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Creating Collaborative Advantages Through Coordination of Regional Development Activities

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Creating Collaborative Advantages through Coordination of Regional Development Activities¹

- Abstract -

Based on the increasing importance of networking and use of participatory approaches in the regional development practice, some indications exist that local and regional development theory could move from the concept of competitive advantages towards collaborative advantages. Such move implies that a redefinition of inter- and intra-institutional relations of the public and private sector is necessary, and therefore, calls for defining new forms of governance. The exploration of collaboration might contribute to a better understanding of the relations between the European concepts of competition and cohesion. As networking in various forms and creation of collaborative advantages requires significant “coordination” of multiple development actors and activities across different territorial levels, a broad spectrum of research questions can be opened.

This research paper is primarily focussed on the problem of coordination from a governance perspective, as it is often mentioned as one of the main problems of local and regional development management. Before any development activity can be coordinated, some preconditions have to be fulfilled, namely development actors have to be willing to communicate and to cooperate. Only then collaboration in the implementation of concrete development activities might occur. This process involves formal and informal institutional relationships, as well as multi-level governance. The main goal of this research paper is to explain and define the concept of collaboration and coordination in the context of regional development policy. A conceptual policy coordination model that combines horizontal and vertical relationships between the main development actors, while planning and implementing local and regional development activities, is presented.

Key words: collaboration, coordination, governance, institutions, and regional development.

¹ In this research paper main concepts and findings are presented from the Doctoral thesis: “Coordination of development policies towards an integrative regional development policy”, defended by the author at the University of Split, Faculty of Economics Split, Croatia, December 16, 2005, Supervisor: Prof. dr. sc. Petar Filipić, E-mail: filipic@efst.hr

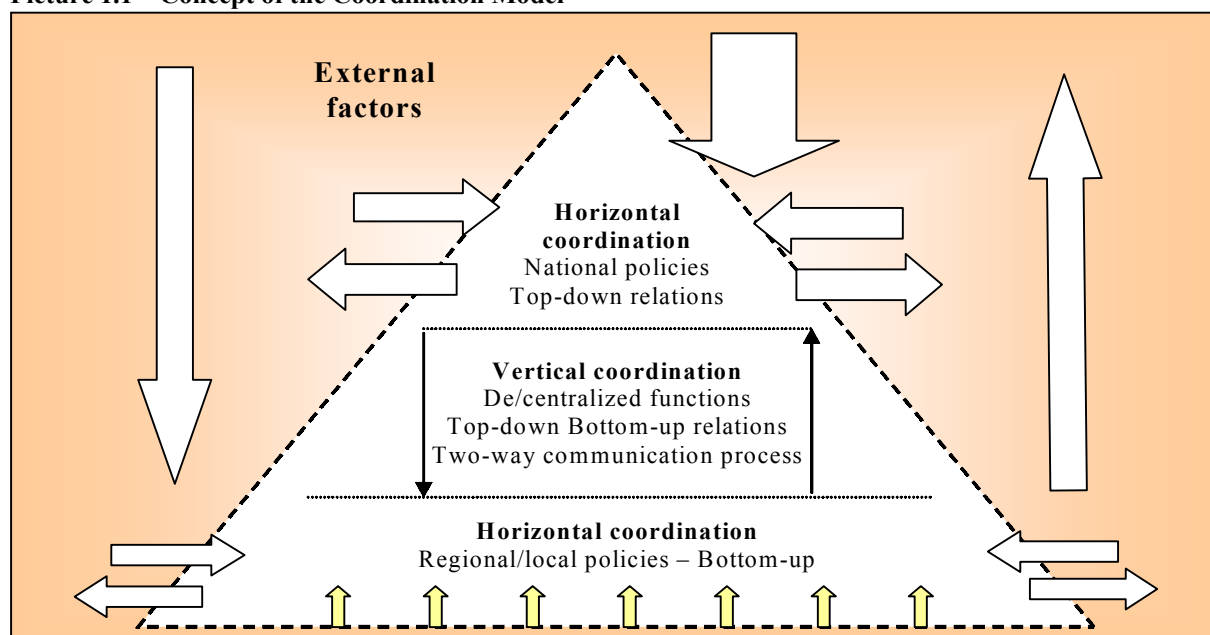
1. Introduction

The main focus of this research is on coordination of development actors and activities, as this is very often mentioned as one of the main problems of local and regional development. Before any development activity can be coordinated, some preconditions have to be fulfilled, namely development actors have to be willing to communicate and to cooperate. Collaboration can be considered as the most advanced form of cooperation. It requires establishment of formalized inter-institutional relationships, consensus building, and agreements as well as respect of positive informal institutional relations, such as openness for communication and fulfillment of agreements. Only then collaboration in the implementation of concrete development activities might occur. This process involves formal and informal institutional relationships, as well as multilevel governance. The main goal of this research paper is to explain collaboration and coordination in the context of regional development policy.

A conceptual policy coordination model that combines horizontal and vertical relationships between the main development actors, while planning and implementing local and regional development activities, is presented. The regional development policy coordination model is developed on the basis of recent insights into regional, institutional, organizational and planning theories and practice. It is tested on the basis of the institutional framework and strategic planning experiences in Croatia, particularly in the context of the future integration into the European Union. The results indicate that the model is applicable in other countries and it contributes to a better understanding of institutional relationships in coordinating regional development activities and creating collaborative advantages. If the main economic stakeholders act in a coordinated way, collaborations may be created that can sustain pressures from competitive actors and networks.

Coordination is an invisible systemic management function and therefore a complex development management issue. Policy coordination occurs horizontally between sectors on national, as well as on regional and local level. The conceptual idea of building a coordination model that integrates horizontal and vertical relationships into an integrated systemic picture with its internal and external institutional dimensions is presented in Picture 1.1.

Picture 1.1 – Concept of the Coordination Model



Source: Sumpor (2005)

Horizontal policy coordination becomes more and more important with the rising understanding of the concept of sustainable development, which represents the fundament of integrative regional development policy. Accordingly, the concept of sustainable development treats the three dimensions - i.e. economic, social and environmental - as equal elements of one development, which occurs in a particular space and is characterized by differences in time horizons of its elements. Another integrated dimension is institutional development. In line with this dimension, *vertical policy coordination* links the different levels of government and is therefore linked to multilevel governance, decentralization, as well as bottom-up and top-down relations and interlinkages. The main actors of the complex triangular relations within the internal triangulated development system are politicians, public administration and the private sector including citizens (arrows at the bottom of the triangle) with formal and informal institutional elements. There are also external factors that influence such a system, e.g. international policies and regulations.

In order to develop the "*regional development policy coordination model*", it was necessary to review, besides contemporary approaches to regional development theory and practice, institutional and organizational theories, planning theory and practice. Since coordination is a management function and *participatory strategic planning* is nowadays often used in elaborating policies, programs and projects, especially within the European Union (EU), this approach is used as a practical basis for the development of the conceptual coordination model.

2. What is Coordination and why is it Important for Regional Development?

2.1 Coordination and Regional Development Management

When analysing the inter-institutional relations between the different tiers of government, the regional level can be considered as the most interesting level with regard to the problem of coordination, because it is the middle tier of governance on which the most intensive communication towards the national and local level are going on. To better understand what regional policy represents today and to conceptualize it in the future, interesting insights derive from reviews of what regional policy represented in the past. It is also necessary to understand global changes in the world and their impacts on the way, and how development decisions are made today. Regional policy flourished throughout the famous 30-year period or *golden era* after WWII (Dunford, 1995). This status changed after the fall of the golden era, since the entire world order has changed, i.e. modes and places of production, which has directly influenced the need to change perspectives with regard to economic and general development policy. Though, opinions with regard to new problems occurring due to globalization differ. The trend to decrease the influence of the state on the market throughout the 1980-90ties was supported by the growing influence of those, who increasingly followed neoliberal views. This changed also the focus towards sector-oriented policies (e.g. compartmentalization, silo-effects), away from the expensive redistributive development policies, such as regional development policy during the Keynesian golden era.

