



Sveučilište u Zagrebu

Fakultet političkih znanosti

Mijo Bežovan

**UTJECAJ POSLOVNIH SAVJETNIKA NA
APSORPCIJSKI KAPACITET JEDINICA
LOKALNE SAMOUPRAVE U KORIŠTENJU
EUROPSKIH STRUKTURNIH I
INVESTICIJSKIH FONDOVA (2014. – 2023.)**

DOKTORSKI RAD

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Mentori:

Prof. dr. sc. Igor Vidačak

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**INFLUENCE OF BUSINESS CONSULTANTS ON
THE ABSORPTION CAPACITY OF LOCAL
SELF-GOVERNMENT UNITS IN THE USE OF
EUROPEAN STRUCTURAL AND INVESTMENT
FUNDS (2014. – 2023.)**

DOCTORAL THESIS

Supervisors:

Prof. dr. sc. Igor Vidačak

Dr. sc. Jakša Puljiz

Zagreb, 2025.

Sažetak

Disertacija istražuje utjecaj poslovnih savjetnika na apsorpcijski kapacitet jedinica lokalne samouprave (JLS) u Hrvatskoj prilikom korištenja Europskih strukturnih i investicijskih (ESI) fondova. Polazeći od teorijskih okvira europeizacije, kohezijske politike i upravljačkih kapaciteta, rad se usmjerava na mikrorazinu provedbe politika, analizirajući kako institucionalni kontekst i angažman vanjskih aktera oblikuju sposobnost lokalne razine vlasti da koristi raspoloživa sredstva u kontekstu provedbe kohezijske politike. Vođeno pragmatizmom kao paradigmom koja je prikladna za eksplorativna istraživanja, istraživanje se usredotočuje na praktična pitanja i međupovezanost između institucionalnih uvjeta, aktera i procesa, s ciljem razumijevanja konkretnih učinaka angažmana poslovnih savjetnika na apsorpcijske kapacitete lokalne samouprave.

Kroz metodološku triangulaciju, koja uključuje kvalitativne i kvantitativne metode, te podatkovnu triangulaciju, analizirani su obrasci suradnje, razlozi angažiranja savjetnika i njihov utjecaj na razvoj kapaciteta lokalne samouprave. U okviru kvantitativne analize dodatno je razvijen kompozitni indeks upravljačkog kapaciteta koji omogućuje preciznije mjerenje institucionalnih sposobnosti gradova i općina u pripremi i provedbi EU projekata. Nalazi ukazuju na izražene razlike među JLS, ograničene učinke europeizacije na operativnoj razini te na ambivalentnu ulogu savjetnika koji, s jedne strane, nadomještaju institucionalne slabosti, a s druge mogu ograničiti autonomni razvoj lokalne uprave. Disertacija time pridonosi znanstvenoj raspravi o međuodnosu moći, znanja i institucionalnih kapaciteta u višerazinskom sustavu vladavine, te nudi preporuke za javne politike koje u većoj mjeri uzimaju u obzir stvarne izazove i resurse lokalne razine vlasti. Istraživanjem se dodatno ukazuje na potrebu za dubinskim restrukturiranjem sustava lokalne i područne (regionalne) samouprave, s ciljem jačanja njezine funkcionalnosti u svrhu provedbe kohezijske politike.

Ključne riječi: Europeizacija, kohezijska politika, jedinice lokalne samouprave, poslovni savjetnici, upravljački kapacitet, apsorpcijski kapacitet, ESI fondovi, Hrvatska

EXTENDED SUMMARY

Summary of the doctoral dissertation written in Croatian

The importance of the European Structural and Investment Funds (ESI Funds) as the main instrument of the European cohesion policy has underscored the need to understand the capacity of local self-government units (LGUs) to effectively manage the available resources. In the context of Croatia: characterised by pronounced regional disparities, significant demographic decline, and limited fiscal capacities at the local level, the ability of LGUs to participate in the utilisation of ESI Funds has become a key precondition for balanced development, social cohesion, and territorial integration. For many cities and municipalities, ESI funding represents a rare development opportunity, making the efficiency of managing these resources a critical factor distinguishing stagnation from progress at the local level. The successful absorption of ESI Funds depends on local capacities, whose uneven distribution amplifies existing social and territorial inequalities. Ensuring equal access to development resources and the ability to absorb them not only affects the success of European integration but also enhances resilience to contemporary challenges and improves the quality of life for all citizens, making this topic highly relevant within current debates on regional development, decentralisation, and the sustainable future of local communities.

