INTERNATIONAL ACTORS, 'DRIVERS OF CHANGE' AND THE REFORM OF SOCIAL PROTECTION IN CROATIA

Paul Stubbs[1] and **Siniša Zrinščak**[2]

Paper prepared for RC 19, Panel 17 "International organisations' prescriptions for and influence upon national social policy"

International Sociological Association World Congress, Durban, South Africa, July 2006

Draft – please do not cite or circulate without permission

[1] The Institute of Economics, Zagreb, Croatia. Email: pstubbs@eizg.hr
[2] School of Social Work, Faculty of Law, University of Zagreb, Croatia. Email: sinisa.zrinscak@zg.htnet.hr

ABSTRACT

Recent work on 'drivers of change' seeks to understand the interaction between agents, institutions and structural factors in accounting for change brought about through international actors' policies, programmes and conditionalities. This text explores two broad reforms in social protection in Croatia. The first case study is of the World Bank-led pension reform programme beginning in the mid-1990s, in which the introduction of a three-pillar system was completed in 2001. The second case study involves preparation for, and eventual agreement on, a World Bank loan to promote social protection reform, beginning in 2001. The paper concludes with a provisional attempt to address some of the key contextual, structural, institutional and agent-specific factors at work in the social policy transfer processes as the basis for an improved understanding of policy change processes.

1. INTRODUCTION: International Actors and 'Drivers of Change'

In a growing literature on 'globalisation and social policy', a number of authors have questioned a view of international actors as all-powerful, able to transmit their policy prescriptions, advice and preferred outcomes virtually automatically to national settings where specific national conditions, and national actors, including the state, are seen to have little or no influence. Instead, they have called for a much more complex, contextually-rooted, understanding of the interactions within and between supranational and national structures, institutions, and actors, and the need for process accounts of policy change, with an awareness of the importance of actual policy mediation, dialogue, translation, compromises, and resistance (cf. Deacon, Hulse and Stubbs, 1997; Chandler, 2001; Beyeler, 2003; Lendvai, 2005). Influenced by this, primarily, academic literature, international actors themselves have sought to gain greater understanding of the reasons why intended policy reforms which they initiate have a range of unintended, sometimes perverse, and often unexpected, results.

In the context of its focus on poverty reduction and support for the Millennium Development Goals, the UK-Government's Department for International Development (DFID) has become increasingly interested in a 'drivers of change' approach which "advocates closer examination and analysis of country contexts with a specific focus on *how change is occurring* within the country, in other words, 'what is driving change" (Warrener, 2004; iii), in order to 'help bring about pro-poor change' (Warrener, 2004; 1). Whilst one might be sceptical of the idea that donors and other international organisations know (best) 'what' kind of change is needed, an increasing focus on the 'how' of change is important, with clear links to recent overviews on ethnographic approaches to aid and development (cf. Gould, 2004). Instead of the normal technical, even technicist, construction of international assistance, the 'drivers of change' approach forces close attention to the economic, political and social context and privileges a 'political economy' of policy change, based on an understanding of the relationship between structural factors, institutions, and agents[3]. In addition, the approach factors in international organisations themselves, in terms of the effects of different aid modalities, including the possibility of confusion caused by lack of donor co-ordination, and the distortions caused by aid dependence.

[3] 'Structures' refers to the history of the state, economic and social structurres, demographic changes, and such like; 'Institutions' are "the informal and formal rules that determine the realm of possible behaviour by agents"; and 'Agents' are "inidividualls and organisations pursuing particular interests" (Warrener, 2004; 8).

Here, we seek to apply a broad 'agents of change' approach to an understanding of the interactions between international organisations and national actors in social policy in Croatia since its independence in 1991. We examine two very different case studies in two distinct periods. Our first is the reform of the pension system completed in 2001, led by the World Bank in the context of its attempt to diffuse a Chilean model of reform in the new market economies of post-socialist Central and Eastern Europe. The second is a World Bank and DFID-led initiative, from 2001, still in progress in the context of a World Bank loan, to reform elements of the Croatian social protection or social welfare system[4]. Each case study outlines the background to the reform, and its broad parameters, providing a timeline of key events, an overview of the stance and relative power of diverse stakeholders, and an analysis of crucial factors in terms of the 'how' of the reform. Prior to this, Section 2 sets out the context in terms of the role of international agencies in a country experiencing delayed transition, war and humanitarian crisis. Following the case studies, we attempt to draw some conclusions, both in terms of Croatian social policy, now beginning to be influenced by the somewhat 'belated' presence of the European Union, as well as outlining a wider research agenda to refine and develop the approach.

2. CONTEXTUALISING INTERVENTIONS IN POST-INDEPENDENCE CROATIA: Humanitarianism, Crisis and 'Welfare Parallelism'

An early attempt to contextualise Croatia's experience in the context of a nuanced approach to 'global social policy', sought to present it as "a case study in the problems of aid, familiar in the development studies literature, in a European setting" (Deacon, Hulse and Stubbs, 1997; 178). With the value of hindsight, this conveys only part of the complexities of the relationship in the early 1990s between international actors in the context of rapidly changing modalities of development assistance and the rapidly changing internal political and social landscape of Croatia. The former was, certainly, framed in terms of the difficulties of development agencies and their staff in understanding and dealing with their encounter with a complex emergency in a country with high levels of human development and a sophisticated

[4] The terms 'social protection' and 'social welfare' are, themselves, complex and contested in and between different international and national actors. However, in the context of recent usage by both the World Bank and the European Union, they have tended to become synoymous with one another, itself a reflection of a merging of social development and social policy discourses (cf. Norton, Conway and Foster, 2000).

and long-standing social welfare infrastructure. The latter was framed in terms of a late and complex transition involving the gaining of independence, war and lack of Governmental control over part of the territory, a dramatic humanitarian crisis in terms of large numbers of refugees and internally displaced persons, and a renewed centralisation of state functions in the context of a growing political authoritarianism.

