WHEN BUREAUCRATS CONSTRAIN THE GRABBING HAND

ENVIRONMENTAL RESOURCE SUSTAINABILITY IN TOURISM

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Submitted to

Central European University
Doctoral School of Political Science, Public Policy and International Relations

In partial fulfilment of the requirements for the degree of Doctor of Philosophy

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Budapest, Hungary
2017
Declaration

I hereby confirm that this dissertation contains no materials accepted for any other degrees, in any other institutions. The dissertation contains no material previously written and/or published by any other person, except where appropriate acknowledgment is made in the form of bibliographical reference.

Budapest, 29th of April 2017

Sanja Hajdinjak

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Word count: 92,816
(excluding appendices, annexes and references)
Mami i Tati

I Đedi, u uspomenu
Abstract

International organizations, donors and politicians advocate tourism as a key developmental strategy that can ensure poverty relief and economic growth. However, tourism development frequently leads to vast resource degradation as countries struggle to balance demands for growth and sustainability. This dissertation researches why some countries successfully prevent rent-grabbing and ensure environmental resource sustainability, while others waste natural resources by allowing colluding political and business elites to capitalize on significant resource windfalls. Applying resource curse theory to the tourism sector and drawing on the tourism, corruption and veto points bodies of literature, I develop a theoretical framework focused on bureaucratic and political veto points (BVP and PVP). I argue that bureaucratic veto points, including bureaucratic expertise, decentralized spatial planning and stringent environmental legislation, provide protection against rent-grabbing and resource misuse. In addition, vertical political cohabitation, turnover in power and an independent judiciary act as political vetos against resource use pathologies. Finally, civil society and the media act as catalysts in ensuring public and judiciary engagement by requiring assessment of legality. The framework is tested empirically using a mixed methods approach. I analyse the role of BVPs and PVPs cross-nationally on a large-N sample of 127 economies using instrumental variables, principal component analysis and graphical modelling. Qualitatively, I engage in a comparative analysis of the two most similar cases, Croatia and Montenegro. While they share tourism dependence and a common Yugoslav heritage, Croatia was more successful in preventing tourism rent-grabbing which in Montenegro resulted in widespread resource devastation. The qualitative analysis has two levels. First, I trace historically the coevolution of political institutions, bureaucracy and economic development across four periods and argue that bureaucratic expertise and capacity are partially exogenous from politics. Secondly, based on original data – Tourism Projects Dataset – I analyse the role of the BVPs and PVPs in Croatia and Montenegro, both on aggregate and tourism project level. This mixed methods approach confirms that bureaucratic and political veto points explain variation in the rent-grabbing and resource management in the tourism sector.
Writing a doctoral dissertation is at times difficult and challenging. There are ups and downs and then more downs. During troubling days, weeks and months, I was fortunate enough to get support from so many wonderful people. During first two years of my doctoral studies, I worked with Anil Duman who supported my early, vaguely developed ideas and helped nurture them into something more coherent and doable. Cristina Corduneanu Huci took over as my supervisor in the third year and incentivised me to try myself out, dared me to venture the uncharted territories and suggested paths to expand career opportunities. Thank you, Cristina, for all the expertise, energy and support you offered in writing this dissertation.

One of the beauties of CEU is that it offers a diverse network of expertise on which PhD students can rely. I was happy to be a part of Political Economy Research Group which gave me a chance to present early versions of papers and chapters. Furthermore, I would particularly like to thank Borbala Kovacs, Sanja Tepavčević, Lela Rekhviashvili and Renira Angeles for much needed last minute comments and suggestions. Thank you, Tamara and Gorana for letting me pick your brains in search of submission shortcuts and for all the emergency emotional aid. Your company made me smile particularly easy.

On the methodological front, there are a couple of names I want to specially emphasize. Thank you, Paweł, for helping me discover wonderful world of panel data analysis and for jumping in with excellent advices whenever I needed them. Essex Summer School and Marco Ercolani were instrumental in my efforts to master time series analysis. Victor Lagutov instigated my interest in GIS mapping and offered advice whenever needed. I would also like to thank the POLISCI and Doctoral School at CEU, in particular, Kriszta, Peter, Bori and Robi. I am also grateful for the financial support of the CEU and for the grants which allowed additional education, conferences and research trips abroad.