Europeanisation, as a multidimensional process through which the European Union influences its member states, provides a key framework for understanding institutional transformations, particularly in the field of public administration. It represents a dynamic and often asymmetric phenomenon that involves the transfer of EU norms, rules, and values into national systems, as well as the interaction of local specificities with European imperatives (Börzel & Risse, 2000; Radaelli, 2003). In administrative terms, Europeanisation implies the adoption of European administrative standards and the development of a European administrative space, where public administration shifts from hierarchical structures to project-oriented and results-driven models within a multilevel governance system (Marks, Hooghe & Blank, 1996; Bache & Flinders, 2004). The process of Europeanisation is not automatic but is strongly mediated by domestic political contexts and institutional capacities, which often results in formal compliance without substantive transformation. In the Croatian context, Europeanisation-related reforms frequently remain superficial, marked by politicisation, institutional fragmentation, and resistance to change (Vidačak & Škrabalo, 2014; Koprić, 2019; Petak & Kotarski, 2019). Despite EU membership, the Croatian public administration system

demonstrates a limited capacity to absorb European policies due to its transitional legacy and entrenched clientelism. Compared to other new member states, Croatia has implemented institutional reforms more slowly and inconsistently, with Europeanisation often manifesting at a symbolic rather than structural level (Koprić, 2019). This underscores the importance of examining Europeanisation not only as a legal or administrative process but also as a managerial one that significantly shapes the effectiveness of ESI Fund utilisation.

Cohesion policy represents a key mechanism for achieving territorial, economic, and social convergence among EU member states and their regions, with LGUs playing a crucial role in the implementation of development interventions financed through ESI Funds, in line with the principle of subsidiarity. The effectiveness of this policy largely depends on the ability of LGUs to identify development needs, articulate them through project proposals, and implement them efficiently in accordance with established rules. In transitional countries such as Croatia, where regional inequalities are deeply rooted and institutional capacities often uneven and insufficient, the role of LGUs within cohesion policy goes beyond technical implementation and serves as an indicator of broader developmental progress and democratic maturity. The quality of local governance thus plays a decisive role in the effectiveness of public policies, as low levels of institutional capacity characterised by: clientelism, weak professionalisation, and poor coordination, can significantly diminish the developmental impact of investments (Rodríguez-Pose & Garcilazo, 2015). LGUs are not merely beneficiaries of ESI Funds but also drivers of local transformation, and their effectiveness in utilising these funds determines how local communities approach development opportunities.

A distinct part of the research focuses on the elaboration of the managerial capacity of LGUs for the preparation and implementation of EU-funded projects, starting from the need to understand the underlying factors that determine the ability of local authorities to effectively utilise available resources. The ability of member states to absorb ESI Funds is commonly assessed through the concept of absorption capacity, which consists of three key components: administrative, financial, and macroeconomic. This dissertation places particular emphasis on the administrative dimension, understood as the capacity of public authorities to plan, coordinate, implement, and monitor projects, while maintaining adequate human resources, organisational structures, systems, and tools (Šumpíková, Pavel & Klazar, 2003). In this research, the concept of administrative capacity is expanded to include elements of policy capacity (Wu, Ramesh & Howlett, 2015), with an emphasis on operational skills developed

and manifested at the organisational level. This broadens the theoretical notion into a more comprehensive concept of managerial capacity as developed throughout the dissertation.