Despite the importance, which the EU is giving to regional policy and to supporting balanced regional development through structural funds, even within the EU there are divided opinions about their effectiveness. A complex and difficult relation between competition and cohesion policy is often stressed, whereby followers of the former can be easily linked to supporters of rather neoliberal views, while the latter is linked to more socially oriented supporters of redistributive and interventionist government policies. A mixture of both is being simultaneously implemented in European Union member states. It can be expected that the impacts of the

accession process will initiate considerable new development processes and cause institutional changes in countries like Croatia, where the introduction of new governance and management approaches will be necessary.

It was also necessary to research, which theoretical moves have happened in the field of regional development theory and in which directions the newer approaches and findings go. Regional economic theory is more focused on the content of what should be coordinated and within the research field of economics the most relevant finding is that the central economic question of development – namely *economic growth* – is only one part of the *development problematic*. Further, since every economic activity is taking place in a certain space, it also has certainly significant positive and negative impact on that particular environment. Also, it is recognized that undeveloped or less developed areas in which economic activity is weak, do not have the adequate environment for attracting investments into their economy. Based on these findings, it can be stated that for the conceptualization of regional development policy the understanding of *development* in a broader sense, not only economic, is needed. Here, the understanding of the concept of sustainable development as well as the expanded understanding of socio-economic cohesion with territorial cohesion has provided the greatest insights.

2.2 Coordination Defined and Development Dimensions Conceptualized

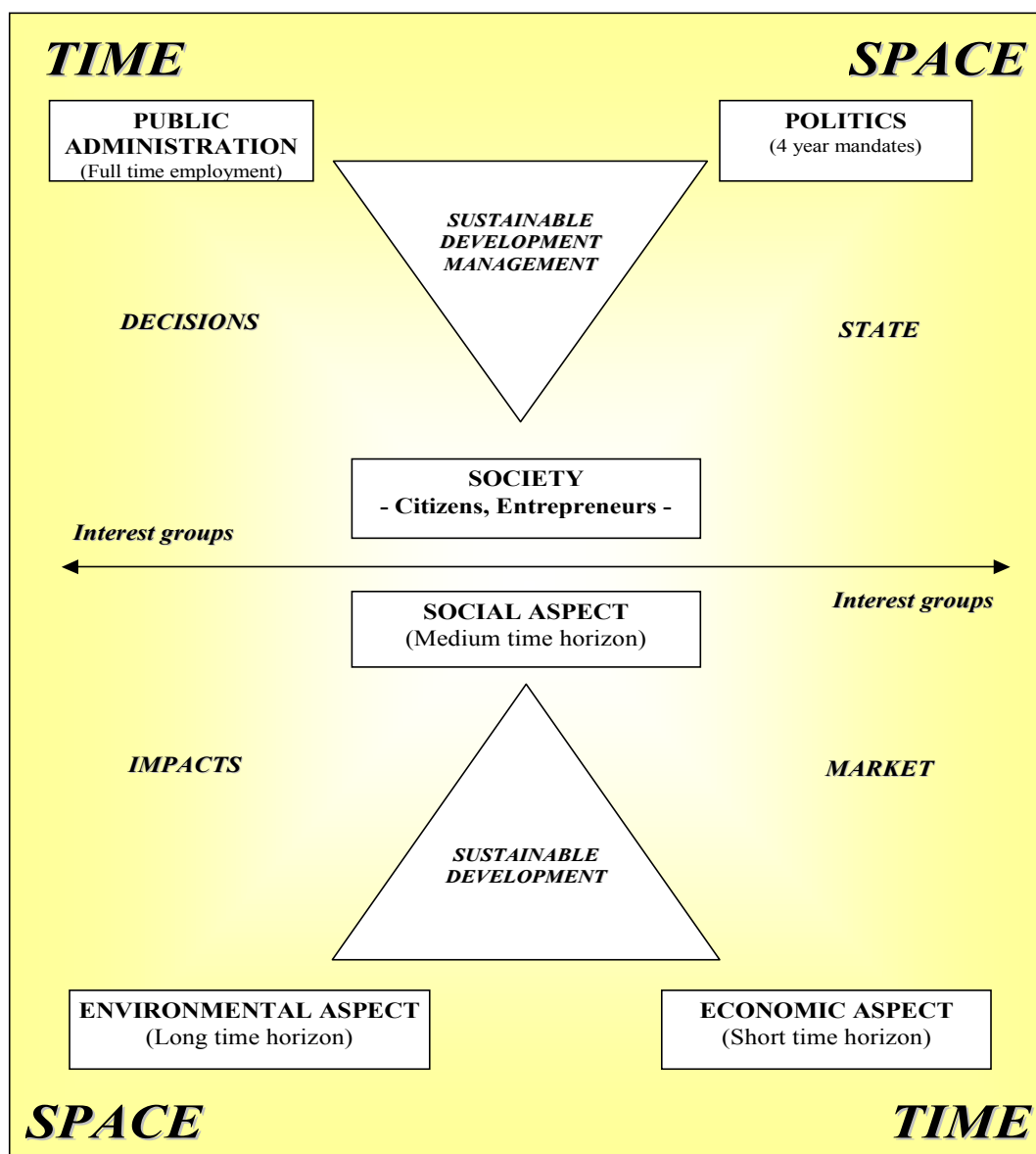
It seems that based on the frequency of the use of the term "coordination" in everyday political, scientific and practical life, the understanding of its meaning is not questioned. It seems trivial and obvious that everything has and needs to be coordinated. If steps and actions are not coordinated, things do not go or function, as they should. When thinking about simple and visible examples of "good" coordination in our closest environment, we can think of traffic coordination or postal services. The technological revolution and sophisticated application of organizational and management software has improved coordination in firms and production systems. Information technology systems as well as clear rules and traffic regulations make it possible that a simple mistake is immediately visible and the wrong doers are relatively easily traced. However, in socio-political systems and their development management functions and activities, coordination loses its triviality in common understanding, due to the multiplicity of actors, domains, dimensions and levels. This became also a specific and growing problem in contemporary strategic and participatory development approaches that are more and more applied in the EU as well as other parts of the World. Governance problems occur between the different governmental, administrative and territorial levels in Europe and are often referred to as *coordination problems*.

Coordination as a management function, in the private and public sector, can be linked to organizational, governance and planning issues, and is generally an intangible or invisible development aspect. Coordination appears also as a characteristic or capability of a manager. According to the Merriam Webster Dictionary (1994), *to coordinate* (lat. *co...* + *ordo, ordinis* – order) means *to work or act together harmoniously*.

But besides joint harmonious action, the definition of coordination by Malone and Crowston (1994) give some deeper insight. They define *coordination* from an information technology perspective as: *"managing dependencies among activities. From this perspective different kinds of dependencies can be characterized and alternative coordination processes that can manage these dependencies. Further, they stress that if a process needs to be well understood it is often necessary, besides the activities that this process includes, to understand also the relations between these activities. These relations are called dependencies and the processes that manage them are called coordination processes."*

Alexander (1995) gives as well an interesting overview of various definitions of coordination, primarily in the context of organizational theory (i.e. exchange theory, contingency theory and organizational ecology, and transaction cost theory). He stresses in his work that “the transaction cost theory approach offers a well structured definition for inter-organizational coordination. Coordination becomes a way (e.g. skill or tool) of structuring relations and interactions between units of an organization or between organizations so that transaction costs can be minimized. Such coordination structures include the *hierarchical organization* as well as *inter-organizational systems* in different forms. The transaction costs approach allows also for the recognition of mutual adjustment as a form of coordination, if attention is paid to institutionalized norms within which this mutual adjustment is taking place. Coordination structures develop to reduce transaction costs of *unconcerted actions*. Inter-organizational coordination can take place through systemic frameworks of norms in markets or rules in market-like settings in which coordination is limited to mutual adjustment, or through more hierarchical forms of organizations, organizational units, or inter-organizational systems.”