Without contacts in Croatia, Montenegro and Slovenia, this work would never be possible. I am thankful to all who agreed to talk about their perspective on resource management and corruption in tourism, particularly those who provided valuable insights on multiple occasions. Summer internship at the Institute for Tourism in Zagreb was an excellent opportunity for me to learn from the industry experts. I am especially thankful to Jasenka Kranjčević who made me feel most welcome while sharing a ride each morning, introduced me to spatial planning, generously provided contacts for interviews and patiently listened to my early ideas on how politics matters. She continued to support my work throughout years and provided guidance and comments in areas where I had little formal knowledge. I am eternally grateful for all her help.

During my fieldwork in Montenegro I was warmly welcomed by family Jocović and Bojana Bulatović. In such a small place where everyone knows everybody, they provided a
context for all the information I received during my turbulent fieldwork in Montenegro. I would like to especially thank Biljana Gligorić for taking the time to comment various drafts of chapters and discuss Montenegrin politics. Moreover, I am very thankful to the faculty and staff at School of Advanced Social Studies in Nova Gorica, in Slovenia. It was a great place to present my work and to develop the research further. Beyond professional connections, I was blessed with a circle of friends – Victor, Ivan, Alina, Mariam, Qeti, Levente and Elchin - thank you guys, for the international harmony.

I am indebted to ESKAS for selecting me as Research Fellow in academic year 2015/2016. I am especially grateful to Helen Obrist who made sure that everything worked as perfect as a Swiss clock during my Swiss Government Excellence Scholarship. I was happy to be a part of the Institute for Tourism and very thankful to Jan Mosedale who supervised my work at HTW Chur. He was more than a supervisor and I am certain our collaboration will be even more fruitful in the future. Mariya, my closest confidante in Switzerland, made the incredible landscape a truly inspiring and motivating place where I could progress in my work.

Special thanks are reserved for my family. I want to thank my parents for always supporting me, whether in high school mathematics, kayaking, attending summer schools or in pursuing a doctoral degree. Thank you for teaching me that only hard work and persistence deliver results. No words can say how thankful I am to my parents, but tears usually describe it pretty good. Finally, I thank Francesco, for supporting me unconditionally in everything I am or would ever want to become. Grazie for being my lighthouse in the raging ocean of PhD pursuit.
## Contents

Abstract v
Acknowledgments vii
List of Figures xi
List of Tables xiii
List of Abbreviations xiv
1 INTRODUCTION 1
2 THEORETICAL FRAMEWORK 26
3 GENERALIZING THE FRAMEWORK 79
4 PARTIAL BUREAUCRATIC EXOGENEITY 119
5 PATHS CROSSED AND PARTED 158
6 AN UNLIKELY ALLY 200
7 POLITICAL VETO POINTS AND CATALYSTS 245
8 POLITICAL AND BUREAUCRATIC SYNERGIES 308
9 CONCLUSION 336
References 354
List of Figures