Within the analysis of managerial capacities, it is essential to understand the role of business consultants who act as external actors in the process of ESI Fund absorption. Their function extends beyond providing technical support to include strategic advising, mediation in decision-making, and shaping development priorities, thereby entering a sphere of influence that raises questions of responsibility redistribution, institutional dependency, and democratic accountability. The theoretical concept of consultocracy, which emphasises the dominance of business consultants in public sector management, highlights the risks of weakened public capacities and reduced political responsibility (Hood & Jackson, 1991; Ylönen & Kuusela, 2018). From a network governance perspective, consultants become key nodes within horizontal governance networks, participating in the redistribution of power between public and private interests. Several authors warn of the erosion of institutional autonomy in the public sector caused by excessive reliance on external expertise (Ylönen & Kuusela, 2018; Mazzucato & Collington, 2023). Nevertheless, certain approaches point to the potential for constructive collaboration, particularly in institutionally weak environments (Painter & Pierre, 2005), where consultants can contribute to building local competencies and advancing the Europeanisation of managerial practices (Grabbe, 2001). The contribution of business consultants largely depends on the form of collaboration: participatory models can strengthen institutional resilience, while purely technical, closed forms of engagement increase the risk of dependency and weakened control.

Research aim

The overarching aim is to examine how business consultants affect ESI absorption by Croatian LGUs, with a particular focus on the development of their managerial capacities.

Research objectives

1. Clarify and operationalise the concepts of absorption capacity and managerial capacity in the ESI Funds context.
2. Design an analytical framework and original index to measure LGUs' managerial capacity for EU project preparation and implementation.

3. Test the relationship between managerial capacity and ESI absorption at the LGU level.
4. Examine why LGUs use external collaboration for EU projects.
5. Analyse how consultants construct and enact their professional role when working with LGUs.
6. Assess how collaboration with consultants and regional development agencies affects LGUs' absorption outcomes.
7. Evaluate how collaboration with consultants influences the development of LGUs' internal managerial capacities.
8. Analyse consultants' influence on LGUs' operational decision-making during project preparation and implementation.

Research questions

1. Which skills and organisational competences are critical for successful preparation and implementation of EU-funded projects in LGUs?
2. How do business consultants construct and enact their professional role when collaborating with LGUs?
3. What are the main reasons LGUs use external services for EU projects, and what experiences do they report with each?
4. How does collaboration with consultants influence LGUs' managerial capacity development and their operational decision-making during EU project preparation and implementation?

Hypotheses

H1 Most Croatian LGUs face shortages of in-house human resources for EU project preparation and implementation.

H2 Larger, more developed and fiscally stronger LGUs exhibit higher managerial capacity.

H3 LGUs with higher managerial capacity achieve greater ESI absorption.

H4 Smaller and fiscally weaker LGUs rely more frequently on consultants and regional development agencies.

H5 LGUs use consultants more often than regional development agencies for EU project preparation and implementation.

H6 The most common reason for hiring consultants is a lack of internal staff capacity.

H7 More frequent use of consultants and regional development agencies is associated with higher ESI absorption.

H8 More frequent reliance on consultants and regional development agencies is associated with lower internal managerial capacity.

Methodology

The methodological approach is based on pragmatism, which allows for the flexible combination of quantitative and qualitative methods to achieve a comprehensive understanding and explanation of complex institutional relationships. The research was designed as exploratory-explanatory, first aiming to qualitatively identify key patterns and then quantitatively test the assumptions regarding their interrelations. Rather than relying on a single type of data or analytical framework, the pragmatic approach enables the analysis to be grounded in diverse sources and levels, with an emphasis on the usefulness and applicability of findings. This approach is particularly suitable for studying multi-layered processes, such as the interplay between the managerial capacities of LGUs and their use of external actors' services. The research also employed methodological triangulation, which included the analysis of financial data from official sources, a survey conducted among LGUs, and semi-structured interviews with representatives of LGUs and business consultants. The applied model enabled the linking of systemic indicators with individual experiences, thereby increasing both the analytical depth and reliability of findings and generating insights that go beyond the reach of individual methodological approaches (Toshkov, 2016).

