assessing domestic reaction, attention needs to be paid to the role of domestic political elites, as a mediating factor for institutional revision. As Eriksen (2007: 335-339) argued, 'even in international systems with noticeably asymmetric power relations, seemingly weak domestic actors will have opportunities to obstruct externally imposed solutions'. Hughes *et al*. (2005) found that the actual policy and institutional outcomes in the Central and East European Countries were influenced by resilient domestic institutions that resisted conditionality, instrumentalised it, and preferred endogenous policies and structures over EU models. Similarly, in the SEE countries 'if the government is an anti-reform coalition then effects of aid agency are compromised unless clear conditions are set' (Bartlett 2008: 170).

Apart from obstructionist national elites, domestic cultural factors may partly explain incomplete or ineffective reform. In organisation theory, culture 'provides the shared rules governing cognitive and affective aspects of membership in an organisation, and the means whereby they are shaped and expressed' (Alvesson 2002: 3). Through a process of institutionalisation 'the members of an agency acquire values that go beyond the technical requirements of organisational tasks' (Thoenig 2007: 90). The literature stresses that public institutions develop in a gradual way, and 'when some rules or procedures are sanctified, when some members or units of the public agency become semi-autonomous centres of power, and develop their own vested interests, when administrative symbols, rituals and ideologies exist' thick institutionalisation has taken root' (Thoenig 2007: 90).

INVESTIGATING THE INFLUENCE OF PRE-ACCESSION ON COORDINATION IN CROATIA

The above analytical approach was applied to the case study of Croatia in research undertaken over the 2008-12 period, a critical period for institutional adaptation in the lead up to accession in 2013. Croatia was chosen as a key case study of EU pre-accession politics, potentially showing a different path of conditionality, transition and national adaptation than the experience of the EU10. The country applied for EU membership in 2003, was accepted as a candidate country in 2004, and was in negotiations with the EU until December 2011 when the accession treaty was signed.

The institutional preparations for accession were supported with pre-accession aid through the CARDS, Phare, ISPA, SAPARD and IPA instruments. CARDS was formed as the financial arm of the Stabilisation and Association process in the Western Balkans. CARDS programming in Croatia covered the years 2001-2004 with an annual average budget of €65 million, and its implementation lasted until the end of 2009. CARDS was succeeded by Phare (averaging funding of €75 million p.a. in Croatia) and ISPA, a precursor to the Cohesion Fund (€30 million p.a.) after Croatia's move to pre-accession for the 2005-2006 programming years, and by the agricultural instrument SAPARD for 2006 (€25 million). Lastly, for the programming period 2007-13 an explicit pre-accession instrument, IPA, provided an annual average of €150 million (European Court of Auditors 2011).

The primary source of data for the study comprised 31 in-depth interviews with key stakeholders, administrators and experts undertaken in 2008-2009, nine of which are particularly relevant for this paper. Methodological triangulation was undertaken through process-tracing techniques for locating the key influence on the establishment of particular structures. In addition, the study involved assessment of an extensive body of policy, programme and project documentation relating to pre-accession assistance in Croatia. Lastly, the findings from this case study were cross-compared with other contributions from the Croatian academic literature and included consideration of parallels with lessons learned from the EU10.

Initial institutional conditions in Croatia

The initial political-administrative conditions were not favourable for effective pre-accession assistance coordination in Croatia. In the early to mid-2000s, a weak performance in terms of inter-ministerial coordination was stressed by assessment reports, the European Commission, academics and employees in the EU assistance field (European Commission 2004; 2005). Coordination of European issues was the responsibility of the Ministry of European Integration, initially created from the Government Office for European Integration in 2000, and subsumed into the Ministry of Foreign and European Affairs in 2005. Further, from 2004, every government ministry had a European Coordinator and many had established European coordination departments (European Commission 2004). However, policy coordination suffered from the lack of an overarching body for policy supervision of planning, and decision-making tended to be politicised and fragmented (European Commission 2004). Coordination between ministries was insufficient, and the overall capacity at the centre of government regarding policy coordination was low (SIGMA 2007). This extended beyond central government: Puljiz and Maleković (2007) noted that there was no communication or coordination framework in place which would involve actors from central, regional and local level, despite strong coordination being stressed as important in preparing for EU Cohesion policy. These deficiencies were also recognised by officials. A job satisfaction survey among civil servants working in the EU assistance field confirmed that there was a need for better coordination and communication between institutions and their staff, including better external and internal coordination and clarification of responsibilities (East West Consulting 2006).