Certainly, the first wave of international intervention can be seen as a kind of 'implicit social policy', involving large numbers of international organisations (supranational and non-governmental) focused on emergency relief assistance to war-affected areas and to large numbers of refugees and displaced persons. As a number of commentators remarked at the time, this was a kind of substitution of humanitarianism for political action, in the absence of any clear international consensus on the causes of the conflicts much less on modes of resolution (cf. Duffield, 2001). To an extent, this was over-determined by uncertainty regarding the political legitimacy of the Croatian state, only partly and formally overcome by international recognition, and the need to work in parts of Croatia not under Governmental control, combined with a wider concern regarding Croatian involvement in the war in Bosnia-Herzegovina.

Initially, UNHCR as the lead agency seeking to co-ordinate international assistance, tended to respond through its traditional implementing partners, mainly European or North American-based International NGOs specialising in relief such as CARE International, World Vision, Catholic Relief Services, the Scandinavian Refugee Councils, and so on. In terms of methods, techniques and, indeed staffing, this was little different from interventions in crisis regions in Africa[5]. Apocryphal stories of medical kits containing anti-malarial tablets and other unnecessary and unusable medicines, water purification systems, and so on, abounded. The newly formed European Community Humanitarian Office (ECHO) also reacted in terms of a 'typical' humanitarian emergency although, later, in the context of encountering 'war in Europe', it embarked on supporting an ambitious but also, in many ways, problematic, programme of psycho-social assistance (cf. Stubbs, 2004). ECHO had a very clear policy of not channelling any of its support through governmental bodies based on a somewhat simplistic notion of 'neutrality'. The UN agencies did have some level of contact with

[5] 'This is not Africa' was a common response from Croatian policy makers and social welfare practitioners at the time. A more complex response, as articulated by a leading critique of humanitarian interventions in Africa, Barbara Harrell Bond, at a conference in Zagreb in 1995, that, in many ways, 'In this context, Africa is not Africa either', rarely found resonance (cf. Harrell-Bond, 1986).

Government but on the whole also tended to create their own structures and interventions or, at best, used networks of local institutions merely as distribution hubs for assistance.

Crucial to the story, and not really addressed in the section on Croatia in *Global Social Policy*, was the nature of the Croatian state between 1990 and 1995, the complexity of which belies 'normal' distinctions between 'strong' and 'weak', or 'democratic' and 'authoritarian'. We would argue that an understanding of the Croatian state as both 'weak' and 'strong', as having democratic legitimacy but with widespread authoritarian tendencies, is central to situating the encounter between the state and international organisations, generally and in terms of social policy. Between 1991 and 1995 and, indeed, to an extent up until 1998, the Croatian state did not have full control over the whole territory. Part of the territory was occupied for all of this period, although the largest part of the occupied territories were regained through military actions in May and August 1995.

It would be wholly erroneous to describe Croatia as a war state since significant parts of Croatia were never directly affected by war and others existed in a part war, part peace state. The co-relation between independence, and its requirement of state building including at the level of public administration, and war is also relevant in terms of the pursuit of renewed centralisation of authority, required by, to an extent, these developments but also reflecting authoritarian tendencies. As the Croatian sociologist Josip Županov noted, ethnicised conflict went alongside and, indeed, to a large extent was superseded by, a sharp increase in social solidarity and national homogenisation linked to re-traditionalisation and de-secularisation (Županov; 2001; 46-47). Alongside this, the figure of President Tudjman himself, personalising the office and the state, symbolised this semi-modernism but, always, had a kind of political legitimacy through more or less free and fair electoral victories, allied with his frequent changing of 'technocratic' Prime Ministers charged with steering the economy at a time when privatisation clearly rewarded a new elite.

Later, as the concerns of the President and his HDZ party focused more on 'enemies within' a shift in the nature and presence of international organisations can be observed. In part at least, there was the beginning of some more 'normalised' relationships and a shared concern with 'developmental' interventions, mainly in terms of infrastructure. There was also a distinct preference for closer links with the United States rather than the European Union, with Tudjman's notably luke-warm attitude to any kind of European Federation reciprocated with interest when, only a month after formal agreement was reached and before any programmes could start, Croatia was disqualified from being a beneficiary of the *PHARE* programme of assistance in 1995 as a result of its military campaign to regain territory.

Subsequently, US organisations and the George Soros-funded Open Society Institute linked explicitly their democratisation agendas with support for 'the other Croatia', a range of human rights, women's, anti-war and ecological organisations. Whilst ideologically opposed to this 'internationally sponsored civil society conspiracy', a key part of HDZ's support came from war veteran's groups, demographic movements, war victims' groups, and diaspora groups (cf. Stubbs, 2001). In the last years of the regime before Tudjman's death, a realignment of politics took place, with greater cohesion on the opposition side and a split between more 'moderates' and 'hard-liners' within HDZ. Hence, in the context of strong international support, a coalition government was elected in January 2000 pledged to a European democratic path.

Whilst these meta-concerns may seem a long way from everyday social policy, they are relevant in terms of the legacy of two kinds of parallelism. The first was, indeed, a kind of 'welfare parallelism' throughout the period, particularly in the time of greatest social crisis as a result of war and endemic forced migration. On the one hand, Croatian institutions such as the network of state Centres for Social Work and the Governmental Office for Displaced Persons and Refugees, sometimes allied with older Croatian NGOs such as Caritas and the Red Cross and newer nationally oriented NGOs sought to provide cash and services in the context of massive resource constraints. On the other hand, UNHCR, a network of INGOs and emerging new, often professionally-led, service oriented local NGOs offered a kind of parallel set of services, ignorant of, or distrustful of, state and pro-state bodies. Similarly, a kind of political parallelism developed in which a fusion of state, ruling party, government and public administration, supported by war veterans' and other NGOs faced opposition from the 'other Croatia', largely funded from abroad and, often, with the ear of a range of key international human rights and political organisations.