Picture 2.1: Relations between Sustainable Development Management and Sustainable Development



Source: Sumpor (2005)

As to the question of why would coordination be important for development, an answer can be provided by a graphical presentation of two specific development triangles. The contextual and conceptual framework of thought is presented in Picture 2.1. The triangle pointing downwards represents three key dimensions – *politics, public administration and society*, whose interaction is necessary for *sustainable development management*. The other one pointing upwards is a common triangular presentation of the three sustainable development dimensions or pillars - the economic, social and environmental. In addition to the unavoidable interaction of these two triangulated representations of the reality of development politics and policy, in this research coordination is used in the context of managing development policies, with consideration of formal and informal institutions, space and time.

As development is taking place in time and space, these important additional dimensions have to be considered when a coordination model for development management is conceptualized. Besides the visualization of different development elements in this systemic presentation, coordination needs to be viewed also through the lens of institutional structures and relations, governance modes and levels, planning and organization.

2.3 Coordination through the Lens of Institutions and Governance

The central idea of institutional economics is, as stressed by Kasper and Streit (1998), that *institutions* play a key role in the coordination of individual activities. The basic analysis, evolution, content, consistency and implementation of rules can tell us a lot about central economic phenomena, such as economic growth or the functioning of the market. It is also recognized that institutions represent an important element of social capital: they channel human interaction and development of the society. Ahrens (2002) defines "institutions" according to their basic meaning, as: normative rules; and organizations or organized social groups, such as political parties, regulatory agencies, firms, or universities. There are also two strands of researchers, whereby the first defines institutions as normative rules and raises questions about how do institutions emerge, how do they change and impact economic growth and development. The second group of researchers analyses organizations, in particular firms as economic institutions. Organizations function in accordance with certain institutions, rules and regulations, deal with budgets, human resources, reporting procedures, and procurement rules that limit the behavior of its members. Institutions create supportive structures for the behavior of individuals and organizations. When discussing *formal* and *informal institutions*, their meaning is usually understood in the context of organizations that function according to formal or informal rules.

Another distinction of *external and internal institutions* is put forward by Kiwit i Voigt (1995), and Voigt (1999) and was also taken over by Ahrens (2002). If institutions are classified as normative rules, as proposed by Kiwit and Voigt, then external institutions are those formal rules that are implemented through the monopolistic force of the government. While internal institutions can be subject to private supervision and can be classified according to different characteristics of the implementation of rules. Supervision of internal rules relies on horizontal relations among the involved actors, and external institutions are based on vertical (hierarchical) implementation mechanisms. North (1990) stresses that informal institutions can in certain circumstances enforce formal rules, while in others they can block institutional change, because informal institutions show significant inertia and change only incrementally.

The concept of *multilevel governance* is useful as a descriptive model through which relations between the various governmental levels can be further explained within the EU. According to Carmichael (2002.) a shift

occurred from a two-sided relationship between the EU and national authorities, toward a three-sided relationship between the regions, national authorities and actors on the level of the EU. He also stressed that regions in Europe are not homogeneous and that their sizes, functions and powers differ from state to state, even within individual states, which additionally contributes to the growing complexity. The central government level within every EU member state remains important, however, they lose the national monopolistic position. It needs to be mentioned that the EU does not represent just another level. Through its actions, the EU transforms policies and governments on European and national level. *In this way a system is created, which has multiple levels, but is not hierarchical, in which governance is thought through and apolitical, and this is done through a complex web of public and private networks and quasi-autonomous implementing bodies, which take care of deregulation and regulation of the market.* Decisions in the EU are made jointly by institutions of the European Union and actors on other levels, according to the "Partnership principle" and through negotiations, and not hierarchically. Based on such developments the need to find *alternative forms of regulation* arose, which would enable new ways of governing various policies in more and more complex institutional environments. Especially, EU member states and those affected by European policies called for simplification and improvement of regulations in the EU. Based on the discussions on governance in the EU and related documents of the European Commission (European governance, 2001; Better Regulation action plan, 2002), three different forms of alternative regulation are defined, i.e. self-regulation, co-regulation and *the Open method of coordination (OMC)*. In particular, OMC was formally introduced at the EU Council meeting in Lisbon in the year 2000, where it was recommended to use this method in policy domains such as social exclusion, small and medium sized companies promotion and e-Europe. The mentioned policy domains are under formal responsibility of the national authorities within the individual member states. In general, the OMC process includes the following:

- EU policy guidelines, combined with an action plan to reach short-, medium and long-term goals;
- Quantitative and qualitative benchmarks;
- Translation of European guidelines into national and regional policies through the set-up of specific goals and acceptance of measures, taking into account national and regional differences; and
- Periodical monitoring, evaluation and peer reviews organized in form of mutual learning processes.

Generally, the intention of coordination is to improve governance, or to make management of policies, programs and projects possible. Governance in the sense of policy management means to decide among alternatives and then to implement those decisions that were made. Coordination can be understood as systemic implementation of various decisions that were made to accomplish common goals within one or between more organizations. These decisions can be made within one policy, program, project or more of them. Organizations, whose decisions have to be implemented in a coordinated way, can be linked hierarchically (vertically) or based on common goals deriving from differing domains or sectors (horizontally).

2.4. Collaboration and Coordination through the Lens of Planning

Through communicative and interactive planning approaches from the 1970ties till today significant experiences are gained, which have marked contemporary strategic planning theory and practice in Europe. Development planning is today in the European context almost unthinkable without broader participation of key development stakeholders. But with regard to participation there are differences and distinctions that have to be made. Participation in conceptualizing development can range from simple forms of informal cooperation such as

exchange of information and public hearings, towards more institutionalized cooperation. Then cooperation becomes more formalized in the sense of collaborative or joint implementation of agreed activities, e.g. based on a partnership agreement. Collaboration can be seen also as a fundamental cohesive element in the functioning of established networks for the implementation of policies, especially integrated ones. In the context of collaborative planning models significant emphasis is put on institutional structures and power relations. Healey (1997.) and Albrechts (2001.) refer to the conceptual model of power, introduced by Bryson i Crosby in 1992, according to institutional relations in participatory planning processes can be viewed from a new angle. The presentation of a forum, arena and court by hierarchical levels of relations is very useful in analyzing institutional structures and creating *collaborative networks* in development processes.

To increase the probability of the realization of plans, Albrechts (2001) stressed that dialogue is necessary with those, whose cooperation will be important during implementation as well as to gain public support. This dialogue is a dynamic action that includes interaction with local, regional, national as we as supranational conditionalities and external forces, in order to address the interests or *agendas* of those, who have the power to implement measures and projects and to ensure broad support of the public. Institutionalization is a process through which ideas and practices become durable reference points for public action. Such institution building or establishment of *arenas* requires a certain degree of consensus on existing values and how to turn them into actions. This has to result in taking responsibilities, whereby different levels of government, sectors and private institutions enter into *agreements* in order to implement their plan. An *arena* is an institutional structure or setting for legal, executive and administrative decision-making. In arenas practical implications of visions are adopted, which were formulated in a forum, and are transformed thereafter into different forms of actions or are rejected. An *arena* has to enable the creation of capacity for integration, coordination, collaboration and support discussions about problems in open and transparent ways. Within an arena, plans, strategies and policies are conceptualized, and direct links with key stakeholders, that are or will be involved in their implementation, are created. A *forum* is an institutional setting for creating and communicating meanings for various development aspects. Visions and ideas for public policies are articulated, discussed and clarified in a forum.