Consequently, improving coordination was a stated goal in the State Administration Reform Strategy 2008-2011, among other measures, which were expected to enable the transition to the principles and practice of good governance in line with the best European standards (Central State Office for Administration 2008). The strategy also recognised the need to strengthen coordination of strategic planning to ensure better connection of plans drawn up by state administration bodies with the strategic objectives of the government. The Central Office for Development Strategy and Coordination of EU Funds (CODEF) was designated as the competent authority as part of its remit of managing and coordinating EU funds from the EU and other international donors, and strategy development. Furthermore, the Strategic Development Framework 2006-2013 emphasised the need to address the problems of insufficient coordination capacity, which was hampering the efficiency of measures for regional development and inhibiting the formulation of an overall regional development policy (Government of the Republic of Croatia 2006b).

The formal structures required to be set up for the coordination of pre-accession assistance comprised the National IPA Coordinator (NIPAC) and the Strategic Coordinator (SC). The IPA implementing regulation stipulated that the role of the NIPAC was to be executed by a high-ranking official in the government or state administration (EC 718/2007 Art.22). Its particular duties involved: first, ensuring partnership between the Commission and Croatia and a close link between the general accession process and the use of assistance under the IPA regulation (EC 718/2007 Art.22). This close link was to be achieved through the programming of CARDS/PHARE/IPA I, notably the priorities identified in the accession process and ensuring transparent project selection procedures (Government of the Republic of Croatia 2009). Second, the NIPAC bore overall responsibility for coherence and coordination of the IPA programmes, the annual programming of the Transition Assistance and Institution Building component, the coordination of participation of Croatia in cross-border cooperation and transnational programmes. Third, the NIPAC was required to draw up and, after examination by the IPA monitoring committee, submit annual and final reports on implementation to the Commission as defined in Article 61 (3) with a copy to the national authorising officer (NAO) (EC 718/2007).

In addition, the NIPAC (termed NAC under CARDS) was responsible for the preparation and coordination of the annual Financing Agreements in liaison with the NAO and the relevant ministries, and in agreement with the EC, to provide assistance to the NAO for the nomination of programme authorising officer in the Implementing Agency (CFCA). Furthermore, the NIPAC had responsibility for monitoring programme implementation, coordinating monitoring and evaluation activities and participating with the European Commission and NAO in the Joint Monitoring Committee (Government of the Republic of Croatia 2009).

According to the IPA implementing regulation (EC 718/2007 Art. 23), Croatia was required to appoint a strategic coordinator to ensure coordination of the regional development component under the responsibility of the national IPA coordinator. This strategic coordinator had to be an entity within the state administration with no direct involvement in the implementation of programme components. The functions were to coordinate assistance, draft a strategic coherence framework and ensure coordination between sectoral strategies and programmes. The strategic coordinator for IPA III and IV was to follow the practice of a Structural Funds Coordination Authority, as 'an interface with the Commission on strategic and regulatory matters, the management of horizontal matters (including horizontal Operational Programmes), and ensuring consistency of approach, high standards and synergies in both programming and implementation, for the benefit of both the administration and beneficiaries' (CARDS 2003 2007). The relevant NIPAC and strategic coordinator provisions of the IPA implementing regulation were incorporated in the framework agreement between the Commission and Croatia of 27 August 2007 (European Commission and Government of the Republic of Croatia 2007).

Establishment of new institutions

The key question is how Croatia responded to the regulatory requirements for coordination, notably the operation of inter-ministerial coordination structures as exemplified by CODEF, and the roles of CARDS and IPA in building coordination structures. CODEF was established by government decree in May 2006 as a separate entity through the amalgamation of a directorate within the Ministry of Foreign Affairs and European Integration and a government planning office responsible for national policy (Government Office for Strategic Development). CODEF undertook the overall coordination of EU Funds available to Croatia and its head, a state secretary, was the National Aid Co-ordinator under CARDS and PHARE and the National IPA Co-ordinator. The state secretary was appointed by the Government on the proposal of the prime minister, supported by two deputy secretaries and three heads of departments (CODEF 2009; Government of the Republic of Croatia 2006a).