The issue of the appropriate role and status of Non-Governmental Organisations or, as in the dominant national discourse of the period would have it, *udruge* or associations of citizens, came to a head when a highly repressive Law on Associations was passed in 1997, at the height of a media-led campaign to paint NGOs as an anti-Croatian conspiracy, and after mass protests in late 1996 at the refusal to grant a new licence to Zagreb's independent Radio 101. In retrospect, these events actually can be seen as paving the way for new alliances to be formed between the more moderate wing of HDZ and key international actors, culminating in the formation of a Governmental Office for Co-operation with NGOs and an urgently revised Law on Associations. The mistrust and disconnect between state and non-state actors in social policy, and the division between advocacy and human rights oriented and more service-oriented NGOs persisted much longer, however. The period can be said to be dominated by a fractured social contract between the state and diverse groups in civil society. In addition, this was a period when relations between national and international actors were far from 'normal', with, initially, international actors focused on emergency relief and later on democratisation, leaving little space for traditional developmental initiatives. The major exception in this period is that of pension reform.

3. PENSION REFORM: accounting for the influence of international agencies

As in many other post-communist European countries the Croatian pension reform was undertaken under the direct influence of the World Bank. This section analyses some of the structural preconditions for reform, the evolution of the reform, and the positions and influence of the main actors involved. It aims also to address similarities and differences between countries where similar reforms were introduced and also those few countries in the region where such reforms did not occur.

Croatia inherited a pension system which was a combination of a Bismarckian system (a pay-as-you-go system financed by contributions) which operated under political (one-party, communist) control. The system guaranteed relatively high rights to workers (the replacement rate was as high as 75.92% in 1990) and the pension was calculated on the basis of the ten most favourable years. It also combined years of paid contributions with age and enabled earlier retirement (at 55 years for women and 60 for men; or, in terms of contribution periods regardless of age, after 30 years for women and 35 years for men). The fact of political control, visible mainly in the non-autonomous status of the pension fund and difficulties in adjusting to economic possibilities (as the pension system was one of the main pillars used by the Communist party in order to demonstrate its legitimacy) does not annul its Bismarckian character. This is an important point as one of the main claims justifying radical reform, including privatisation, was the need to change substantially the communist pension system.

On the whole, notwithstanding certain difficulties, the system faced the fall of Communism in relatively good shape. One of the main reasons for this can be found in the ratio between insured and retired persons which was 3:1 in 1990. In the crisis years subsequently, there was a huge fall in GDP, a sharp rise in unemployment, and the use of earlier retirement as a strategy to avoid ever greater social problems caused by the bankruptcy of large number of firms. There were crises in other post-communist countries, although the Croatian crisis was somewhat deeper and lasted longer, as a result of the economic and social consequences connected with the war. Thus, the ratio dropped to 1.81:1 in 1995 and further to 1.38:1 in 1999. Pension expenditures dropped from 11.27% of GDP in 1990 to 7.71% in 1992, but rose further to 13.27% in 1999 (table 1). In the same period, the value of the average pension dropped to about 45% of the average salary. The rise in pension expenditures at the beginning of the 1990s was connected with the adjustment formula which adjusted pensions in line with the rise of salaries. This was changed by a Government decision in 1993 to restrict the rise in pensions, which was a part of the successful Government programme to cut inflation and stabilise the Croatian currency. However, the decision was undertaken without necessary changes in respective laws and subsequently caused a worsening of the economic position of pensioners. It is interesting to note that this decision soon became the hottest public issue, overshadowing all other reform steps. The Constitutional Court in 1998 labelled this Government decision as unconstitutional and ordered that the Government should pay back what became known as the ‘pensioners’ debt’.

Table 1: Main trends in the Croatian pension system

Year	Dependence rate (pensioners / insured)	Ratio (insured / pensioners)	Expenditures, % of GDP
1980	24.7	4.04	
1985	27.1	3.68	
1990	33.3	3.00	11.27
1995	55.2	1.81	10.84
1999	72.4	1.38	13.27

2000	73.8	1.36	13.30
2001	73.6	1.36	13.90
2002	73.3	1.36	13.20
2003	73.0	1.37	12.80
2004	73.0	1.37	12.60

(Sources: Bagarić and Marušić, 2004; Vuković, 2005)

The grounds for reform were established in these crisis conditions. Although the first discussions on reforms took place within a small circle of experts and state officials around the pension fund with some proposals for technical changes inside the system, the war intervened so that these proposals were never completed nor implemented. The end of the war in 1995 together with the erosion of the pension system opened the door for new reform steps. This coincided with the well-known World Bank study "Averting the Old Age Crisis" (World Bank, 1994). The World Bank plans to transfer the Chilean pension model were welcomed by the political elite, and some experts, in Croatia which, at the time, was looking for a fast solution for its endangered pension system.

A crucial event took place in November 1995, namely a conference organized by the Croatian Government and the World Bank on pension reform. Participants included: the Croatian Prime Minister; several other Croatian ministers; José Pinera, the ex-minister in Chile in Pinochet's Government which undertook the privatisation of the Chilean pension system in 1981; and a number of other World Bank experts, including D. Lindeman, M. Queisser, and D. Vittas. The Croatian Prime Minister announced openly the firm decision to undertake a radical reform which would soon solve almost all pension problems. In March 1997, the World Bank published its first comprehensive study on Croatia, interestingly entitled: "Croatia: The Peace Challenge" (World Bank, 1997), in which it emphasised the need to introduce, alongside the public pillar, a second mandatory pillar based on private savings in private pension funds. In February 1998, the Government established a Committee for Pension Reform and new laws were passed in 1998 and 1999. The Law from 1998, which became effective from January 1999, regulated changes in the existing public system, while several laws passed in 1999, and effective from January 2002, regulated the introduction of the second, mandatory, and third, voluntary, private pension fund pillars.