The qualitative part of the research is based on 27 semi-structured interviews conducted with representatives of LGUs and business consultants actively involved in the preparation and implementation of EU-funded projects. The sample of interviewees was formed through purposive selection, aiming to capture a diversity of experiences, institutional contexts, and

levels of development within the administrative system of local self-government in the Republic of Croatia. One LGU was selected from each of the twenty Croatian counties (excluding the City of Zagreb). Particular attention was paid to ensuring a balance between smaller and larger LGUs, as well as the inclusion of LGUs representing different categories of development index levels. This approach ensured institutional, territorial, and developmental diversity, allowing for a more comprehensive and systematic understanding of the research challenges addressed in this study. The interviews were conducted with representatives of LGUs or related institutions (such as local development agencies) who are directly involved in EU project-related activities, regardless of their formal position (e.g. mayor, municipal head, department head, unit manager, or administrative officer).

An additional seven interviews were conducted with business consultants who have experience working with LGUs from various parts of Croatia. In selecting the consultants, attention was given both to the geographical scope of their engagements and to the diversity in the size of the LGUs they had collaborated with, ranging from the smallest municipalities to large cities. The sample included individuals operating as independent consultants as well as those employed in larger consulting companies, including international corporations. Some of the interviewed consultants had previously worked within LGUs or in state institutions related to the management of ESI Funds, which further enriched the depth and multidimensionality of the insights obtained. This composition of the interview sample enabled a comparative analysis of different experiences and perspectives, aiming to achieve a more comprehensive understanding of how business consultants influence the absorption capacities of LGUs and how such collaboration is constructed and perceived in practice.

The quantitative component of the research is based on two main data sources: official financial and statistical databases, and data collected through a survey. The first source includes the financial reports of local LGUs available through the Ministry of Finance of the Republic of Croatia (consolidated LGU budgets), as well as aggregated demographic and economic indicators from the Croatian Bureau of Statistics, which were used to calculate variables related to fiscal capacity, size, and level of development of LGUs. Additionally, in order to obtain reliable and up-to-date data on the use of ESI Funds, an official request was submitted to the Ministry of Finance for information on the amounts withdrawn by individual LGUs from ESI Funds in the period from 2014 to 2023. In response, the Ministry provided a consolidated table

containing the relevant financial data by unit, thereby enabling the construction of an empirically grounded and quantitatively measurable variable of ESI fund absorption.

The second source consists of data collected through a structured online questionnaire distributed to all LGUs in Croatia. At the beginning of 2024, a pilot version of the questionnaire was developed and distributed in order to test the clarity of the questions, the suitability of the format, and the functionality of the online form. Feedback from a smaller number of LGUs was used to refine specific formulations, remove ambiguities, and better align the questionnaire with the operational definitions of the concepts used. This process further ensured the validity and reliability of the research instrument. The final version of the questionnaire was distributed via email, in several rounds, to the official addresses of all LGUs, using a manually compiled and regularly updated address list based on data from the official websites of cities and municipalities. The message was sent on behalf of the researcher, a doctoral candidate at the Faculty of Political Science, University of Zagreb, and contained a link to the online survey along with a cover letter clearly stating that the data were collected solely for academic purposes and that all responses would be processed anonymously. The letter emphasised that no individual data revealing the identity of any specific city or municipality would be published in reports, scientific papers, or presentations. Respondents were invited to have the questionnaire completed by a person directly involved in the preparation and implementation of EU projects, in order to ensure the relevance and accuracy of responses.

The questionnaire was distributed via email to the official addresses of all 555 LGUs, with the City of Zagreb excluded from the distribution due to its specific administrative status. According to the legal framework, the City of Zagreb is not classified as an LGU in the strict sense but has a *sui generis* status, simultaneously performing the functions of both a city and a county. The distribution of the survey was carried out in several waves during 2024, with the aim of maximising the response rate and ensuring the representativeness of the sample. The questionnaire was designed in line with the objectives of the research, with the intention of enabling the operationalisation of key concepts such as managerial capacity, the extent of reliance on external experts (business consultants and regional development agencies), and experiences in the preparation and implementation of projects financed through ESI Funds. It consisted of a total of 18 questions, predominantly closed-ended, constructed in nominal, ordinal, and scalar formats, including multi-level Likert scales. The questionnaire was created

and administered using the SurveyMonkey platform, while data were collected anonymously and exported in .xlsx format for statistical processing in IBM SPSS.