In addition, CODEF was responsible for preparing the development strategy of Croatia and monitoring the implementation of its objectives. In that respect, CODEF coordinated the development of the Strategic Coherence Framework, a basic IPA strategic document and precursor of the National Strategic Reference Framework (NSRF), which applied in the 2007-13 period, with respect to economic and social development. The role of Strategic Coordinator for IPA Components III and IV was undertaken by a Deputy State Secretary in CODEF. The department for EU programmes in the field of Economic and Social Cohesion was responsible for IPA components III and IV, with four sections for the respective OPs (CARDS 2003 2007). CODEF was responsible for preparing the NSRF. In doing so, it was expected to build on experience gained in preparing the Strategic Coherence Framework of IPA components III and IV, both in terms of processes and content (Government of the Republic of Croatia 2008). Although CODEF was expected to assume the role of the Coordinating Authority as soon as the Cohesion policy funds became available to Croatia, in 2012 it was absorbed by the Ministry of Regional Development and EU Funds.

CODEF was initially established during a CARDS 2003 project "Support to National Development Planning" which had the purpose of enhancing 'Croatia's development planning and implementation capacity, through the elaboration of the Strategic Coherence Framework and corresponding Operational Programmes, based on a wide consensus and in line with EU best practices and regulations' (CARDS 2003 2007). With a budget of €1.6 million, the project lasted from July 2005 to December 2007. It included as its first planned result 'institutionalised inter-ministerial coordination with its own regulation and functioning secretariat' and in fact claimed the establishment of CODEF as a relevant achievement in its final report which referred to the decree establishing CODEF and related legislative acts assigning the coordination of EU programmes in Croatia to CODEF².

However, the institutional form of CODEF was also influenced by the domestic political aim of separating the management of EU funds from the Ministry of Foreign Affairs and European Integration, which had shown little interest in financial assistance matters. This was justified with the argument of increasing flexibility (GOV2³), and was a domestic arrangement not requested by the EU (GOV1⁴, ECD3⁵).

Rather than satisfying itself with setting up often hollow coordinative structures, pre-accession assistance performed the lengthy and laborious task of supporting nascent institutions, providing socialization fora and devising templates for coordination. The preparations for IPA implementation provided a testing ground for EU assistance as well as a source of adaptation pressure for the Croatian administration. The IPA Components III and IV served the aim of preparing Croatia as a candidate country for Cohesion policy (European Commission 2012b). Activities under Component III were grouped in three OPs corresponding to relevant sub-components (IIIa: Transport, IIIb: Environment and IIIc: Regional Competitiveness) while Component IV was served by a Human Resources Development OP.

Turning to horizontal coordination, the Croatian response to the challenge of systematic national partnership for development planning was provided, with the support of CARDS assistance, by CODEF, which convened:

the Inter-ministerial Coordination Group, chaired by the State Secretary/NIPAC, comprising state secretaries of the key economic and social ministries and meeting twice monthly for the preparation of the SCF and approval of the OPs, and discussion of strategic issues concerning preparations for future SF; and Inter-ministerial working groups (IWGs) which have met as frequently as required for the elaboration of the OPs, for which CODEF provided both the chair and secretariat functions (CARDS 2003 2007).

The CARDS 2003 Final Report noted that, although the coordination role covered the whole system, CODEF's closer partners at the centre of government were the NAO and the National Fund. As regards contact with the operating structures for each OP, this would be predominantly with ministries taking the lead responsibility (Head of Operating Structure, HOS), which later evolved into managing authorities under the Structural Funds (CARDS 2003 2007). In this area, CODEF's Department for EU Programmes in the Field of Economic and Social Cohesion undertook the coordinating task, with four sections overseeing the OPs under development. Additionally, the project assisted by providing matrices with proposed functions for institutions in IPA structures and played a facilitating role in the OP drafting process. While the inception report identified the need for enabling legislation for IPA management, this was not possible as the IPA implementing regulation had not entered into force (CARDS 2003 2007).

