

WHAT MODEL OF GOVERNANCE DOES THE EUROPEAN UNION PROMOTE IN SOUTH EAST EUROPE?

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The article aims to describe the specific model of governance that the European Union (EU) is promoting in South East Europe (SEE) through its Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme. The CARDS programme is tied closely to both the Stabilisation and Association process (SAP), and European Union accession, which are well-established political priorities in the region. An important consequence of this is that the EU's programmes have extensive *a priori* influence. Recipient governments tend to accept more readily the objectives pursued through CARDS, than they do the objectives of other donors whose assistance is disconnected from these processes.¹

Precisely because of this heightened impact, it is important, both for SEE recipients and for the EU itself, to understand the exact nature of the goals being promoted. However, the language used by the European Commission in the CARDS Agreement and strategy papers is relatively general and often opaque. The theoretical foundations of each objective are also not recounted in the texts and, yet, they are vital to the broader political, social and economic structures that the EU is attempting to build.

The European Union pursues relatively few objectives based on the fundamental character of the political system, such as the Parliamentary or Presidential character of the system. This is a common trend in political aid, as such characteristics are determined primarily by internal mechanisms and actors.² Instead, in the political field, EU assistance centres on four broad goals: promoting a government that is democratic, observant of human rights, under the rule of law and one that adheres to the principles of good governance.

This article focuses solely on the good governance aspect of EU political aid. It outlines the particular form of governance that the European Union is promoting in the region. In order to achieve this, a framework of governance will be outlined looking at the core features that constitute it. Specifically, by using data from the multi-indicative programmes and evaluations of EU assistance, the paper will highlight the particularities of and theoretical assumptions behind the European Union approach to governance in the region.

¹ Development Network Researchers Consortium. 2000 «Synthesis Report: Evaluation of the Assistance to Balkan Countries under CARDS regulation 2666/2000», p.34.

² See Peter Burnell, ed., *Democracy Assistance: International Cooperation for Democratisation*, London, Frank Cass, 2000; and Thomas Carothers, *Aiding Democracy Abroad – The Learning Curve*, Washington DC, Carnegie Endowment for International Peace, 1999.

At the broadest level, good governance has been understood through two different lenses: the first, a narrow approach limits the concept to the production of effective and efficient policy outputs. The second conceptualisation is broader than the first. It also includes the accountability that democratic institutions bring to an effective and efficient executive. The dual conceptualisation of good governance is a result of the different approaches taken by donors and the concepts relative novelty.

The World Bank, mainly because of its restrictive mandate, has applied the narrow understanding of good governance. It understands governance as the political, administrative and economic power in the administration of public affairs, and good governance as the effective execution of this power. World Bank good governance projects, therefore, have included work to improve public sector management, develop executive capacity and to create a legal framework for developing and enhancing transparency.³ The other member of Bretton Woods system, the International Monetary Fund (IMF), similarly, delineates a strictly narrow definition including the «economic aspect of governance, namely the transparency of government accounts, the effectiveness of public resources management, and the stability of the regulatory environment for private sector activity».⁴ Nelson and Eglinton, in their analysis of good governance assistance took a similar view, defining good governance aid as public administration reform and strengthening executive institutions.⁵ These perspectives pursue a model of government that is above all effective and efficient, but not necessarily democratic. Aid directed at this narrow definition of good governance includes training, modernisation of accounting and auditing procedures, and improving budgetary and expenditure management. This form of assistance is predominantly justified on the basis of development and poverty-reduction goals.

The broader concept of governance includes, in addition to the effectiveness of the government, the democratic elements that restrain and legitimise government action.⁶ Neumayer, explains why this approach has been taken, arguing that 'good governance' necessarily includes respect for political, civil rights, health rights, the rule of law, the provision of effective non-corrupt public services and the utilisation of public resources in an accountable and transparent way with the aim of providing general

³ European Commission, «Draft Handbook on Promoting Good Governance in EC development and Co-operation», Brussels, European Commission, 2005.