A total of 213 valid questionnaires were collected, representing a response rate of 38.38%. The survey was completed by 65 cities, accounting for 50.70% of all cities in the Republic of Croatia, and by 148 municipalities, representing 34.66% of the total number of municipalities. This sample can be considered highly satisfactory in the context of research aimed at generalising results, particularly given that it exceeds the average response rate of 35.7% identified by Baruch and Holtom (2008: 1139) in their comprehensive review of 1,607 studies analysing response trends and levels in research involving organisations as units of analysis. The obtained sample includes all size categories of local self-government units LGUs, ranging from small municipalities to medium and large cities, as well as all levels of the development index, from level 1 to level 8, thereby ensuring a representative sample and a broad range of institutional and organisational experiences.

Conclusion

The research findings confirm that the institutional characteristics of Croatia's system of local and regional self-government have an adverse effect on the developmental capacities of LGUs, particularly in the context of utilising ESI Funds (Đulabić, 2014; Koprić, 2019; Puljiz, 2020). The existing system, characterised by a large number of small and staff-limited units, has resulted in structural constraints that prevent many municipalities and cities from independently participating in the preparation and implementation of EU-funded projects. This capacity gap has created a market space for business consultants, private-sector actors operating within the public domain, who have assumed roles that should otherwise be performed by LGU employees and public institutions such as regional development agencies. The research revealed that cities and municipalities engage business consultants to a much greater extent than regional development agencies, even though the latter were established precisely to provide professional assistance at the local level, indicating a lack of institutional Europeanisation.

This finding also points to a significant shift in governance practices involving a redistribution of power in the operational dimension of ESI Fund implementation in Croatia, where the private sector is increasingly assuming the role of intermediary. The transfer of trust from institutionally established mechanisms to market-mediated forms of professional support not

only raises important questions regarding the sustainability, efficiency, and equity of such a model but also highlights an ongoing process of the gradual privatisation of public knowledge (Ylönen & Kuusela, 2018), whereby the expertise necessary for the implementation of development policies is increasingly concentrated in the hands of actors operating outside the public administration system.

One of the key findings of this research shows that many LGUs in Croatia lack sufficient human resources even for the preparation and implementation of simpler EU-funded projects, while the capacities required for managing complex projects are mostly concentrated in larger urban centres. The shortage of qualified personnel is not merely a technical obstacle but reflects a broader lack of Europeanisation at the institutional level and structural weaknesses within the organisation of the local and regional self-government system, which remains characterised by a high degree of territorial fragmentation and insufficient functional integration. In the context of EU development policies, this situation leads to unequal opportunities among LGUs to access and utilise available resources, thereby deepening regional disparities over the long term. The practical implication of these findings is the need for a comprehensive reform of the local self-government system, which would include reducing administrative fragmentation, strengthening cooperation, and functionally integrating smaller units. Such a structural reform of local self-government emerges as a necessary precondition for achieving balanced territorial development and for more effective mobilisation and utilisation of the development resources provided by the ESI Funds.

The research makes several important scientific contributions in the fields of political science, public administration, regional development, and EU fund management. First, it develops a composite index of managerial capacities of LGUs, which innovatively integrates organisational, human resource, and functional aspects of institutional readiness for managing EU-funded projects. This creates a foundation for the further operationalisation of the concept in quantitative analyses within the context of cohesion policy implementation. Second, the research provides an empirically grounded analysis of the role of business consultants as external actors in local development, presenting them as part of the broader institutional dynamics underpinning cohesion policy implementation. A particular contribution lies in the qualitative analysis of consultants' professional roles and their perceptions of relationships with LGUs, enriching existing literature that has largely treated them as anonymous executors of technical tasks. Finally, the research contributes to a deeper understanding of the

Europeanisation of local administration in the context of newer EU member states, demonstrating that formal institutional adaptation does not necessarily lead to genuine capacity building. On the contrary, when ineffective, it may result in the creation of dependency on external actors.

Keywords: Europeanization, cohesion policy, local self-government units, business consultants, managerial capacity, absorption capacity, ESI Funds, Croatia