CODEF established the IWGs in February 2006 with the task of drafting the IPA OPs and identifying a project pipeline for each of them (CARDS 2003 2007). The IWGs for the Regional Competitiveness OP (RCOP) and the Human Resources Development OP (HRDOP) proved to be a necessary mechanism for clarifying and making progress on strategy and project level. The preparation of the Environmental Protection OP and the Transport OP were driven by a smaller number of institutions, therefore the relevant IWGs met less frequently. Attendance in the IWGs was at senior level, comprising the line ministries, the Central Bureau of Statistics and other state-funded agencies in the case of RCOP and HRDOP (CARDS 2003 2007). The IWGs remained an integral part of OP elaboration until the programmes were finalised. After approval of the OPs, the IWGs became 'the basis for Sectoral Monitoring Committees for the monitoring of each OP' (CARDS 2003 2007).

Pre-accession assistance through CARDS encouraged the establishment of the IWG and assisted in preparing the meeting agendas working closely with a Deputy State Secretary of CODEF. The CARDS 2003 project team at CODEF attended meetings offering advice on technical issues, contributed to discussions, produced guidelines for IWG members on preparing OPs and explained the hierarchy of priorities, operations and projects and defined monitoring indicators (CARDS 2003 2007). Following the work of the IWGs, all the government structures for the management and implementation of IPA Components III and IV had been established and formalised with the approval of the four OPs, and they were accredited during 2008 (CARDS 2003 2007). The Operating Structure for IPA IIIc existed since mid-2007 but officially the contract was signed in March 2008, in the form of an operational agreement between the bodies responsible for IPA IIIc (GOV9⁶, GOV10⁷).

In terms of the effectiveness of the structures, interview respondents recognised some enhancement of coordination. A comparison of the administration's performance between 2002 and 2008 led to the observation that by the end of the period, under IPA, 'several line ministries have the role of operating structure therefore there is at least some formal assignment of coordination duties; inter-ministerial coordination structures exist albeit in a non-perfect form, but definitely more extensive than in the previous couple of years' (ECD2). However the Operating Structure for IPA Component IIIc proved to be very challenging for coordination because of its complexity. The organisation chart of the RCOP management structure showed (a non-exhaustive) 49 forms of

relationship, some of them interrelationships (double arrows), but the research found that there were impediments to staff in the participating organisations speaking to each other on relevant issues without explicit authorisation.

The OS and IWGs constituted a substantial part of the efforts for establishing effective coordination structures. As institutional coordination among the ministries improved, the contribution of pre-accession assistance through inter-ministerial committees and working groups for document and programme preparation became recognised and appreciated (ACA 3). Lessons from CARDS and PHARE benefited the way IPA was run: 'Technical assistance and knowledge was pumped into the Croatian public administration' (ACA3⁸). The NIPAC was organising meetings with representatives from different IPA components which gave the impression that each institution in charge of each IPA component had a clear view of the roles of other institutions in the system (ACA3).

An important question was whether these structures would prove to be durable. The post-accession sustainability of the coordination structures (IWG and national partnership) was identified as an issue of concern early on in the pre-accession phase (European Commission 2005). There were differences in levels of confidence that the new approach to coordination in the form of the IWGs would stand the test of time for Structural Funds programming (ECD2; ACA3; CARDS 2003 2007). In particular, the effectiveness of the coordination structure relied on the interdependence of IPA bodies and – importantly - collaboration and mutual learning under central guidance and coordination in order to minimise “quadruplication” of effort for bodies fulfilling similar roles in different OPs (CARDS 2003 2007).

Domestic reaction

Moving beyond the detailed institutional arrangements and operational experiences, the third area for investigation is the domestic reaction to EU influence on coordination structures and whether they were able to address or overcome long-standing cultural weaknesses permeating the Croatian public administration, which had constituted a barrier to effective and sustainable coordination. The broad consensus of interview respondents – within and outside the public administration - is that pre-accession assistance led to an improvement of previously weak or non-existent coordination structures. Of particular importance was the role of CODEF in softer forms of coordination, for example working through different fora and informal mechanisms to coordinate the activities of different ministries, and engaging with ministers (GOV9, GOV10) to increase their appreciation of the importance of coordination (CON6⁹, ACA3).