Figure 1-1 Multi-level planning ................................................................. 9
Figure 1-2 BVP and PVP Framework ......................................................... 14
Figure 2-1 Coevolutionary framework with rent-grabbing and resource misuse ....... 29
Figure 3-1 Instrumental variable model ...................................................... 96
Figure 3-2 PVP model found by stepwise selection .................................... 107
Figure 3-3 Strength of associations among PVPs ........................................ 107
Figure 3-4 BVP model found by backward stepwise selection using BIC criteria ... 109
Figure 3-5 Joint PVP and BVP LIC Model .................................................. 111
Figure 3-6 Joint PVPs and BVPs HIC Model ............................................. 111
Figure 4-1 Tourism project density in Croatia and Montenegro ....................... 125
Figure 4-2 Debt over income coefficients across Montenegrin coastal municipalities ... 127
Figure 4-3 Debt over income coefficients across Croatian coastal counties .......... 127
Figure 4-4 Number of municipal employees on 1000 inhabitants in Montenegro ... 129
Figure 4-5 Number of county employees on 1000 inhabitants in Croatia .......... 129
Figure 4-6 Number of summerhouses per 1000 inhabitants in SR Croatia and SR Montenegro ... 138
Figure 4-7 Concentration of urbanism expertise across Yugoslav Republics ....... 139
Figure 4-8 Illegal logging and forest renewal across Yugoslav Republics .......... 140
Figure 4-9 Coevolution during socialism .................................................. 141
Figure 4-10 Territorial organisation with 104 municipalities in SR Croatia .......... 146
Figure 4-11 Territorial organization with 419 municipalities and 70 cities in Croatia 147
Figure 4-12 Territorial organization with 23 municipalities ............................ 149
Figure 4-13 Coevolution during the transition .......................................... 155
Figure 5-1 Overnight stays per capita in Croatia and Montenegro (1980-2015) .... 161
Figure 5-2 Development of national level political competition in Croatia and Montenegro ... 166
Figure 5-3 Coevolution during the tourism boom in the 2000s ........................ 181
Figure 5-4 FDI inflow in Croatia and Montenegro ...................................... 182
Figure 5-5 Coevolution during the economic crisis ..................................... 191
Figure 6-1 Tourism projects in Croatia ..................................................... 204
Figure 6-2 Tourism projects in Montenegro .............................................. 206
Figure 6-3 Status of tourism projects ....................................................... 209
Figure 6-4 BVPs and PVPs in Croatia and Montenegro .............................. 210
Figure 6-5 Type of BVP influence: descriptive statistics in Croatia and Montenegro ... 211
Figure 6-6 Type of PVP influence: descriptive statistics in Croatia and Montenegro ... 212
Figure 6-7 Percentage of land urbanisations and illegalities in the tourism projects ... 214
Figure 6-8 Location of Santa Marina project ............................................ 219
Figure 6-9 Location of Kalebova Luka project .......................................... 221
Figure 6-10 Location of Srebreno project .................................................. 223
Figure 6-11 Location of the Grad Kula projects ........................................ 226
Figure 6-12 Planned land use, 2009 spatial plan of Budva municipality .............. 228
Figure 6-13 Location of Bijeli Rt project ................................................... 230
Figure 6-14 Profit margins for selected tourism projects and relevant industry comparison 232
Figure 6-15 Location of Jadran Perast project .......................................... 233
Figure 7-1 Effectiveness of different types of PVPs ................................... 248
Figure 7-2 Locations of Brijuni Rivijera projects ...................................... 257
Figure 7-3 Location of the Mamula project .............................................. 260
Figure 7-4 Court involvement: Illegalities and land urbanizations in tourism projects ... 265
Figure 7-5 Location of Projects Barbariga and Dragonera .......................... 266
Figure 7-6 Location of Zavala project ...................................................... 268
Figure 7.7 Overview of NGO influence in tourism projects in Croatia and Montenegro .............. 277
Figure 7.8 Overview of local community influence in Croatia and Montenegro ...................... 285
Figure 7.9 Press freedom in Croatia and Montenegro between 2006 and 2014 ......................... 291
Figure 7.10 Results of local elections in Montenegro in 1990 ............................................. 302
Figure 7.11 Results of local elections in Montenegro in 1998 and in Herceg Novi in 2000 ....... 303
Figure 7.12 Results of local elections in Montenegro in 2002 ............................................. 304
Figure 7.13 Results of local elections in Montenegro in 2006 ............................................. 305
Figure 7.14 Results of local elections in Montenegro in 2010 ............................................. 306
Figure 7.15 Results of local elections in Montenegro in 2014 ............................................. 307
Figure 8.1 Location of the projects Sućuraj, Lovišta and Ključna ......................................... 314
Figure 8.2 Location of the Srđ project ................................................................................... 317
Figure 8.3 Location of the Solana project .............................................................................. 330
List of Tables