⁴ European Commission, «Draft Handbook on Promoting Good Governance in EC development and Co-operation», Brussels, European Commission, 2005, 85.

⁵ Joan M. Nelson, and Stephanie J. Eglinton. 1992. *Encouraging Democracy: What Role for Conditioned Aid*. Washington D.C.: Overseas Development Council.

⁶ Nunnenkamp for example, divides the activities of 'good governance' intervention into three distinct areas of intervention: i) political development; ii) democratisation; and iii) good governance and the rule of law. Peter Nunnenkamp, «What Donors Mean by Good Governance: Heroic Ends, Limited Means and Traditional Dilemmas of Development Cooperation», *IDS Bulletin*, 26 (2) 1995..

social welfare.⁷ Burnell criticises the illusory division between capacity building and democracy building, stating that administrations must be democratic if they are to be sustainable.⁸

Many donors have adopted the broader definition of good governance. The Organisation for Security and Cooperation in Europe (OSCE), for example, highlights the social dimension arguing that good governance aims «to build, strengthen and promote democratic institutions as well as tolerance throughout society».⁹ The Organisation for Economic Cooperation and Development (OECD), in its definition, emphasises the political dimension, and in particular, the legitimacy of government, the accountability of the political elements of government and respect of human rights and the rule of law.¹⁰ The role of the executive in this broader conceptualisation of good governance, prevalent outside of the multilateral financing banks includes an executive free from corruption, limited military expenditure and adherence to the rule of law, in addition to efficient public sector management.

The European Commission's definitions of governance and good governance are given in a 2003 Communication.¹¹ The Communication conceives governance as the «rules, processes, and behaviour by which interests are articulated, resources are managed, and power is exercised in society. The way public functions are carried out, public resources are managed and public regulatory powers are exercised is the major issue to be addressed in that context».¹² Good governance is conceived as part of a democratic political system. The Communication states that «as the concepts of human rights, democratisation and democracy, the rule of law, civil society, decentralised power sharing, and sound public administration gain importance and relevance as a society develops into a more sophisticated political system, governance evolves into good governance».¹³ This follows the broader definition of good governance.

The OECD Development Assistance Committee's Creditor Reporting System divides assistance to state institutions into three categories: Economic and Development Policy/Planning; Public Sector Finance Management; and Systems of Government. The Policy Planning category centres on the government

⁷ Eric Neumayer, *The Pattern of Aid Giving: The Impact of Good Governance on Development Assistance*, London, Routledge, 2003, p.8

⁸ Peter, Burnell, ed. op. cit..

⁹ European Commission, «Draft Handbook on Promoting Good Governance in EC development and Co-operation», Brussels, European Commission, 2005.

¹⁰ European Commission, «Draft Handbook on Promoting Good Governance in EC development and Co-operation», Brussels, European Commission, 2005.

¹¹ European Commission, «European Governance White Paper», *White Paper*, COM (2001) 428 Final, Brussels, European Commission, 2001.

¹² European Commission, «The European Parliament, and the European Economic and Social Committee: Governance and Development», *Communication from the Commission to the Council*, COM (2003) 615, Final, Brussels, European Commission, 2003, p.4.

¹³ European Commission, «The European Parliament, and the European Economic and Social Committee: Governance and Development», *Communication from the Commission to the Council*, COM (2003) 615, Final, Brussels, European Commission, 2003.

departments that are involved in economic development, social planning, statistics and the implementation of aid. The second category focuses on financial management, including tax assessment procedures and budget drafting. The fights against corruption, waste and fraud are also included in this section. The final category includes assistance to systems of government including parliament, civil service, and local government.