The extent of coordination was, however, limited. CODEF focused primarily on the bodies involved in managing and delivering the IPA components; other institutions involved in regional development but not participating in the IPA had much less awareness or involvement in the coordination structures (ACA3). More generally, further revision of coordination structures was considered necessary in terms of horizontal coordination, and stressed by Croatian officials (ECD2). Interdepartmental coordination remained problematic. With the exception of the top government level, where regular meetings were taking place, coordination was said to be less effective between the departments in the ministries. In particular, the funding ministries lacked an informed overview of the activities of their departments working on EU programmes. It was reported that departments in different ministries were ignorant about the strategies, Technical Assistance projects and actions that other departments were implementing.

Although it was successful in establishing the required structures, CODEF fell short of executing its coordinating mission. Some respondents were not convinced that close coordination has been achieved. A perceived cause was that CODEF was outside the cabinet hierarchy and lacked the

political power to influence and monitor the performance of individual ministries (ECD3, ECD4¹⁰). CODEF's role and influence were also felt to have diminished over time. For example, the coordination groups became 'rather a formality at times and they met occasionally to fulfil nominal requirements' (ACA3). Indeed, one external observer claimed that the influence of CODEF as a state actor in charge of strategy and coordination was progressively marginalised (CON6). This was due to the role of the prime minister at the time and a hostile culture towards independent initiative from other state bodies. This coincided with a change in the state secretary of CODEF, who while competent and qualified for the post, 'was not a part of the system'. This led to CODEF 'underperforming' in the view of several external observers, exacerbated by the unwillingness or inability of the European Commission Delegation to exercise a stronger role in coordinating the assistance.

The fieldwork interviews are supported by evidence from other academic studies regarding the fragmented influence of CODEF on the development and coordination process. In their discussion of the causes of domestic change in Croatia, Bache and Tomšić (2010) cite the accession process and direct and indirect effects of the *acquis* rather than pre-accession instruments and of the instrumental role of national ministries for gatekeeping and developing new structures. This view is corroborated by interviewees who criticised the mix of CODEF's competencies. CODEF's state secretary was also one of the Prime Minister's chief economic advisors in the field of macroeconomic matters, and the compatibility of these tasks with the Office's programming role was considered a matter for concern (ECD3). While CODEF officials argued that the organisation constituted a major step towards the effective and efficient coordination of assistance and a strong indication that the Croatian government was determined to fulfil its obligations under Chapter 22 of the *acquis* (GOV2), European Commission Delegation officials and consultants voiced concerns about CODEF's coordinating capacity, the coherence of its functions and its relative inter-institutional power in the Croatian public administration especially as it did not constitute a cabinet ministry (CON6, ECD3, ECD4).

This draws attention to cultural aspects of administrative change and the embeddedness of the reforms undertaken. An inhibiting factor for administrative capacity-building in Croatia was the existence of parallel structures. It was noted that 'although the Commission's preference is for a single system for the management of funds, the Croatian authorities have created a structure for EU purposes while national funds including investment on regional development are channelled differently'. This was considered to be 'a system of dubious transparency infected with cronyism and politicisation' (ECD1¹¹).

The academic literature partially confirms the fieldwork findings. Bache and Tomšić (2010) reveal some of the institutional weaknesses of CODEF, but they seemingly put the blame on the institution itself rather than causal explanations in the core executive's decisions to establish CODEF under a particular organisational design. Also, their conclusion that 'the combination of powerful financial incentives and the enthusiasm to complete accession led to a transformation in domestic policies and practices in the field of regional development' does not appear to be fully supported by their own evidence which points to a more superficial change. They present their results as thin learning and Type II MLG but do not link these claims with developments in particular organisations. In the subsequent period until Croatia's EU accession, coordination issues persisted and were inherited by the Cohesion policy management structures. As a recent social network analysis of Cohesion policy in Croatia concluded: the network raises serious issues of coordination and coherence due to its dense pattern (Geddes, Lees, and Taylor 2013).

CONCLUSION

Broadening the case studies of pre-accession Europeanization can only enrich European studies. This article has examined the critical case of pre-accession Croatia, the newest EU Member State with a more turbulent transition path than the EU10. The focus was on EU pre-accession assistance provision and conditionality and its effects on national coordination structures, which were mediated by domestic factors. Inter-institutional coordination was discussed here in three ways: as a first step by reference to the formal structures required by pre-accession assistance and the parallel domestic processes; secondly, by examining the role ascribed to CODEF; and thirdly, through a closer investigation of the extent of pre-accession assistance interventions and their influence on national coordination mechanisms.