Traditional arenas are formal governmental institutions, such as local councils, regional assemblies, or parliaments. Nowadays, formal authorities represent only one actor in development processes, while more efficient transformations do take place in informal settings. The establishment of informal institutions can have advantages, because by creating links among new people, alliances, networks, ideas and creation of arenas, new places for the articulation of strategies are created. However, the creation of flexible and dynamic networks of stakeholders and organizations requires a certain degree of maturity, whereby building mutual trust and understanding require also time and commitment. In such networks, arenas can stimulate *creation of power* that can be shared by many stakeholders and enable coordinated action that otherwise would not be possible.

In addition to the above mentioned and as a basis for further development of the coordination model, the integrative strategic development planning model, introduced by Dräger et al. (2003), was used. This strategic planning model is based on the concept of sustainability and participation and can be applied on any governmental level. It includes the planning process and provides a framework for development programs and activities. It is integrative, but does not replace sectoral policies, while it puts them rather in a spatial context and enables better governance. Since the goal of strategic development planning is integral development, it does not

need to be understood as fulfillment of economic, social and environmental goals at the same time or in parallel. But the mentioned three aspects have to be seen as elements of fulfilling one goal, i.e. sustainable development. This does not mean that three problems are integrated in one program, but to integrate three problems into one joint development vision from which goals and objectives can be derived. Integration enables the creation of an enriched whole built through interaction of interdependent segments of one joint development. As this interaction has to be based on a common goal, such as the development of the own community in a certain direction, this can be realized only through positive and constructive communication between different sectors. For the realization of joint undertakings an organized system and adequate tools, such as strategic planning, are needed. However, most difficulties arise when intersectoral cooperation needs to be initiated, and to accept that interdependencies exist. Problems occur because of differences in power relations, not only in politics, but also within institutional structures that are built hierarchically. While, hierarchies are necessary for the functioning of system within which many act. Vertical structures can be compared to a human spine or main walls within a building. But these structures include also horizontal interactions, as well as returning information in accordance with the principle of feedback loops. In this way, a development process is viewed as a whole with a strong vertical and horizontal structure that enables circulation - flow and interaction, i.e. the action of all individual parts without beginning or end.

Strategic development planning is an integral part of strategic development management. However, planning is crucial, as it enables the establishment of needed institutional structures and recognition of content related and institutional interrelations. Information is again a precondition for creating an efficient coordination system that is necessary for successful implementation of development policies. The integrative strategic development planning model makes it possible to bridge the gap between planning and implementation, but it does not guarantee the implementation of development policies. As a model, it provides the basis for the establishment of institutional coordination structures within which more organizations act and it provides a framework for the content focussed coordination of sectoral policies on a certain government level. It also provides an overview of interdependencies between different goals and measures. Besides structure and content, coordination of activities within organizations responsible for the implementation and among them, has to be taken into account as well.

2.5 The organizational perspective of coordination

Alexander (1995) distinguishes four different forms of coordination of activities, which can be linked to different levels and phases in managing development processes:

- *Coordination as an exchange of information* occurs in the planning phase when data is collected about the situation in different sectors and which are held by key stakeholders, with their inclusion into the planning process exchange of information is possible; this kind of coordination can be linked to informal cooperation; exchange of information is crucial during implementation, because without reporting on implemented activities, it is not possible to monitor or evaluate the impacts and success of implemented activities;
- *Operational coordination* includes also exchange of information, and occurs in the planning phase as well as in the implementation phase of development programs; this kind of coordination is based on formal cooperation and refers to concrete implementation of individual tasks; decisions are based on:
 - Hierarchical order (mandated or delegated) within the responsible organization; or
 - Contract or agreement between the responsible organization and external experts;

- *Managerial or administrative coordination* includes the previous two kinds of coordination, but occurs predominantly during the implementation phase above the operational, i.e. on the management level where decisions are made and tasks are delegated towards the operational level; this kind of coordination refers to behavior, decisions and interdependent activities of the whole organization; on this level frameworks are set up for operational decision making during implementation of programs or projects; on this governance level coordination is influenced by intra- and inter-organizational power relations that are linked to negotiation, trade and exchange of resources;
- *Anticipatory coordination* includes previous kinds of coordination and refers to coordination by plan: It is based on agreement on common goals, development of joint policies and plans for their realization, creation or transformation of institutions. It occurs on the level of policy formulation, planning and set-up of institutional structures for lower levels of inter-organizational coordination. Decisions are negotiated between involved organizations, and it refers to formalization based on partnership agreements, in which the basis for the exchange of resources and mutual relations are set. Such agreements are frameworks and the basis for coordination of activities on management and operational level. Managerial coordination includes also certain elements of anticipatory coordination, because it functions through monitoring, feedback loops and adaptation, and includes establishment of mutually agreed operational procedures, forms for information processing, action plans for those organizations that are involved creating a framework within which operational activity coordination can occur.

In accordance with coordination structures on local or regional level, e.g. in the case of development programs, anticipatory coordination is a responsibility of the representative authorities by creating collaborative cooperation with representatives of organizations (formal institutions) involved in program implementation. If a consultative body is established with representatives of key-stakeholders (e.g. Partnership council), it can act on the level of anticipatory coordination as a link between the representative authorities (e.g. local council or regional assembly, parliament) and executive authorities (e.g. mayor, county prefect and their executive body, government). Managerial coordination of activities is performed by members of the executive authorities, which actively monitor and supervise the implementation of activities on operational level. This can be done by a person responsible for coordination within the public administration or a special institution with *clearly defined mandate and resources*. Administrative departments within the responsible institution for program implementation perform operational coordination, as well as departments of other involved organizations and other experts.

Before presenting the conceptual coordination model, based on a synthesis of the above mentioned theoretical and practical approaches, and the outcomes and insights of testing it in four cases, the Croatian institutional and governance framework and sources for possible coordination problems are briefly presented in the next chapter.

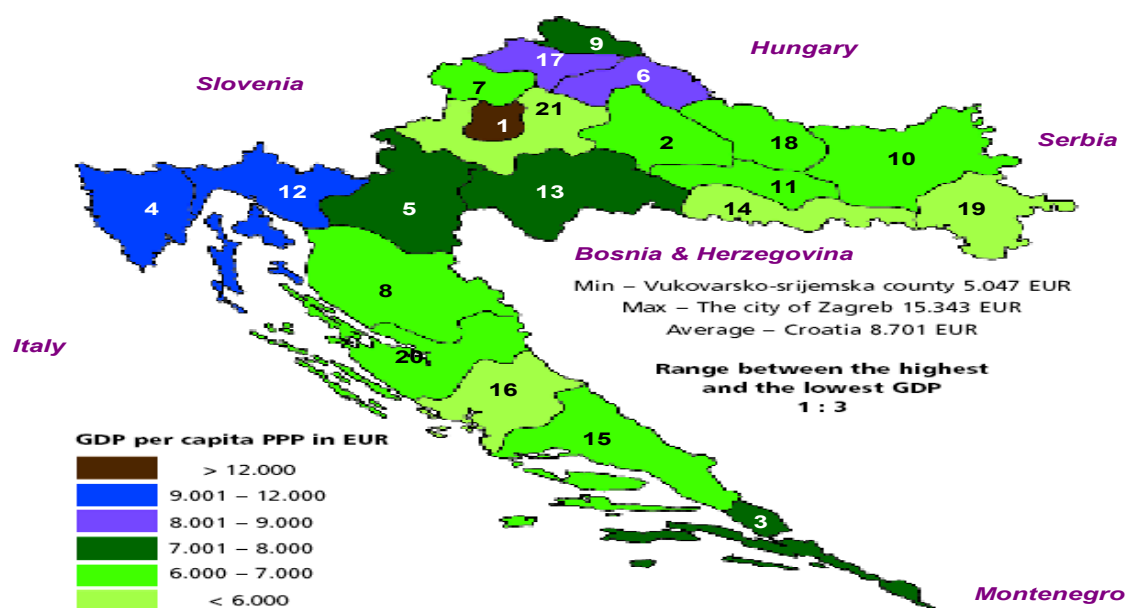
3. Coordination Problems - the Croatian Case