Table 2-1 Overview of considered fields of scholarship .......................................................... 69
Table 3-1 Descriptive statistics ................................................................................................. 87
Table 3-2 Individual BVP and PVP effects on Corruption Perception and Tourism Sustainability .............................. 93
Table 3-3 Panel data 2SLS model ............................................................................................ 97
Table 3-4 Principal component models ..................................................................................... 100
Table 3-5 Principal component 2SLS model .......................................................................... 101
Table 3-6 Cross sectional data 2SLS PCA .............................................................................. 103
Table 3-7 Matrix of dependent variables .................................................................................. 114
Table 3-8 BVPs correlation matrix ......................................................................................... 114
Table 3-9 PVPs correlation matrix .......................................................................................... 114
Table 3-10 Principal component correlation matrix ................................................................. 115
Table 3-11 Cross-sectional data summary ................................................................................ 115
Table 3-12 Cross sectional data OLS (2011) ........................................................................... 116
Table 3-13 Concentration matrix and partial correlations matrix ............................................. 117
Table 3-14 BVP model concentration matrix and partial correlations matrix .............................. 117
Table 3-15 Joint directed model concentration matrix and partial correlations matrix .............. 118
Table 4-1 Distribution of interviews ....................................................................................... 131
Table 4-2 Hierarchy of spatial planning organization in Croatia and Montenegro ..................... 150
Table 4-3 Media sources used in dissertation ......................................................................... 157
Table 5-1 Legislation and its influence on DVs in Croatia (2000-2010) .................................... 178
Table 5-2 Legislation and its influence on DVs in Montenegro (2000-2010) ............................. 180
Table 5-3 Legislation and its influence on DVs in Croatia (2010-2015) .................................... 186
Table 5-4 Measures introduced in Montenegro from 2010 and 2015 ...................................... 190
Table 5-5 Structure of visitors in Croatia and Montenegro ....................................................... 198
Table 5-6 Basic indicators of tourism development in Croatia (in 000) ...................................... 198
Table 5-7 Basic indicators of tourism development in Montenegro (in 000) .............................. 199
Table 5-8 FDI Inflow in Croatia and Montenegro (2008-2015) ............................................... 199
Table 6-1 List of Croatian coastal county abbreviations and names in English and in original .......... 238
Table 6-2 List of Montenegrin coastal municipality abbreviations and names ........................... 238
Table 6-3 Locations encompassed with changes of the spatial plan of Budva in 2009 ............... 238
Table 6-4 List of Croatian tourism projects across counties ...................................................... 239
Table 6-5 List of Montenegrin tourism projects across municipalities ...................................... 240
Table 7-1 Overview of elections and party power in Croatia ................................................... 250
Table 7-2 Overview of elections and party power in Montenegro ........................................... 251
Table 7-3 Overview of county elections results across Croatian coastal counties .................... 253
Table 7-4 Vertical cohabitation between national and county level in Croatia .......................... 254
Table 7-5 Overview of municipal elections results across Montenegrin coastal counties .......... 255
Table 7-6 Vertical cohabitation between national and municipal level in Montenegro .............. 256
Table 7-7 Width of the coastal belt across Montenegrin municipalities .................................. 274
Table 8-1 County - municipal level cohabitation in Croatia ..................................................... 311
Table 8-2 Turnover on the municipal level in Croatia .............................................................. 314
### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2SLS</td>
<td>Two Stage Least Squares</td>
</tr>
<tr>
<td>AzT</td>
<td>Arsenal for Tivat (Arsenal za Tivat)</td>
</tr>
<tr>
<td>BF</td>
<td>Boka Forum (Bokeljski forum)</td>
</tr>
<tr>
<td>BVP</td>
<td>Bureaucratic veto points</td>
</tr>
<tr>
<td>CGO</td>
<td>Centre for Civic Education (Centar za gradansko obrazovanje)</td>
</tr>
<tr>
<td>CIN</td>
<td>Centre for Investigative Journalism (Centar za Istraživačko Novinarstvo)</td>
</tr>
<tr>
<td>CNB</td>
<td>Croatian National Bank (Hrvatska Narodna Banka)</td>
</tr>
<tr>
<td>CZ</td>
<td>Coastal Zone (Morsko Dobro)</td>
</tr>
<tr>
<td>DAD</td>
<td>Society of Architects Dubrovnik (Društvo arhitekata Dubrovnik)</td>
</tr>
<tr>
<td>DAI-SAI</td>
<td>Society of Architects Istria (Društvo arhitekata Istri - Società architetti dell'Istria)</td>