Pre-accession assistance was seen as the main driver for inter-institutional coordination in Croatia. Respondents recognised the formal coordinating role of inter-ministerial committees and working groups established through the CARDS and IPA instruments as well as informal effects and wider awareness stemming from the participation of public officials in activities such as training sessions. These provided a window of opportunity for the establishment of informal contacts between administrators who operated in a system of governance which, especially at the central government level, was characterised by a centralised and fragmented approach to policy-making. Traditionally in Croatia public bodies had operated in isolation from other state institutions and civil society; this was maintained, to a certain extent, because ministries strove to preserve any information advantage, reduce the dissemination of information to 'competing' public institutions, and secure resource allocation favourable to the power base of senior officials and their political organisations through strict gatekeeping.

This paper has found a mainly positive CARDS and IPA influence on administrative capacities for coordination, but negative and neutral influences were also observed. The positive influence was the creation of IPA management structures, and the establishment of inter-ministerial and inter-institutional coordination arrangements. The direct influence of EU pre-accession assistance on structures was also clearly visible in the establishment of operating structures for IPA management. Of the eight managing authorities established to prepare for the future management of the Structural Funds, five were expected to evolve from similar institutions established for IPA. Likewise, the NAO, CAO, NIPAC, the Strategic Co-ordinator, the Audit Authority, the National Fund (Paying Authority) and many implementing agencies were examples of institutions which were expected to continue into the post-accession Cohesion policy management system.

In most cases, some sense of ownership and benefit from coordination was instilled by pre-accession assistance. However, at times, EU Technical Assistance was substituting for non-existent domestic coordination. Effective coordination was hampered because of different priorities and budgetary constraints in ministries and departments. The engagement of public officials in coordination also depended on their individual workloads and the degree to which they had other duties apart from EU funding.

On the negative side, the Croatian government's performance in operationalising effective inter-ministerial coordination arrangements must be characterised as inadequate, reinforcing the conclusions of other students, practitioners and state officials. At the outset, the EU emphasised that inter-ministerial coordination is of critical importance for effective implementation of pre-accession assistance and Structural Funds programmes. Improving inter-ministerial coordination was also a national strategic goal. Most important in achieving the goal was the coordinating function of CODEF and the provision of pre-accession assistance to strengthen it. In formal terms, the CARDS 2003 project achieved its planned results by contributing to the establishment of CODEF as a co-ordinating body and the setting-up of the Inter-ministerial Coordination Group for the preparation of the Strategic Coherence Framework and the approval of IPA OPs and the Inter-ministerial Working

Groups which developed the OPs. However, the effectiveness of CODEF declined over time, and its influence on other government institutions was often weak, with implications for the durability of structures and ability to coordinate post-accession Cohesion policy.

The examination of lessons learned from the EU10 reveals that the path of Croatian structures differ from many Central and Eastern European countries, notably Estonia, Slovenia, Latvia, Lithuania, Poland and Hungary (Dimitrova and Toshkov 2007; Zubek 2008). There are more similarities with countries like Bulgaria and Romania, as regards the instability and incomplete state of structures, and the preferred type of institutional structures to receive financial assistance. As in Croatia, the approach most commonly followed was to establish EU-funds-related directorates in government ministries, but with several reorganisations and exchanges of competences between ministries, and the directorates moving between them. In Croatia, the Ministry of European Integration did not want responsibility for EU funds, leading to the coordination of EU funding being separated from the MEI and established as an institution responsible for the coordination of assistance outside the cabinet system. This extraordinary institutional location meant that results in terms of capacity-building remained limited, and that continuity of structures was always a concern. Other studies on foreign aid to SEE have found that legislative fervour, constant restructuring and bureaucratic expansion of ministries (Bartlett 2008) constituted attempts to thwart or limit the spread and influence of EU standards in state institutions.