The issue of coordination is analyzed in a concrete development context across different spatial and governance scales in Croatia. The main insights are based on experiences in strategic development planning during the implementation of a technical assistance project financed by the German government (Deutsche Gesellschaft fuer Technische Zusammenarbeit - GTZ). Three pilot projects dealing with participatory strategic development planning on sub-regional and local level were developed and implemented in Croatia during 2001-2002.

Thereafter, in the period 2003-2004 methodological guidelines were developed for the elaboration of strategic development programs on local level (Dräger et al., 2003). *Significant coordination problems* were identified and frequently mentioned, particularly in political and institutional context. In addition, experiences from the ex-ante evaluation process of the National strategy for regional development elaboration provided deep insights into coordination problems from the supra- or above national (e.g. EU), national, regional and local levels.

The territorial-administrative structure of the Republic of Croatia, as it is today, was set up in the early 1990ties after gaining independence from former Yugoslavia. Besides the new central government level and existing local self-government units, a new regional governance level was introduced. This relatively small sized regional level is comprised of 20 counties that were formed primarily to fit the political agenda of the war torn state at that time. One third of the country was under occupation during the first half of the 1990ties and the economy has suffered significantly from the trauma of war damage. The capital city of Zagreb gained a special status of being a county and local government at the same time. Till 2001 the counties had a dual status of being self-government units as well as hosting deconcentrated branches and offices of the central government, whereby the County assemblies were elected bodies and the County prefects had to be appointed by the President of Croatia. This dual status of the counties has changed after the adoption of major changes in the Constitution and Law on local and regional self-government in 2001. The counties became separate regional self-government units, with a regularly elected county prefect and county assembly members, and administering county functions and services, as defined in the newly adopted legislation. While, independent deconcentrated offices on county or local level administer central government functions. During the past 15 years, local self-government units, comprised by (urban) cities or towns and (rural) municipalities, went through a continuous process of fragmentation, whereby the total number of local units increased from 103 in the year 1992 to 550 by the end of 2003 (CBS, 2004). A central problem to the new institutional structures is the division of functions between the “old” and “new” administrations, as well as the existence and use of relevant know-how between and within the administrations.

Picture 3.1: Map of Republic of Croatia – GDP per capita on county level



Source: Ministry of Sea, Transport, Tourism and Development, Republic of Croatia, 2005.

Though many changes are going on, especially after gaining the EU candidate country status in 2004 and opening of EU accession negotiations in 2005, Croatia still lacks *institutional capacity to create consistent and implementable* national and regional development policies. Based on this fact, it is obvious that development is not managed adequately. Development problems and growing imbalances between developed and undeveloped areas become more and more visible. In Picture 3.1 an experimental calculation of regional GDP in 2001 by counties and in the corresponding Table 3.1 basic data on local level are presented (Census 2001). According to the 2001 data, Croatia arrived only at 83% of its pre-war level of GDP in 1989 and has reached only slightly more than 40% of EU25 GDP per capita. As it is stated in the analysis of the draft National strategy for regional development (2005), the socio-economic disparities across the counties in Croatia are large and continue to widen in most cases (GDP, educational level, unemployment).

Table 3.1: Basic statistical data on local level in Croatia – Census 2001²

	County/ Town (urban centre)	km ²	Density	Regional GDP (% Share)
1	City of Zagreb - Capital city and county	640	1,217	31.0
2	Bjelovar-Bilogora/ Bjelovar	2,638	50	2.4
3	Dubrovnik-Neretva/ Dubrovnik	1,782	69	2.5
4	Istria/ Pula (Pazin-administration)	2,813	73	6.3
5	Karlovac/ Karlovac	3,622	39	2.7
6	Koprivnica-Krizevci/ Koprivnica	1,734	72	2.9
7	Krapina-Zagorje/ Krapina	1,230	116	2.5
8	Lika-Senj/ Gospic	5,350	10	1.0
9	Medijimurje/ Čakovec	730	162	2.2
10	Osijek-Baranja/ Osijek	4,149	80	5.8
11	Pozega-Slavonia/ Pozega	1,821	47	1.4
12	Primorje-Gorski Kotar/ Rijeka	3,590	85	8.1
13	Sisak-Moslavina/ Sisak	4,448	42	3.6
14	Slavonski Brod-Posavina/ Slavonski Brod	2,027	87	2.4
15	Split-Dalmatia/ Split	4,524	102	7.9
16	Šibenik-Knin/ Šibenik	2,994	38	1.6
17	Varazdin/ Varazdin	1,260	147	4.0
18	Virovitica-Podravina/ Virovitica	2,021	46	1.7
19	Vukovar-Sirmium/ Vinkovci (Vukovar-admin.)	2,448	84	2.7
20	Zadar/ Zadar	3,643	44	2.6
21	Zagreb (Ring)/ Velika Gorica (Zagreb-admin.)	3,078	101	4.8
	TOTAL Republic of Croatia	56,542	78	100.0

Source: Republic of Croatia, Central Bureau of Statistics, Census 2001; Lovrinčević, Ž. et al. (2004)

As in many other countries, political and financial power is concentrating in the capital city Zagreb. There are also numerous strategies and unimplemented development documents and programs, sectoral and general or integrated ones. But, almost no public information on their orderly implementation exists. Regardless of that various politicians regularly present big infrastructure development projects in the media. However, it is almost impossible to hear or very rarely mentioned that a certain measure or project is being implemented based on a particular strategy or program that was earlier elaborated in a participatory manner. This contributes to the perception that the Croatian government lacks development direction due to lack of adequate policy. These

² Shaded fields in Table 3.1 refer to the selected four cases in Croatia, where the coordination model was tested: the Island of Šolta in Split-Dalmatian County (15); the town of Virovitica in Virovitica-Podravina County (18); the County of Zadar (20); and the National Strategy for Regional Development on National level.

perceptions are every so often overridden by the political rhetoric that the only strategic way to go with the economy is to join the EU and everything will be solved in due time. In this context, many politicians do not see any need for a new development strategy, as everything is prescribed in detail by EU legislation. The understanding of *the need to elaborate* strategic development documents – such as a national development plan (NDP) or national strategy for regional development (NSRD), are actually perceived as externally, through the European Commission *imposed* policy frameworks that have to be implemented by the government of the acceding state. The European Commission through technical assistance funds supports the elaboration of such documents and international consultants are hired to support relevant governmental institutions. It has to be mentioned that the need for strategic guidance documents is usually proposed by government officials, professionals within the public administration, but are practically not considered by politicians. Such documents do represent fundamental documents for the absorption of pre-accession and later structural funds, which the EU has foreseen for Croatia in a certain time period (2007-2013).