Analyses by the leading scholar of pension reform in the region suggest the importance of two preconditions: a crisis of the system and a preferred reform model (cf. Müller, 1999; 2001; 2002a; and 2002b). Both preconditions were present in Croatia, as in other post-communist countries such as Hungary and Poland (Ferge, 1999; Fultz, 2004; Mácha, 1999; Müller, Ryll, and Wagener, 1999; Schmähl and Horstmann, 2002). As explored above, the crisis of the system was profound, and the stabilisation of the system was required as part of the stabilisation of state finances. This explains the involvement of the International Financial Institutions, both the IMF and World Bank. The model was also there, not least in the context of the World Bank's influence in terms of the spread of ideas of reform, of which 'Averting the Old Age Crisis' was an early, and important, exemplar.

In the end, although the Chilean privatisation served as a kind of inspiration, the vast majority of pension reforms in Eastern Europe, with the exception of Kazakhstan, took shape along the lines of the more modest Argentinean model which did not abolish the public system but combined it with new private pillars. Another fact was also important: the Argentinean reform model was implemented in 1989, under the conditions of a democratic political system. In some respects, the Chilean story was, at least in economic terms, if we forget significant parts of the population not covered and the high rate of poverty among elderly, more 'successful'. In the context of a new dawn of democracy in post-communist Central and Eastern Europe, the political context of the Chilean reform, implemented during a right-wing dictatorship, was more problematic, although this was not a subject of debate in Croatia at the time. The strategy was, perhaps, to promote the more radical Chilean model, but to be satisfied with the application of the more modest Argentinean model as more appropriate to a European context with a history of public insurance.

In any case the expanded explanation of the World Bank proposal offers a kind of two-pronged solution for the future. The pension model with a reduced public pillar and more diverse private and occupational pillars is meant to be more robust and react better to demographic ageing. The model stresses the need for savings for the future as well as private responsibility for social security. In addition, since private pension funds were an important new player on capital markets, the reforms were portrayed as stimulating economic growth and building the emerging markets of post-Communist Europe.

A number of other factors are important in terms of understanding the reform. The first is the magical faith in proposed market solutions for pension financing problems. Although different debates occurred in different countries, there was no significant opposition to the new system anywhere. In Croatia, few questions were raised and opposition was almost non-existent. In the countries where privatisation of the system occurred, no international actors acted as any kind of counterbalance. The European Union, not active in policy debates in Croatia, although it was in Hungary and Poland, did not register any interest to become involved or take a position, other than to concur with the IFIs on the need for financial stabilisation. Other international actors, particularly the ILO, appeared to be able to exert an influence only in the absence of a financial crisis, as in the case of the Czech Republic and Slovenia (Müller, 2002c, Stanovnik, 2002). In any case, at the time of pension reform in Croatia, there was no ILO presence and no awareness of possible alternative reform options. A discursive link between the pension system and its alleged communist character, alongside evident financial problems, contributed to a loss of legitimacy and the impossibility of opposition to reform. As the following quote from one of the leading Croatian advocates of privatisation shows, even the Bismarckian legacy could be criticised: "A Pension system with inter-generational solidarity is a recent phenomenon. It was introduced in the late 19th century by the iron chancellor Otto von Bismarck, and was spread later throughout all the countries of the developed world and to those less developed countries which underwent national and social revolutions, *in which both left-wing and right-wing populist movements, obsessed by the idea of national and class solidarity, played a pioneering role*." (Ostović, 2000; 313, our emphasis). In this construction who could possibly be against pension reform?

Another important aspect of the reforms has not been emphasised sufficiently in the literature. The far reaching reform package consists of two basic components, implemented almost simultaneously. The first component is the reform of the public pay-as-you-go system, and the second is the introduction of one or two private pillars. The first happened in Croatia in 1999, and the second in 2002. If one of the basic goals of the reform was to financially stabilise the pension system and prepare it for future challenges, both economic and demographic, then it can be argued that the first reform, of the public tier, succeeded in this goal whereas the results of the second reform component, the introduction of private pillars, can only be assessed in the longer term. The first reform component encompassed important and far-reaching changes: it changed the calculation base for pension benefits to the whole contribution period, rather than the ten most favourable years; it extended the pensionable age to 65 for men and 60 for women; it introduced the Swiss formula for adjustment, based on an equal split between wage and price increases; it introduced more restrictive conditions for disability pensions; and so on. It was this component, rather than privatisation, which achieved positive financial effects in subsequent years as the rise in new pensioners and pension expenditures slowed down (Table 1). Crucially, in every presentation of the proposed reform, the effects of different components were never differentiated. In this way, the results of the first reform component were mixed up with, the unclear at this stage, results of the second reform component.

In terms of the key actors involved and their positions in debates regarding pension reform in Croatia we find that the picture resembles that in most other countries in the region, where opposition was weak and advocates of reform strong. In a sense, this was amplified in Croatia, as the opponents were even weaker, and reform did not become a hot public issue, unlike the pensioners' debt question. The positions of key actors is presented in Table 2.