With respect to the literature on Europeanisation and accession countries, this study highlights the importance of three domestic constraints, based on the Croatia case: the limited synergies between EU and national policies and value-added; considerations of political cost; and allocation of responsibilities. Two of the most vital institutions for the coordination and financing of pre-accession assistance, CODEF and the CFCA, had a separate mandate from government ministries or institutions responsible for macro-economic policy and public finances. CODEF was answerable to the prime minister and was not represented in the cabinet in its own right, as it lacked the status of a ministry. In a centralised system of governance, this meant that the role of CODEF was one of limited institutional gravity and influence. The Croatian PM was effectively a gatekeeper in terms of the implementation of CODEF's policies or recommendations. CODEF did not have sufficient political or policy influence to ensure effective coordination across government ministries and agencies, in particular to overcome entrenched institutional resistance and traditional ways of working among officials that did not encourage information-sharing or cooperation. As such, the research supports findings for other Central and Eastern European countries relating to the importance of political and administrative opportunity structures in explaining variation in coordination (Gärtner *et al.* 2011), but it also substantiates the arguments of Dimitrova and Toshkov (2007) that actors' preferences and domestic politics are key factors influencing patterns and processes of institutional change.

Finally, there are two sets of policy implications that emerge from the research. First, EU institutions and pre-accession policy instruments need to have stronger leverage in establishing coordination structures and ensuring the cultural embeddedness of processes. These are prerequisites for achieving synergies with other EU and national policies and securing added value for Cohesion policy, not least given the higher priority given to institutional coordination, policy coherence and integration of funding under the European Structural and Investment Funds for 2014-20. Second, in centralised states such as Croatia the role of the centre of government is essential for effective and efficient coordination of EU funding, and the key challenge is for the core executive to orchestrate the integration of the coordination process of EU funding into national decision-making structures. However, this needs to be accompanied by administrative capacity-building measures addressing systems, human resources and tools to ensure that the staff of ministries, agencies and other bodies are receptive to both the formal obligations and informal practices required for effective coordination.

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¹Except the EU funds-related committees and coordination groups established at the domestic level, Croatia as an acceding country participated as an observer in the committees and expert groups of the Commission, namely the IPA Committee in DG Enlargement and the COCOF in DG Regio. Formal coordination mechanisms for pre-accession assistance comprise committees and expert groups. CARDS and PHARE committees operated in DG Enlargement in the context of relevant funding instruments (European Commission 2012a: 11-12). In the 2007-2013 programming period the IPA Committee operated in DG Enlargement; it was chaired by a Commission representative and consisted of representatives of the Member States and the Candidate Countries. The committee was responsible for the overall coordination of IPA components and especially the adoption of the Multi-annual Indicative Planning Documents (MIPDs) and Annual reviews with regard to IPA component one and two (Transition Assistance and Institution Building, and Cross Border Cooperation) (Article 14 of Regulation 1085/2006). However the Committee of the Coordination of the Funds (COCOF) in the DG Regio performed a coordinating role with regard to the third and fourth IPA component (Regional Development and Human Resources Development respectively). Finally, the Rural Development Committee was the forum where the IPARD programmes were presented and discussed (European Commission 2013). However there were no formal mechanisms coordinating the work of COCOF with the other Committees, a situation that found parallels in the lack of formal links between COCOF and the European Agricultural Fund for Rural Development/European Agricultural Guarantee Fund (EAFRD/EAGF) and European Fisheries Fund (EFF) committee (Davies 2011).

²The Decree on Internal Organisation of CODEF was adopted on May 25 2006 Gazette no. 59/06. Coordination of EU programmes in Croatia assigned to CODEF through the Act of Organisation and Scope of Central State Administrative Authorities (Official Gazette no. 199/2003, 30/2004, 136/2004, 22/2005 and 44/2006) and the State Administration System Act (Official Gazette no. 75/93, 92/96, 48/99, 15/2000, 127/2000, 59/2001 and 199/2003).

³Interviewee GOV2: National official involved in EU Funds coordination, Zagreb.

⁴Interviewee GOV1: National official involved in EU Funds coordination, Zagreb.

⁵Interviewee ECD3: European Commission official, Zagreb.

⁶Interviewee GOV9: National ministry official involved in EU funding, Zagreb

⁷Interviewee GOV10: National ministry official involved in EU funding, Zagreb

⁸Interviewee ACA3: University researcher, Zagreb.

⁹Interviewee CON6: Consultant on economic development, Zagreb.

¹⁰Interviewee ECD4: European Commission official, Zagreb.

¹¹Interviewee ECD1: Consultant, former European Commission official, Belgrade.

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