4. The Coordination Model – an explanation

If development needs to be managed, because the market is not able to satisfy the needs of the society, then coordination as a systemic function of managing development activities is unavoidable. Only the term coordination is frequently mentioned, when obstacles to implementing development activities are considered. The occurrence of the coordination problem can be synthesized as follows:

- The problem of coordination occurs on the level of international development institutions' policies, as well as on the level of European policies, because of the intention to establish balances between complex and often conflicting goals (e.g. competition and cohesion policy);
- The problem of coordination occurs in development initiatives of national states, such as the Republic of Croatia, which has problems of harmonizing its development policies due to lack of adequately defined national development policies and partially defined regional development policy;
- The problem of coordination is recognized in emphasizing the importance of the institutional framework and human factor within regional development theory, which has experienced significant paradigmatic shifts from comparative and competitive advantages towards the intention to build knowledge based collaborative advantages and in the direction of integration, i.e. the sustainable development and cohesion triangles;
- The problem of coordination becomes visible through the new understanding of governance in the public sector, which is also linked to ideological shifts from considering conflicting relations between the state and the market, the neoliberal intentions of shrinking the state towards newer insights into the importance of institutions and institutional structures for a new way of networked functioning of markets and life;
- The problem of coordination is also visible in the intention to conceptualize sectoral and integrated spatial development policies, strategies, programs and plans, as well as to implement them.

Lack of coordination usually manifests in moments of analyzing success or failure of development initiatives, for which the government is held responsible. If policies, strategies, programs or plans exist, implemented fully or partially, and are regarded as bad or inadequate for successful implementation of development activities, then it becomes clear, that the question of coordination needs to be considered *before* implementation. With the aim to review the issue of coordination within public policies, it was necessary to review organizational, public administration and policy analysis theory as well as planning theory, which all deal with certain aspects of

governance and therefore with various aspects of coordination. Besides the very useful conceptual framework with different dimensions of inter-organizational coordination introduced by Alexander (1995) and numerous methodological guidelines for certain aspects of coordination, no holistic model is proposed yet that could effectively solve the problem of coordination between sectoral and spatial development policies.

The main idea of this research is to contribute to the development of a modeled solution, by introducing a coordination model based on interactions between horizontal and vertical coordination of development activities that derive from an integrative approach to development policies on different levels of government. When considering vertical and horizontal relations between development policies, coordination problems occur on the level of development goals, management and on operational level during implementation of activities.

Levels of development policy that need to be coordinated horizontally and vertically, can be explained as follows (see also graphical presentation in Table 4.1):

- *National development policies* represent the framework for *horizontal coordination* of national sectoral policies, national regional policy and national spatial development policy. These policies need to be *vertically* harmonized on national level with the needs of lower governance levels. National regional policy provides a framework for formulation of implementable development policies on regional and local level;
- *Development policies of regions* integrate *horizontally* sectoral and the spatial development policies, which need to be harmonized *vertically* with policies on higher and needs of lower levels. They are focussed on building competitive regions and balance development of local communities located in the region;
- *Development policies of local units* are comprised of sectoral policies and spatial development policy within the local unit and define development activities by neighborhoods as well as relations with the surroundings. They have to be in accordance with policies of higher governance levels and needs of citizens.

In addition to the division of development policies by tiers, another more subtle, but serious division can be proposed and which has also been entered into the coordination model. Namely, there are different forms of cooperation and participation of key-stakeholders. It is not just cooperation or any kind of participation, which is required for a successful development process. The clear distinction and understanding of the individual steps within a participatory process are very helpful in understanding the differences between formal and informal inter- and intra-institutional relations. Firstly, communication and willingness to communicate is crucial for an initial exchange of information, but also later during the implementation of development activities, good communication cultures are crucial. This can be considered as the basic form of cooperation, which can intensify during participatory gatherings and meetings. In this second case, standard cooperation and exchange of know-how can be considered. However, both mentioned forms are informal, as they are not based on any contractual arrangement or agreement. The third form of participatory interaction is collaboration. It is a formalized form of cooperation where responsibilities for actions are taken and shared.

Only when collaborative agreements are reached, coordination of development activities becomes possible and effective, because they represent a basis for real actions - i.e. programs and projects are being implemented. *In theory*, participants of the development process respect their partners and take over responsibility - only then successful coordination of activities can be expected.

Based on the general presentation of the coordination model by governance levels (national, regional and local) representing external *inter-institutional* relations (see Table 4.1), a further modification through management phases can be introduced to this generalized conceptual model (see Table 4.2). Namely internal or *intra-institutional* relations are crucial for the coordination system and by organizing the information on coordination responsibilities by development management phases that refer to *programming, implementation and monitoring*, a specific *evaluation model* is created. In this form it can serve for assessments of horizontal and vertical coordination activities and responsibilities. Included are *external and internal institutional relations and dependencies*, consensus building through *participation of key-stakeholders* organized in a broader rather *informal forum* or a narrower *management oriented or more operational arena*, which can also become a more formal institution or *Partnership body*. This model serves exclusively as a general reference framework based on which qualitative analyses and conclusions can be made. In this sense, it proved to be a very useful and broadly applicable model.

Table 4.1: The Coordination Model - by Governance Levels and Policy Sectors or Domains

Institutions	HORIZONTAL COORDINATION BY SECTORS OR DOMAINS		
VERTICAL COORDINATION of policies by government and governance levels	ECONOMY	SOCIETY	ENVIRONMENT
NATIONAL LEVEL	NATIONAL STRATEGY FOR REGIONAL DEVELOPMENT AND PROGRAM (OPERATIONAL PLAN AND ACTION PLAN)		
POLITICAL	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives
Consultative Forum – broader Partnership group	Consensus building		
MANAGEMENT	Measures	Measures	Measures
Management Arena – narrower Partnership group	Prioritization and identification of interdependencies or interrelations		
OPERATIONAL	Activities	Activities	Activities
REGIONAL LEVEL	REGIONAL DEVELOPMENT STRATEGY AND PROGRAM (OPERATIONAL PLAN AND ACTION PLAN)		
POLITICAL	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives
Consultative Forum – broader Partnership group	Consensus building		
MANAGEMENT	Measures	Measures	Measures
Management Arena – narrower Partnership group	Prioritization and identification of interdependencies or interrelations		
OPERATIONAL	Activities	Activities	Activities
LOCAL LEVEL	LOCAL DEVELOPMENT STRATEGY AND PROGRAM (OPERATIONAL PLAN AND ACTION PLAN)		
POLITICAL	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives	Goals/Priorities/ Objectives
Consultative Forum – broader Partnership group	Consensus building		
MANAGEMENT	Measures	Measures	Measures
Management Arena – narrower Partnership group	Prioritization and identification of interdependencies or interrelations		
OPERATIONAL	Activities	Activities	Activities

Source: Sumpor, M. (2005)

Table 4.2: The Coordination Model - by Internal Governance Levels and Management Phases