Table 2: Actors and their positions in the Croatian pension reform

Pro-reform voices	**Oppositional voices**	**Neutral/No stated position**	**Concerned with 'Pensioners' debt'**
Government – Ministers (without any internal conflicts)	Some Social policy experts (urging restraint)	Other Political parties	All actors (including the Constitutional Court)
IFIs (WB, IMF)	Some Trade unions	Pensioners' organisations	
Domestic FIs		Some Trade unions	
Experts (neo-liberal and technocratic economists)			

The Table shows that a critical stance towards the reform was formulated by only a few persons linked to some trades unions and some social policy scholars. These voices, urging restraint, had no influence on the pro-reform movement nor on the social democratic opposition. During technical negotiations, they had a limited influence on some aspects of the reform. Specifically in Croatia, the so-called ‘pensioners debt’ following the 1993 Government decision to restrict the rise of pension benefits, over-determined the public and political debates. This was the issue which opposition political parties and the trades unions found most attractive to mobilise around. In addition, the political authoritarianism of parts of the regime, noted in Section 2, was also relevant. As noted above, the Croatian Government had democratic legitimacy, coming to power in relatively free democratic elections, but faced many more problems in democratic development than other neighbouring Central European countries. Political debates were still framed by national security issues, and by issues that lend themselves to populist themes: the unjust privatisation of state property; rising inequality and impoverishment; and the pensioners’ debt. More sophisticated technical issues about the pros and cons of pension privatisation had little realistic chance of reaching the public domain. Instead, the World bank assured a continued influence on the reform by seconding a Croatian Bank staff member to be advisor to the Government on the reforms (cf. Orenstein, 2005; 195). In addition, the ruling party effectively used pension reform as a way of demonstrating its willingness to implement market reform, its ability to stabilise the country’s economy, and its readiness to engage with international financial institutions. In short, all of the structural, political, institutional and agent-specific ‘drivers of change’ were working in one direction, in a rare example, in 1990s Croatia of a converging of the interests of the ruling regime with those of domestic and international financial institutions. Successful implementation, itself no guarantee of a problem-free future, of course, cannot be understood outside of the particular, even peculiar, Croatian domestic conditions.

4. SOCIAL PROTECTION REFORM: the limited influence of international actors

Until the election of a Social Democratic Party-led coalition government in January 2000, less than a month after the death of President Tudjman, pension reform had been the only example of explicit influence by a major international agency on social policy reform in Croatia. The window of opportunity afforded by the new Government, the election of which was seen as a key moment in the consolidation of Croatian democracy, and, in particular, its explicit stance of openness to all forms of international co-operation, was quickly seized upon by the World Bank and others. In particular, the new Government supported the World Bank in undertaking a poverty survey, the first in post-independence Croatia, based on 1998 Household Budget Survey data. The study (World Bank, 2001), opened the way for further work on social protection, particularly social assistance benefits which the study, despite showing fairly low levels of absolute poverty, had suggested were complex and not well targeted. In addition, the IMF had also pointed to the social sector is an area for reform in the conditionalities for a major adjustment loan.

At the same time, a somewhat over-ambitious, certainly over long and over-intellectualised vision document 'Croatia in the 21st Century' was produced. At the last moment, a part of this was expanded to include a text on 'Reform of the Social Assistance and Welfare system' co-authored by Vlado Puljiz, the leading Croatian scholar on social policy, and a close associate of the SDP, and Nino Žganec, an assistant professor in Puljiz's Department and newly appointed Assistant Minister in the Ministry of Labour and Social Welfare. The text listed a total of seven measures grouped under two broad themes, 'System Efficiency', mainly focused on the training of social workers, increasing awareness of the European Social Charter, and the establishments of Institutes of Social Policy and of Social Work; and a more ambitious 'System Modernisation' encompassing poverty measurement, criteria for social assistance, decentralization, de-institutionalisation, 'de-nationalisation' (i.e. privatization and development of the NGO sector) and a more active social policy in terms of integration into the labour market and workfare programmes. With the exception of the last measure, slated to be completed by 2008, the document envisaged all reforms to be completed by 2005.

At the same time, the World Bank, together with the UK Government's DFID and the Government of Japan, worked with the Government on the negotiation of a Technical Assistance Credit, to be followed by a significant World Bank loan, to support the Government in developing a coherent and complete Social Welfare Reform Strategy. The credit documents were signed in late December 2001 and all the teams of consultants recruited met with the Ministry, donors and other key stakeholders in Zagreb on 15 April 2002. DFID, which contributed 75% of the total 1 m. USD for the preparation phase, together with a 250 m. USD Japanese Trust Fund grant, was particularly active, the reasons for which are a combination of its global agenda and the drive and commitment of a Social Policy advisor within DFID who had worked on designing social policy projects in other post-Yugoslav countries and who explicitly sought to work closely with the World Bank and, to an extent, the IMF, in order to ensure synergies but also to exert influence in favour of more holistic, pro-poor policies.

As perhaps one of the more dramatic examples of the problems of sub-contracting and the role of consultancy companies (cf de la Porte and Deacon, 2002; Stubbs, 2003), no less than eight consultancy teams or companies were contracted to work on the reforms, all but one based on competitive tendering, covering social assistance; social services; labour and employment; fiscal issues and decentralization; administrative strengthening, IT and database issues; poverty monitoring; as well as an overall team leader and a local resources team[6]. Over the year of the work of the teams, levels of shared understanding of the task, and, indeed, trust between the teams, between international and local consultants, and between the teams and government, became quite low. In the end, the synthesis report was, in fact, written by the Fiscal and decentralisation team which was more experienced in working on USAID fiscal programmes questions in Central and Eastern Europe than on social welfare reform. This team was, overall, the most prone to use the language of marketization in its work and to share the view of the Croatian Ministry of Finance that, in the context of an IMF stand-by arrangement, less not more needed to be spent in the sector.