</tr>
<tr>
<td>DF</td>
<td>Democratic Front (Demokratski Front)</td>
</tr>
<tr>
<td>DPS</td>
<td>Democratic Party of Socialists of Montenegro (Demokratska partija socijalista Crne Gore)</td>
</tr>
<tr>
<td>DSCG</td>
<td>Democratic League in Montenegro (Demokratski Savez u Crnoj Gori)</td>
</tr>
<tr>
<td>DSS</td>
<td>Democratic Serb Party (Demokratska Srpska Stranka)</td>
</tr>
<tr>
<td>DUA</td>
<td>Democratic Union of Albanians (Demokratska Unija Albanaca)</td>
</tr>
<tr>
<td>DUP</td>
<td>Detailed urban plan (Detaljni urbanistički plan)</td>
</tr>
<tr>
<td>DUUDI</td>
<td>State office for management of the state property (Državni ured za upravljanje državnim imovinom)</td>
</tr>
<tr>
<td>EIA</td>
<td>Environment Impact Assessment</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>FORCA</td>
<td>New Democratic Power – Forca (Nova Demokratska Snaga – FORCA)</td>
</tr>
<tr>
<td>GUP</td>
<td>General urban plan (Generalni urbanistički plan)</td>
</tr>
<tr>
<td>HDZ</td>
<td>Croatian Democratic Union (Hrvatska Demokratska Stranka)</td>
</tr>
<tr>
<td>HGI</td>
<td>Croatian Civic Initiative (Hrvatska Gradanska Inicijativa)</td>
</tr>
<tr>
<td>HIC</td>
<td>High-Income Countries</td>
</tr>
<tr>
<td>HNS</td>
<td>Croatian People’s Party – Liberal Democrats (Hrvatska narodna stranka – liberalni demokrati)</td>
</tr>
<tr>
<td>HSLS</td>
<td>Croatian Social-Liberal Party (Hrvatska socijalno-liberalna stranka)</td>
</tr>
<tr>
<td>HSP</td>
<td>Croatian Party of Rights – Ante Starčević (Hrvatska stranka prava – Ante Starčević)</td>
</tr>
<tr>
<td>HSS</td>
<td>Croatian Peasant Party (Hrvatska seljačka stranka)</td>
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<tr>
<td>HSU</td>
<td>Croatian Party of Pensioners (Hrvatska Stranka Umirovljenika)</td>
</tr>
<tr>
<td>IBA</td>
<td>Important Bird Area</td>
</tr>
<tr>
<td>ICTY</td>
<td>International Criminal Tribute for the former Yugoslavia (ICTY)</td>
</tr>
<tr>
<td>IDS</td>
<td>Istrian Democratic Assembly (Istarski demokratski sabor)</td>
</tr>
<tr>
<td>KANA</td>
<td>Who will if not architects ('Ko će ako ne arhitekti)</td>
</tr>
<tr>
<td>LIC</td>
<td>Lower-Income Countries</td>
</tr>
<tr>
<td>LS</td>
<td>Liberal Party (Liberalna Stranka (Hrvatska))</td>
</tr>
<tr>
<td>LSCG</td>
<td>Liberal Alliance of Montenegro (Liberalni savez Crne Gore)</td>
</tr>
<tr>
<td>LSL</td>
<td>Local Location Study (Lokalna studija lokacije)</td>
</tr>
<tr>
<td>MANS</td>
<td>The Network for Affirmation of NGO Sector (Mreža za afirmaciju nevladinog sektora)</td>
</tr>
<tr>
<td>MOST</td>
<td>Bridge of Independent Lists (Most Nezavisnih Lista)</td>
</tr>
<tr>
<td>NOVA</td>
<td>New Serb Democracy (Nova Srpska Demokratija)</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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</tr>
<tr>
<td>NS</td>
<td>People’s Party (Narodna stranka)</td>
</tr>
<tr>
<td>OCCRP</td>
<td>Organized Crime and Corruption Reporting Project</td>
</tr>
<tr>
<td>PCA</td>
<td>Principal Component Analysis</td>
</tr>
<tr>
<td>PCB</td>
<td>Protected Coastal Area (Zaštićeni obalni pojas)</td>
</tr>
<tr>
<td>PCG</td>
<td>Positive Montenegro (Pozitivna Crna Gora)</td>
</tr>
<tr>
<td>PDP</td>
<td>Party of Democratic Prosperity (Partija Demokratskog Prosperiteta)</td>
</tr>
<tr>
<td>PGS</td>
<td>Alliance of Primorje-Gorski Kotar (Primorsko goranski savez)</td>
</tr>
<tr>
<td>PIF</td>
<td>Privatization Investment Fund (Privatizacijsko investicijski fond)</td>
</tr>
<tr>
<td>PVP</td>
<td>Political veto points</td>
</tr>
<tr>
<td>PzP</td>
<td>Movement for Changes (Pokret za Promjene)</td>
</tr>
<tr>
<td>RTCG</td>
<td>Radio and Television of Montenegro (Radio Televizija Crne Gore)</td>
</tr>
<tr>
<td>RZZSK</td>
<td>Regional Bureau for Protection of the Culture Monuments (Regionalni zavod za zaštitu spomenika kulture)</td>
</tr>
<tr>
<td>SDP (CRO)</td>
<td>Social Democratic Party of Croatia (Socijaldemokratska partija Hrvatske)</td>
</tr>
<tr>
<td>SDP (MNE)</td>
<td>Social Democratic Party of Montenegro (Socijaldemokratska partija Crne Gore)</td>
</tr>
<tr>
<td>SEIA</td>
<td>Strategic Environment Impact Assessment (Strateška procjena utjecaja na okoliš)</td>
</tr>
<tr>
<td>SL</td>
<td>Serbian List (Srpska Lista)</td>
</tr>
<tr>
<td>SLS</td>
<td>State Location Study</td>
</tr>
<tr>
<td>SNP</td>
<td>Socialist People’s Party (Socijalistička narodna partija Crne Gore)</td>
</tr>
<tr>
<td>SNS</td>
<td>Serbian People’s Party of Montenegro (Srpska narodna stranka Crne Gore)</td>
</tr>
<tr>
<td>SPSPCZ</td>
<td>Spatial Plan for Special Purpose Coastal Zone (Prostorni plan posebne namjene za obalno područje Crne Gore)</td>
</tr>
<tr>
<td>SRSJ</td>
<td>Union of Reform Forces (Savez Reformskih Snaga Jugoslavije)</td>
</tr>
<tr>
<td>SSR</td>
<td>Party of Serb Radicals (Stranka Srpskih Radikala)</td>
</tr>
<tr>
<td>TA</td>
<td>Tivat Action (Tivatska Akcija)</td>
</tr>
<tr>
<td>UDPCS</td>
<td>Urban Development Plan of County Significance (Urbanistički Plan Uređenja Državne Razine)</td>
</tr>
<tr>
<td>UPU</td>
<td>Urban development plan</td>
</tr>
<tr>
<td>USKOK</td>
<td>Bureau for Combating Corruption and Organized Crime (Ured za suzbijanje korupcije i organiziranog kriminala)</td>
</tr>
<tr>
<td>UZKGD</td>
<td>Directorate for the protection of cultural heritage (Uprava za zaštitu kulturnih dobara)</td>
</tr>
<tr>
<td>ZA</td>
<td>Green Action (Zelena Akcija)</td>
</tr>
<tr>
<td>ZI</td>
<td>Green Istria (Zelena Istra)</td>
</tr>
</tbody>
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1