PROGRAMMING (A-preparation, B-analysis, C-plan, D-decision, E-preparation of implementation)		IMPLEMENTATION & MONITORING (F-current action plan, G-preparation of new action plan, H-preparation of revised program)	
POLITICAL LEVEL <i>Anticipatory coordination on the level of goals, priorities, objectives</i> - formal coordination	Horizontal coordination A, C Vertical coordination A, C Horizontal-vertical coordination A, B, D, E	POLITICAL LEVEL <i>Anticipatory coordination on the level of goals, priorities, objectives</i> - formal coordination	Horizontal coordination F, G, H Vertical coordination F, G, H Horizontal-vertical coordination F, G, H
<i>Consultative Forum – broader Partnership group</i> - informal coordination	Horizontal-vertical coordination B, C, D, E	<i>Consultative Forum – broader Partnership group</i> - informal coordination	Horizontal-vertical coordination F, G, H
MANAGEMENT LEVEL <i>Managerial or administrative coordination on the level of measures and activities</i> «Formal coordinator»	Horizontal coordination A Vertical coordination A Horizontal-vertical coordination A, B, C, D, E	MANAGEMENT LEVEL <i>Managerial or administrative coordination on the level of measures and activities</i> «Formal coordinator»	Horizontal coordination F Vertical coordination F Horizontal-vertical coordination F, G, H
<i>External experts – contracts, technical assistance</i>	A, B, C, D, E	<i>External experts – contracts, technical assistance</i>	F, H
<i>Management Arena – narrow Partnership group</i> - formalization of coordination (institutionalization of cooperation through collaborative Partnership Agreements)	Horizontal-vertical coordination C, D, E	<i>Management Arena – narrow Partnership group</i> - formalized coordination between the Management and Operational level	Horizontal-vertical coordination F, G, H
OPERATIONAL LEVEL <i>Operational coordination on the level of activities</i> - formal coordination	Horizontal-vertical coordination B, C, E	OPERATIONAL LEVEL <i>Operational coordination on the level of activities</i> - formal coordination	Horizontal coordination F Vertical coordination F Horizontal-vertical coordination F, G, H

Source: Sumpor, M. (2005)

5. Coordination tested in Croatian Cases and Conclusions

5.1 Evaluation of strategic development planning in four Croatian cases based on the Coordination model

In order to assess the four Croatian cases on the basis of the coordination model, it was also necessary to formulate a detailed assessment framework with the most relevant questions with regard to horizontal and vertical coordination that need to be addressed during the assessment process. In all four cases, development programs were elaborated with the support of external experts and according to contemporary strategic planning approaches. Integral situational analyses (quantitative data analysis and qualitative SWOT analyses) of major development sectors (economic, social, environmental, spatial and institutional) based on the concept of sustainable development were conducted in the cases of Šolta and Virovitica. While in the other two cases (national and regional) only socio-economic analyses were undertaken. Assessment of institutional structures

was done in all four cases, however, qualitative elements and institutional interdependencies, internal and external, formal and informal, were generally neglected. Consultations and participatory workshops were organized in all four cases, but occurred in different stages and for different purposes. For example: In Šolta and Virovitica consultations were organized after the finalization of the situational analyses (individual meetings took place during the information gathering phase) in order to jointly identify key problems, goals and priorities. Consultative discussions were broadly organized throughout the country for the purpose of elaborating the National strategy for Regional Development of the Republic of Croatia. In the Zadar County consultations were used quite late in the program elaboration phase, but quite regularly during the implementation phase for preparing project pipelines, because the European commission had funds immediately available for the financing of first activities. The assessment results were presented in tables structured in the same way as in the presented model. Below summaries and general conclusions for the four assessed cases are presented.³

a) The draft National Strategy for Regional Development of the Republic of Croatia (NSRD)

The biggest incentive to more seriously accept the need for a consistent medium to long term national development policy and regional development policy came with the promised financial support from the European commission (EC) for the accession process of the Republic of Croatia towards the EU. One of the preconditions for using pre-accession and later structural funds is the building of absorption capacity of Croatian institutions, which is only possible through coordinated action based on adequately conceptualized development programs. In this context, the Republic of Croatia has expressed its need to elaborate a National strategy for regional development, as well as the related uniform Law on regional development. The elaboration process started in 2003 with EC technical assistance support financed from the CARDS program for Croatia. The draft strategy was finalized in autumn 2005, while adoption of the strategy and law by the government and parliament is still expected (probably the second half of 2006). Therefore, regional development policy is still being implemented as before, based on partial laws targeting specific undeveloped or war torn areas.

An initial idea at the time of NSRD elaboration was also that from the same funds technical assistance for the elaboration of the National development strategy (NDP) will be financed, in which the main national development goals, regional and sectoral, would be integrated. The elaboration process was supposed to start in mid 2005 and go on for two years. This was postponed upon political decision and instead of this strategy, a strategic reference framework is elaborated of shorter duration and narrower scope, i.e. to create a strategic concept for the use of EU pre-accession fund only. Still, the elaboration of a National development strategy is politically seen only as an instrument for future European structural funds, which will become for Croatia important when finally joining the EU (*expected in 2009-10*).

Since the NSRD was a draft version and still in the programming phase, only that part of the process was assessed on the basis of the coordination model. The programming approach as well as the mode of recognizing institutional interdependencies and future institutional structures, including the key elements of the future implementation, was assessed. On the basis of the reference framework established by the coordination model some conclusions are presented here. External experts emphasized the need to establish institutional structures

³ A detailed presentation of the four cases and respective assessment results based on the coordination model are not presented in this paper, but are an integral part of the Doctoral dissertation (Sumpor, 2005).

and create conditions for strengthening the absorption capacity of the Croatian public administration, to a great extent the institutional dimension of the interaction of horizontal and vertical coordination is taken into account. It can be expected that concrete coordination problems will occur when the content related dimension is considered during the formulation of the Action plan, as well as the goals, measures and activities within the proposed programs. The content related dimension that is usually linked to regional development issues is not recognizable in this document. This leads to the conclusion that horizontal institutional relationships were not considered sufficiently. It is not clear what the government actually wants to enable with this policy - besides better administrative structures for easier flow of funds? Which goals and objectives shall be followed by interested parties on other levels of government and in which direction shall they act? It seems that the content related issues are left to some other new programs or projects. Therefore, despite the complex institutional structure introduced with this project and by formally respecting the partnership principle, still a predominantly vertical influence of the governmental hierarchies can be felt. Collaborations are not directly built in this process, while formalization through collaborative Partnership agreements between the county self-governments and the Croatian Government is proposed in the draft Regional development law. Also, a strong international influence on formulating very broad national goals and objectives is present. This is for example visible in the following formulations: *Objective 1 - "All counties and wider regions are able to contribute to sustainable development and national competitiveness and decrease social and economic disparities in the country"; Objective 2 - "An efficient regional development management framework is introduced by the year 2013".*

Since the formulation of the new national regional policy, based on recommendations of European experts, is directed towards providing an enabling framework on national level (from the top down), the proposals of the content related part is expected from the lower levels (from the bottom up). Therefore, it will be very important in the future; that lower levels of government will also be able to express their real and concrete needs through adequately elaborated development programs.

b) The Regional Operational Program (ROP) of the Zadar County

The Regional Operational Program of the Zadar County is the first strategic program that was elaborated in accordance with principles and the methodology recommended by the European commission and with international technical assistance (UNDP-UNOPS and EC). The initiation of the consultative process and realization of cooperation in working groups represented a special challenge for the County. Special attention had to be provided for the identification of the real interested partners, and inclusion of a sufficient number of stakeholders, in order to achieve an adequate representation, while constraining at the same time the involvement, as to keep the process efficient. It was recognized that the culture of dialogue (communication) between governmental and non-governmental interest groups is not developed sufficiently. In this process, the County tried to keep the consultation process going, however, admitted that this is a learning process for them as well that will continue also during the implementation phase.