Problems quickly emerged, also, in terms of the absence of clear internal 'drivers of change'. Even before the first meeting of the teams, the idea of piloting innovations in a number of locations was blocked by the Ministry of Finance. Later, parts of a separate study on de-institutionalisation, commissioned by the Ministry of Labour and Social Welfare, were shared with the press prior to its completion and its full contents were subsequently buried in the wake of opposition from trade unions representing staff in institutional care facilities. In the context of staff changes, the World Bank did not provide leadership either and the Assistant Minister, initially celebrated in World Bank parlance as 'the progressive change agent', found himself subject to pressures from Ministry civil servants, tending to want to limit the 'radicalism' of change, and from political appointees, tending to wonder why change was so slow in the context of the precedent of 'successful' pension reform.

One important contrast with pension reform was the commitment to consult with key stakeholders throughout the process. Even here, the broad levels of consensus at the first consultative meeting, in October 2002, regarding the principles on which reform should be based, quickly gave way to opposition to a number of more specific proposals, particularly from some staff of Centres for Social Work and institutional care facilities. In some ways, the

[6] The authors of this paper worked, respectively, as members of the DFID-recruited and contracted social services team and the local resources team.

structure of the workshops allowed for a triumph of presentation over content; allowed the voice of those resistant to change to be heard most clearly; failed to promote those within the system seeking progressive change; and allowed for a 'blame the consultants' mind-set which, notwithstanding some technical limitations, deflected attention from other problems. Some manoeuvring for position had also begun with the Swedish Development Agency, through UNDP as its implementing partner, committed to fund a new Department for reform within the Ministry. Already by this time, in any case, a pre-election phase had begun, so that the work remained incomplete.

The HDZ-led government, elected in late November 2003, reorganised the structure of government so that social welfare now became part of the health-dominated new Ministry of Health and Social Welfare. The former Assistant Minister was promoted in the new Government to the position of State Secretary although, perversely, his influence weakened, in part because of the political nature of the position, filled according to the interests of a minor coalition partner, but also because of press coverage of abuse in a Caritas-run children's home. Importantly, in the aftermath of deaths in an institution for people with learning difficulties, the new Minister made it very clear that, if there were to be any World Bank loan in this sector, the largest part should be spent on repairs to essential infrastructure in institutional care facilities. In addition, the role of co-ordinating the reforms was given not to the State Secretary but to a leading HDZ MP, a medical doctor, who had established her own NGO providing institutional care for people with disability.

Under some internal criticism for the time spent from initial credit to loan signature, the World Bank put in place a number of new consultants, and supported a number of consultative seminars before, finally, a loan agreement was signed with support from the Swedish Government. The revamped project represents some continuity although, interestingly, it re-introduces the notion of pilots in three counties, all HDZ controlled, notwithstanding the fact that counties have, until now, played a very limited role in social welfare in Croatia. There is some attention to transformation of institutions, to innovation and to the establishment of new reference or referral centres although all remain somewhat vague and subject to diverse interpretations.

More importantly, the World Bank and IMF seem more concerned with social assistance benefits which are now delinked from social protection reform and are part of a Programme

Adjustment Loan which the Ministry of Health and Social Welfare is responsible for, which commits the Government to form an inter-Ministerial working group and to formulate an agreed social benefit strategy, with the goal of reducing total spending on social benefits from 4.1% of GDP to 3.5% of GDP, whilst increasing the share of the best-targeted and means-tested social support allowance (World Bank, 2005). A number of things are worthy of note, here, in the context of the case study as a whole. Firstly, as this relates to a 'core' fiscal disciplinary issue, there appears to be much greater urgency from the World Bank than in the modernisation of social protection[7]. Secondly, the figures mentioned have an appearance of scientific objectivity whilst, actually, being based on a somewhat non-transparent calculation undertaken by the World Bank itself[8]. Thirdly, the commitment has not been publicly debated nor has it received much public attention. Fourthly, and perhaps most importantly, whilst the intention appears to be to seek to shift resources away from veterans' benefits to social assistance, the likelihood of resistance to this (from veterans organisations as well as from the Ministry for Family, Veterans, and Inter-Generational Solidarity) may mean that the headline target can only be met by further cutting assistance to the most vulnerable.

In general terms, then, the case study illustrates the limited effect of external actors when there are no particular drivers of change. Indeed, the World Bank's commitment to constrain social assistance spending stands in some contrast to its more 'neutral' or laissez-faire stance on social services reform. Crucially, the pinning of hopes for reform on an individual 'change agent' can be seen, in this case, to have had unintended consequences and may, even, have sharpened some resistance to change. The case study is also relevant for the way in which, in the absence of external ideological drivers, in the end national political objectives allied quite well with external technical imperatives. Overall, the fact that social protection reform is not seen as crucial, created a space in which national and international experts were as likely, if not more likely, to be economists and lawyers as social workers and social welfare experts. Whilst consultations did take place, there was no real structure to allow for workers on the

[7] It could be argued that only in cases where large numbers of children and people with disabilities are in institutional care does a financial driver for change (community-based care is usually cheaper) coincide with a rights-based, progressive modernisation driver of change, as the collaboration between UNICEF and the World Bank on this issue demontrates (cf UNICEF/World Bank (2003).

[8] This is an example of the way in which "the World Bank, a state-like transnational expert institution with discretionary powers appropriate to political actors … generates the same audiences that legitimize its knowledge claims. These legitimating audiences are often other institutions that have discretionary powers such as for example the International Monetary Fund (IMF) or the governments from client countries." (St Cliar, 2006; 59).

ground to contribute to policy reform and above all, the voice of service users themselves was never heard.