INTRODUCTION

The Paradox of Plenty Revisited

Across the world, tourism development is frequently accompanied by resource degradation of vast proportions (Sharpley 2009; Sharpley 1998; Agarwal and Shaw 2007; Ioannides 1995; Dodds and Butler 2010; D. Hall 2003). Simultaneously, billions earned from the commercialization of the valuable resources find their way to the pockets of the privileged elites (Mekinc, Kociper, and Dobovsek 2013; Mihdha 2008; T. Richter and Steiner 2007; Duffy 2000). Despite the obvious dependence of the tourism sector to environmentally preserved and culturally protected resources (Tisdell 1987), reports from countries across the world show that growth of tourism sector and business interests for more land urbanization incentivise rent-grabbing and fuel unsustainable use of resource (Orueta and Loures 2006; Satta 2004; Jiménez, Quesada, and Villoria 2011; Jiménez and Villoria 2012). In addition to non-sustainable resource use, tourism development results in an unfair distribution of the profits made through the development of the resorts and concessions over cultural heritage (Tosun 1998; Tosun Cevat 2000; Duffy 2000).
1.1 Research Questions and the Gap in the Literature

Why is it the case that in some localities tourism growth and development goes hand in hand with the devastation of natural resources, while in others the stakeholders converge toward a sustainable resource use approach? Why are resource rents in some localities hoarded in the pockets of the colluding political and business elites, while others manage to prevent resource grabbing? In response to the failure of the sustainable tourism notion, numerous tourism studies have attempted to shed light on the mechanisms that could ensure long-term sustainable resource use.