The assembly of the Zadar County adopted the ROP in December 2003 and became thereafter an official County development document for the period 2004-2010. However, the program was not implementable in the first year, because the operational plan was only defined up to the level of measures and a tentative list of possible actions was prepared that could have been implemented within this framework of measures. It was recognized that for the implementation of the ROP the county did not provide any funds from the annual budget in the first year and

too many priorities were defined. A second technical assistance team, i.e. EU financed external experts, was engaged in supporting the county during the first phase of ROP implementation from mid 2004. This team identified after the ex-ante evaluation shortcomings of the program and proposed immediately to revise the ROP during 2005. Implementation mechanisms had to be created and a Regional partnership was formally established. The formal coordinator for the ROP implementation remained the same person within the County administration as in the programming phase, and is also the main responsible for the Partnership Group.

c) The Sustainable Island Development Program (SIDP) of the Island of Šolta

The Sustainable Island Development Program (SIDP) of the Island of Šolta was the first formally adopted multilevel governance development management instrument and first development document of that sort elaborated for Croatian islands. The elaboration started in 2001 based on the initiative and within the project *"Consultations in regional development planning in Croatia" (first phase 2001-2002)*, which was financed by the German government and implemented by the Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) in cooperation with the Institute of Economics, Zagreb (EIZ). The initiative to elaborate the program with the support of international and domestic experts was well accepted by the local self-government. One of the central goals of the project was to provide technical assistance to the Croatian government and its institutions in regional development planning. The initiation of elaborating the SIDP for Šolta represented direct support to the main partner of the above mentioned project, the former Ministry of public works, development and construction, in the implementation of the National Island Development Program in 1997 and the Island Act adopted in 1999 (changes in 2002). According to the Island Act, the mentioned ministry was responsible to initiate the elaboration process of overall 26 SIDPs, including the Island of Šolta, as well as 14 sectoral State Programs for Island Development (SPID). The mentioned programs (40 in total) have to be adopted by the Government of Croatia, as Islands are areas of special state interest. Accordingly, the national institutional, legal and programming framework for the implementation of National Island Development Policy was created already in 1997, interestingly without special foreign assistance. However, regulations for the implementation of this policy were missing, which would make the stipulations in the Island Act operational. In this context, the initiation of the SIDP elaboration for Šolta was a pilot project that was consciously accepted by the ministry after the program was elaborated. The experiences gained through the strategic development planning process in the case of the SIDP Šolta during 2001 represented the methodological basis for the preparation of further program elaboration regulations and procedures⁴.

Despite the formal state interest, island development based on programming was not on a high rank on the list of national political priorities. This was one of the main reasons why the Municipal Council of Šolta has adopted the SIDP for Šolta in February 2002 and the Government of Croatia in November 2003. This has also negatively influenced the initially very positive expectations of the authorities and citizens on the Island of Šolta. In the meantime, during the second phase of the technical assistance project implemented by the GTZ and EIZ (2003-2005), the direct support was directed towards the Directorate for Sea, part of the new Ministry for Sea, Transport, Tourism and Development (since 2004), in initiating the elaboration of all remaining development programs on state and island level. By the end of 2005 all draft programs were ready, while adoption by the

⁴ Decree on content and program elaboration methodology for sustainable island development programs adopted in 2002.

Government is postponed on regular basis, due to various (political) reasons. Despite the weaknesses that derive from the insufficient organizational and fiscal capacity of the municipality of Šolta, as well as the weakly functioning system on national level regarding Island development policy, the SIDP of Šolta is being implemented - not completely, but at least within the given circumstances and possibilities.

d) The Strategic Development Program of the Town of Virovitica

In the introduction of the strategic development program of the town of Virovitica, it is stated *that "at the beginning of 2001 the Executive body of the town of Virovitica has put forward the conclusion (decision) on the elaboration of a long-term strategic development program, which will enable all development stakeholders of the town to reach an agreement on the future direction of development, and the executive body of the local authorities of the town of Virovitica will have directions for the most efficient and adequate projects, activities and investments"*. It is also stated, that the program was elaborated with technical assistance project financed by the German government and implemented by the GTZ and EIZ. However, it has to be stressed, that the initiative to elaborate the strategic document for Virovitica actually came from the experts engaged in the mentioned project. The experts used in the elaboration process modern strategic development planning approaches that ensured also participation of various interest groups of the town. Even though, Croatian legislation does not require strategic development planning on local level, the mayor and executive body did accept the elaboration of the program with external technical assistance. In this context, the strategic development program was elaborated and was supposed to represent a new framework for development policy in the town of Virovitica, as well as a basis for coordinating development activities in the territory of the town.

Unfortunately, this program never gained the opportunity to become a development management instrument of the local government. It was elaborated in a period of significant political instability in the town. At the same time when the executive body of the town and town council were adopting the program, an opportunity to dismiss the acting mayor was being prepared secretly. The beginning of the elaboration process was characterized by the first change of government, due to formal local elections in 2001. While by the end of 2002, the same year when the strategic development program was adopted, early elections were announced. The new local government did not accept the Program (*lack of ownership*), even though the new mayor voted for it, when he was a representative of the local council in the same town in 2002.

The adopted program was for a while available on the official web pages of the town. However, soon after the early elections at the end of 2002, almost the entire managerial level of the town administration was dismissed and new web pages were created. The new local government had its own development concept and did not refer anymore to the adopted long-term strategic development program of the town.

5.2 Conclusions after Evaluating the Four Croatian Cases based on the Coordination Model

In all four cases the presented coordination model in Table 4.2 was used as a reference framework, as well as general criteria for distinguishing various elements of vertical coordination, horizontal coordination and their interaction in certain steps and actions during the respective programming, implementation and monitoring phases. This reference framework was sufficiently flexible to allow that the four cases at very different levels of governance could be assessed. Interestingly, the intra-institutional structure or internal vertical hierarchies were differing in all cases, while in the easiest case - the town of Virovitica, the Program is not being implemented

and in the most complex one - the SIDP for Šolta is being implemented. The main insight was that it is not possible to draw a clear distinctive line between the internal levels, as due to political influences these lines do shift because the responsible persons have double roles, e.g. managerial and political, political and operational.

Based on the evaluation of the draft National Strategy for Regional Development of the Republic of Croatia through the coordination model, it can be concluded, that the institutional dimension of coordination was taken into account. However, the strategy did not recognize the content related dimension, which is usually related to issues of regional development. Despite the presence of the partnership principle, the dominance of the central government and international institutions is visible through the dominance of vertical institutional structures and proposed definitions of national development goals. The national regional development policy is focussed on providing a framework on national level, which will enable lower levels to propose the content related part of the regional policy. In this way an acceptable framework is created that will allow for horizontal as well as vertical coordination of development activities. Formulation of regional and local development programs will be supported, in *which own endogenous development potentials* will be recognized and development needs clearly identified. In this way, a basis is created for the harmonization of development policies along the vertical lines, from the bottom towards the top. Also, clear information will flow about needed help from lower levels, to which the national and international level can directly respond with financial or technical support, and adequate legal and administrative changes. Overall, on national level there are significant weaknesses in horizontal coordination (*lack of power*) and clear presence of strong hierarchical vertical coordination (*financial resources*).

After evaluating the cases of the Zadar County, the Island of Šolta and town of Virovitica, based on the structured assessment instrument - the coordination model, the following can be concluded: On regional and local level horizontal coordination seems easier than on national level due to less complex institutional structures and greater interest or need to share information. However, significant problems occur in taking over responsibilities and certain weaknesses can be identified in vertical coordination, which is strongly influenced by political relations. Further, it can be concluded that it will be important to invest in the future also in institutional capacity building on local and regional levels. This also refers to creating new and applicable knowledge within the local academic and consultancy community. Only with knowledge and openness, i.e. willingness to cooperate, and will to build a democratic and tolerant way of life and functioning, lower levels of government will be able to express their real and concrete needs through adequately elaborated development programs. Since this is an evolutionary question, it is clear that therefore time will be necessary.

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