The CARDS regulation of 2nd December 2000 earmarked €4.65 billion¹⁴ for the five countries involved in the Stabilisation and Association Process.¹⁵ The main goal of CARDS assistance is to support the goals of the SAP «mainly on building up an institutional, legislative, economic and social framework directed at the values and models subscribed to by the European Union.»¹⁶ In the field of good governance the following sub-objectives are promoted by CARDS assistance: public administration reform, state institutions, customs and taxation, financial management, public finance, general management capacity, decentralisation and legal harmonisation. While the EU's European Initiative for Democracy and Human Rights (EIDHR) also works on developing democratic institutions, it tends to focus on bottom-up assistance in civil society, rather than working to reform the state institutions.

The essence of good governance is an effective and efficient public administration and, as such, public administration reform constitutes a central pillar of the CARDS good governance programme. The importance of public administration reform is heightened in SEE because of its direct contribution to the broader objectives of stabilisation and accession. Although this has been an priority for the EU for some time, it has lacked the coherence (both regionally and at the country level) that its importance would demand. EU public administration reform in Croatia, for example, has focussed on the approximation of legislation to the *Aquis Communautaire*. Whether this process is considered within the concept of good governance is a moot point, however, more importantly, there has been no broader plan to reform the Croatian administration to build on those legal changes. Such a strategy has also been absent from programmes in Serbia and Albania. In these countries the challenges are different, concerning most notably, corruption, decentralisation and financial management. However, these programmes have also suffered from weak coherence and have lacked a strategic approach.¹⁷

The weak coherence of the EU's public administration reform programmes in the region has resulted in assistance that has worked on a diverse range of objectives, including building islands of reform, introducing information technology, changing the structure of the administration and de-

¹⁴ It is broken-down into the following six macro-sectors: 31% economic and social sectors, 25% to infrastructure, 14% justice and home affairs, 12% democratic stabilisation, 10% administrative capacity, 5% environment and natural resources.

¹⁵ Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Serbia and Montenegro (including Kosovo).

¹⁶ Council Regulation Number 2666/2000, p.1, point (5).

¹⁷ Development Network Researchers Consortium, «Synthesis Report: Evaluation of the Assistance to Balkan Countries under CARDS regulation 2666/2000», European Commission, «The European Parliament, and the European Economic and Social Committee: Governance and Development», *Communication from the Commission to the Council*, COM (2003) 615, Final, Brussels, European Commission, 2003, p.34.

concentration/decentralisation. These objectives have not been drawn from theories such as New Public Management¹⁸ or Reinvigorating government, but have pursued isolated goals.¹⁹ Consequently, instead of pursuing a coherent reform process of the administration, the projects have targeted individual issues and goals. For example, reducing corruption has been tackled through extensive programmes for internal financial control, procurement and external audit, and similarly, trade responsibilities have been introduced through the use of member state specialists in the field. However, single models or public administration reform and organisational structure have not been identified and pursued.

A more stable and coherent pillar of the European Union's conception of good governance is decentralisation. Decentralisation assistance usually fits into one of two categories. The first, financial/administrative decentralisation, involves the transfer of responsibilities for spending and administration to local bodies or the improvement of the effectiveness and efficiency of local governance.²⁰ The second type, political decentralisation, is where accountability and representation are transferred to the local level. The majority of decentralisation assistance to SEE fits into the first type of assistance.

Administrative decentralisation has been most important in the Republic of Serbia where extensive support has been offered to municipalities and the process of decentralisation.²¹ Similarly, in the Former Yugoslav Republic Of Macedonia (FYROM) the CARDS programme has developed local infrastructure and worked built the capacity of local administrations. The high degree of consistency with which the EU has promoted decentralisation in the region indicates how important the goal is to the EU's understanding of good governance. This importance is not necessarily the result of a specific model of governance *per se*, but can be seen as a practical way of reducing tensions by empowering regionally-based ethnic minorities.

Another important part of the European Union's governance assistance is customs and taxation. The extent to which this can be included within the good governance framework is questionable, as it relates primarily to trade matters. However, its importance in CARDS assistance (more than €77 million - 2001-2003²²) indicates that it is a fundamental characteristic of governance that the European Union aims to develop. The main projects in the field were managed by utilising experts from Member states and they

¹⁸ Hood, C., «Contemporary Public Management: A new global paradigm?», *Public Policy and Administration*, 10(2), 1995, p.409.