4. CONCLUSIONS: Globalisation, Regionalisation and the Unpredictability of Welfare Futures

The two case studies have shown the importance of internal and external 'drivers of change' in impelling or impeding social policy transfer and social policy reform. In each case, the fate of projects implemented or initiated by the same global agency, the World Bank, faced very different conditions and contexts. Crucially, whilst pension reform can be seen as central to the Bank's mandate and, notwithstanding growing concern with the Bank's 'multi-mandated' character of late (Deacon and Stubbs, 2005), the issue of social welfare reform, once social assistance reform had been re-allocated, appeared as less of a priority. Throughout, we have sought to emphasise the complex nature of the relationship between 'the global' and 'the national' in reform, and the importance of studying structures, institutions and actors in an historical and political economy context and frame.

In terms of the two case studies, what is striking is the relatively low importance and influence of the European Union. In part, this is an expression of what, elsewhere, we have termed Croatia's 'late Europeanisation', in terms both of the lack of an explicit commitment to EU membership until 2000 and, hence, a lack of direct presence of the EU as a policy actor and European Commission funding explicitly directed towards accession and the social acquis communitaire (cf. Stubbs and Zrinščak, 2005). The EU's comments on Croatia's pension reforms in some of the initial screenings of Croatia's membership application, related to judgements on the financial aspects only, since the Directorate General for Social Affairs was not directly involved. Similarly, the World Bank led Social Protection reform project noted the EU's work on employment policy but not on social inclusion and, at the same time, very little of CARDS funding, in the absence of governmental requests, was directed towards social policy issues.

To an extent, the landscape has changed in the context of Croatia's candidate status and, in particular, the drawing up of Croatia's Joint Inclusion Memorandum (JIM). Even here, there remains little co-ordination or coherence between the European Commission and the World

Bank although the influence of Europeanisation both in terms of harmonisation of social statistics and in consultation with stakeholders has already become visible. These changes in 'technologies of involvement' (Haahr, 2004) and in 'technologies of enumeration' will, almost certainly, be followed by changes in the substance of social policy, under the influence of the EU, although the nature of these remains uncertain, contested and contestable. The nature of EU accession as meaning-making, institutional transformation and new social policy governance (Lendvai, 2005; 65) is, in a sense, over-determined by the national context and by the position of IFIs and under-determined in terms of the importance of intermediaries, brokers and all manner of sub-contracted implementers, advisors and steerers.

Finally, whilst space precludes a thorough discussion of the wider methodological issues which this text raises, some brief concluding comments can be made. The paper shows the importance of studying reform through a lens which is open to the role of both agents and structures, avoiding the strict determinism and path-dependency of some 'historical institutionalist' and 'welfare regime' theories without suggesting complete indeterminism as in some micro-level anthropological approaches. Above all, the initial sketches of reform paths here need to be complemented by interview material and reflections of those involved, to ensure a more nuanced understanding of the dynamics of change, of actor-influence, and of critical moments. Only in this way can we understand change as specific, contextual and conjunctural; complex and contradictory; resisted, deflected or defused; and never automatic or monolithic.

REFERENCES

Bagarić, N. and Marušić, Lj. (2004) 'Pristup socijalnim pravima u Hrvatskoj: mirovinsko osiguranje' (Access to Social Rights in Croatia: Pension Insurance), in *Revija za socijalnu politiku* (Croatian Journal of Social Policy), 11(1); 39-61.

Beyeler, M. (2003) 'Globalization, Europeanization and Domestic Welfare State Reforms: New Institutionalist Concepts', in *Global Social Policy* 3(2); 153-172.

Chandler, A. (2001) 'Globalization, Social Welfare Reform and Democratic Identity in Russia and other Post-communist Countries', in *Global Social Policy* 1(3); 310-337.

de la Porte, C. and Deacon, B. (2002), *Contracting Companies and Consultants; the EU and social policy of Accession Countries,* GASPP Occasional Paper 9, Helsinki: STAKES.

Deacon, B. with Hulse, M. and Stubbs, P. (1997) *Global Social Policy: international organizations and the future of welfare*. London: Sage.

Deacon, B. and Stubbs, P. (2005) 0The Making of Social Policy in South Eastern Europe: theories, methods, politics', in Kuhnle, S. (ed.) *Social Policy Development in South Eastern Europe: outside influences and domestic forces*. Bergen: Rokkansenteret; 27-52.

Duffield, M. (2001) *Global Governance and the New Wars: the merging of development and security*. London: Zed Books.

Ferge, Z. (1999) 'The Politics of the Hungarian Pension Reform' in Müller, K., Ryll, A., and Wagener, H-J. (eds.) *Transformation of Social Security: Pensions in Central-Eastern Europe*. Heildeberg and New York: Physica-Verlag.

Fultz, E. (2004) 'Pension reform in the EU accession countries: Challenges, achievements and pitfalls', in *International Social Security Review*, 57(2):3-24.

Gould, J. (2004) ‘Positionality and Scale: methodological issues in the ethnography of aid’, in Gould, J. and Marcussen, H. S. (eds.) *Ethnographies of Aid – exploring development texts and encounters*. IDS, Roskilde University, Occasional paper 24; 263-290.

Haahr, J-H. (2004) ‘Open Co-ordination as Advanced Liberal Governmentality’, in *Journal of European Public Policy* 11 (2); 209-230.

Harrell-Bond, B. (1986) *Imposing Aid: emergency assistance to refugees*. Oxford: University Press.

Lendvai, N. (2005) ‘Remaking European Governance: transition, accession and integration’, in Newman, J. (ed.) *Remaking Governance: peoples, politics and the public sphere*. Bristol: Policy Press; 59-80.

Mácha, M. (1999) ‘Political Actors and Reform Paradigms in Czech Old-Age Security’, in Müller, K. et al (eds.) *Transformation of Social Security: Pensions in Central-Eastern Europe*. Heildeberg and New York: Physica-Verlag.