¹⁹ Osborne and Gaebler, «Reinventing Government: How the Entrepreneurial Spirit is transforming the Public Sector», New York, Penguin, 1993.

²⁰ «CARDS Assistance to the Western Balkans, Regional Strategy Paper 2002-2006, European Commission External Relations Directorate General, p.38.

²¹ Projects, such as the Municipal Support Programme (€15.4 million), the Municipal Infrastructure Agency Support Project (€10.4 million) and the Municipal Improvement and Revival Project (€10.4 million) are evidence of importance of this objective in Serbia.

²² Development Network Researchers Consortium. 2000 «Synthesis Report: Evaluation of the Assistance to Balkan Countries under CARDS regulation 2666/2000», p.72.

have generally been recognised as a success.²³ The importance of this area to the European Union suggests that one of the EU's main concerns is with the government's role in commerce and trade. This is not surprising given the extensiveness of the EU's competences in this field, in comparison to say the social and health fields.

This emphasis of the economic and financial aspects of governance is also reflected in the large quantities of assistance that the European Union allocates to fiscal and financial management. These measures include internal financial control, procurement and external audit. The EU allocated a total of €46 million between 2001-2003 to public finance in SEE, in comparison to €58 million for State Institutions.²⁴ The importance that the EU places on the effective functioning of government in the economy is reflected in this finding. Moreover, the customs and taxation and public finance funding together constituted 67% of all EU administrative capacity building to SEE (2001-2003)

CARDS assistance also supports projects in the rule of law, which contribute to the goal of good governance. Although most of the projects in the field focus on police reform, criminal law and legal training, some relate directly to governance. This is especially the case for projects that aim to ensure that the governments operates within the rule of law. In Bosnia and Herzegovina, for example, the CARDS programme established an independent judicial council whose role was to select and appoint judges and prosecutors. The new body enhanced the separation of judiciary and executive. However, in Serbia, Albania and Croatia the complexity of judicial reform has restricted the CARDS programme to projects with a limited scope in areas such as border management, migration and asylum. The lack of an overarching strategy on judicial independence and oversight of the executive, reflects again the segmental approach to governance that the European Union pursues.

Therefore, in conclusion the analysis suggest that the European Union utilises a relatively broad conception of good governance in South Eastern Europe concentrating on liberal democratic elements, such as decentralisation and strengthening the judiciary, in addition to the effectiveness and efficiency criteria. However, its programmes (and those of the recipient's governments) have tended to lack coherence and consistency. This has hampered, attempts to mould administrations into effective, efficient policy-making and implementing bodies that are subservient to the rule of law and democracy. The work that has been undertaken, has been piecemeal and directed at the specific areas of government that concern the European Union. In many countries, in these limited areas, especially in the fields of regulatory harmonization, border control and decentralisation, reforms have been effective. However, broader plans for comprehensive public administration reform, based on modern theoretical frameworks, have been largely absent from EU programming.

²³ Development Network Researchers Consortium. 2000 «Synthesis Report: Evaluation of the Assistance to Balkan Countries under CARDS regulation 2666/2000», p.43.

²⁴ Development Network Researchers Consortium. 2000 «Synthesis Report: Evaluation of the Assistance to Balkan Countries under CARDS regulation 2666/2000», p.72.

Consequently, the model of governance that the European Union is promoting in the region through CARDS is constituted by a collection of disparate areas in which the EU works, rather than any decisive and consistent model. This model as a whole, nonetheless, concentrates on developing governmental activities in the spheres of trade (customs and taxation), development (building implementation capacity) and the economy (fiscal management). The model is also decidedly decentralised, giving it a democratic feature that extends it into the broader conception of good governance. The motivations behind this characteristic, however, may be as much based on political concerns (easing ethnic and regional tensions), as they are based on technical considerations (increasing effectiveness and efficiency).

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