Müller, K. (1999) *The Political Economy of Pension Reform in Central-Eastern Europe*. Cheltenham, UK, Northampton, MA, USA: Edward Elgar.

Müller, K. (2001) ‘The political economy of pension reform in Eastern Europe’, in *International Social Security Review,* 54(2-3); 57-79.

Müller, K. (2002a) ‘From the State to Market? Pension Reform Paths in Central-Eastern Europe and the Former Soviet Union’, in *Social Policy & Administration,* 36(2); 156-175.

Müller, K. (2002b) ‘Privatising Old-Age Security: Latin America and Eastern Europe Compared’. Research Report. Frankfurt Institute for Transformation Studies.

Müller, K. (2002c) ‘Beyond privatization: pension reform in the Czech Republic and Slovenia’, in *Journal of European Social Policy,* 12(4): 293-306.

Müller, K., Ryll, A., and Wagener, H-J. (1999) (eds.) *Transformation of Social Security: Pensions in Central-Eastern Europe*. Heildeberg and New York: Physica-Verlag.

Norton, A., Conway, T. and Foster, M. (2000) 'Social Protection: Defining the Field of Action and Policy', in *Development Policy Review*, 20; 541-567.

Orenstein, M. (2005) 'The New Pension Reform as Global Policy', in *Global Social Policy* 5 (2); 175-202.

Ostović, D. (2000) 'Kapitalizirani sustavi i pitanje pravednosti' (Capitalized systems and the question of justice), in *Financijska teorija i praksa* (Croatian Journal of Financial Theory and Practice), 24(3); 311-319.

Schmähl, W. and Horstmann, S. (2002) (eds.) *Transformation of Pension Systems in Central and Eastern Europe*. Cheltenham, UK; Northampton, MA, USA: Edward Elgar.

St Clair, A. L. (2006) 'Global Poverty: the co-production of knowledge and politics', in *Global Social Policy* 6 (1); 57-77.

Stanovnik, T. (2002) 'The Political Economy of Pension Reform in Slovenia', in Fultz, E. (ed.) Pension Reform in Central and Eastern Europe. Vol 2. Budapest: ILO; 19-73.

Stubbs, P. (2001) 'Politička ekonomija civilnog društva' (A Political Economy of Civil Society), in Meštrović, M. (ed.) *Globalizacija i njene refleksije u Hrvatskoj* (Globalisation and its reflections in Croatia), Zagreb: Institute of Economics; 95-110.

Stubbs, P. (2003) 'International Non-State Actors and Social Development Policy', in *Global Social Policy* 3(3);

Stubbs, P. (2004) 'Transforming Local and Global Discourses: reassessing the PTSD movement in Bosnia and Croatia', in Ingleby, D. (ed.) *Forced Migration and Mental Health: rethinking the care of refugees and displaced persons*. New York: Springer; 53-67.

Stubbs, P. and Zrinščak, S (2005) 'Extended Social Europe? Social policy, social inclusion and social dialogue in Croatia and the European Union' in K. Ott (ed.) *Croatian Accession to the European Union. Facing the Challenges of Negotiations.* Zagreb: Institute of Public Finance, Friedrich Ebert Foundation; 161-184.

UNICEF/World Bank (2003) *Changing Minds, Policies and Lives*. UNICEF ICDC: Florence. Web: http://www.unicef-icdc.org/publications/pdf/gatekeeping.pdf (accessed 27 June 2006).

Vuković, S. (2005) 'Mirovinski sustav u Republici Hrvatskoj – temeljni pokazatelji' (The Pension System in the Republic of Croatia – Basic Indicators), in *Revija za socijalnu politiku* (Croatian Journal of Social Policy), 12(3-4); 377-391.

Warrener, D. (2004) 'Synthesis Paper 3: the drivers of change approach', London: ODI, web: http://www.odi.org.uk/RAPID/Projects/R0219/docs/Synthesis_3_final.pdf (accessed 22 June 2006).

The World Bank (1994) *Averting the Old Age Crisis: Policies to protect the old and promote growth*. New York: Oxford University Press.

The World Bank (2001) *Croatia: economic vulnerability and welfare study*. Washington: World Bank. Web: http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2001/05/11/000094946_0104270504592/Rendered/PDF/multi0page.pdf (accessed 27 June 2006).

The World Bank (2005) Programme Document for a Proposed Pal of 150m Euro. Report no. 30293-HR, 10 August.

Županov, J. (2001) 'Theses on Social Crisis: the case of Croatia', in *South East Europe Review* 1/2001; 39-50, web: http://www.boeckler.de/pdf/South-East_Europe_Review-2001-01-p039.pdf (accessed 23 June 2006).

THE AUTHORS

Paul Stubbs is a sociologist and Senior Research Fellow in the Institute of Economics, Zagreb, Croatia. His main interests, reflected in research, activism, and consultancy work are: social policy reform in Croatia and other South-East European countries; multi-level governance and trans-national governmentalities; ethnographic approaches to aid and development; and civil society, community development and social movements in post-Yugoslav countries. He is a member of the Editorial Board of the *Croatian Journal of Social Policy* and a member of the International Advisory Board of the journal *Global Social Policy*. Email: pstubbs@eizg.hr

Siniša Zrinščak is a sociologist and Professor of Social Policy at the University of Zagreb, Croatia (Department of Social Work in the Faculty of Law). His main interests include: religious and social policy changes in post-communism; Europeanisation, globalisation and social policy; and civil society development. He is President of the *Croatian Sociological Association*, vice-president of the *International Study of Religion in Central and Eastern Europe Association*, and editor-in-chief of the *Croatian Journal of Social Policy*. Email: sinisa.zrinscak@zg.htnet.hr