Tourism-related land urbanization schemes receive a share of the limelight in the media and have been a topic of discussion in the EU institutions (European Environment Agency 2015; Giulietti et al. 2016; Sabban 2013). Moreover, movies such as “You’ve been Trumped” and “A Dangerous Game”\(^1\) bring the issue of resource devastation and land uptake for the sake of vested interests closer to a wider audience (Baxter 2011). However, the focus has been mostly on the importance of the local community engagement and prevalence of the business interests for short-term profit over dedication to long-term resource sustainability (Buteau-Duitschaever et al. 2010; D’Angella, Carlo, and Sainaghi 2010; McLeod and Airey 2007; Pastras 2012; Zuffi 2011; Mowforth and Munt 1998; Presenza, Del Chiappa, and Sheehan 2013).

Despite the attention sustainability debate receives, limited scholarship has connected the resource misuse to the rent-grabbing and corruption which is behind it (F. Yuksel and Yuksel 2014).

\(^1\) You’ve Been Trumped is Anthony Baxter’s first documentary film which traces construction of a luxury golf course on a beach in Balmedie, Aberdeenshire, Scotland, by investor Donald Trump. The wilderness area selected for the golf course is also a recognized natural habitat called “shifting dunes.” Local homeowners oppose the project and attempt to fight off Donald Trump and Scottish legal and governmental authorities. In his second film, “It’s a Dangerous Game” Baxter continues to research devastation of resources and political pressures behind development of golf courses across the world, specifically focusing on the case of Srd golf in Croatia. He follows the success of the citizens’ initiative to organize a first citizens’ initiated referendum in the history of the country, as well as the motives behind local level civil society’s fight against golf resort on a plateau above UNESCO’s World Heritage site Dubrovnik.
2007; Jiménez, Quesada, and Villoria 2011; Bianchi 2004; José et al. 2010). However, the existing literature has not investigated the role of the bureaucratic and political institutions, nor has it defined specific mechanisms governing outcome divergence.

1.2 Argument

Ignoring corruptive activities in the literature prevented a better understanding of the mechanisms which can discourage and minimise resource misuse. Therefore, two dependent variables, rent-grabbing and resource misuse, and their relationship are the focus of this dissertation. To explain the divergence in the rent-grabbing and resource abuse, I emphasize the role of the bureaucracy in the process of the spatial planning and of the political institutions. Neither has been widely explored in the existing scholarship. In doing so, I formulate a Bureaucratic and Political Veto Points argument, drawing from the existing tourism, natural resource curse, corruption and veto points scholarship.

My research argues that Bureaucratic Veto Points (BVPs), including bureaucratic expertise, spatial planning decentralisation and stringent environmental legislation, hinder rent-grabbing and resource misuse in tourism. The effect of BVPs is analysed both individually, and in interaction with Political Veto Points (PVPs). The PVPs include “vertical cohabitation”\(^2\) and turnover in power and judicial independence. Civil society and media have a role of catalysts, helping in preventing corruption and resource abuse through the judiciary. The dissertation builds on the existing scholarship on the role of veto points in stabilizing policies and, even more important, ensuring good governance. The term *veto points* is used in the dissertation to connect with the veto points or players framework. However, spatial planning decentralization, stringency of legislation, vertical cohabitation and turnover in power are de facto *veto*

\(^2\) In dissertation, I use the term vertical cohabitation to delineate an occurrence when national and sub-national levels of government are under control of different political parties or blocks. The term will be elaborated later in the Introduction chapter.
mechanisms relying on political and bureaucratic actors that veto rent-grabbing and resource misuse

BVPs, PVPs and their interaction define outcomes on dependent variables. The interaction of decentralised spatial planning and stringent legislation with vertical cohabitation, party turnover and the judiciary improves the quality of monitoring and controls rent-grabbing. My argument is that by preventing land use related rent-grabbing in tourism, bureaucratic and political veto points also prevent non-sustainable resource use. I suggest that bureaucratic capacity and expertise are to an extent exogenous from politics of the day. However, the changes in the quality of bureaucracy can be explained through a coevolution of the bureaucracy, political institutions and economic development.

1.3 Conceptualising Rent-Grabbing and Resource Use

Dependent variables on which I focus in the dissertation require conceptual framing. First, I provide a conceptual framework for rent-grabbing, land urbanization and land speculation. Second, I define resource use and management.

1.3.1 Rent-grabbing

Rent-grabbing extends the term rent-seeking within Mehlum et al.’s grabbing equilibrium framework (2006b) in which resource abundance provides differing incentives for the private sector in economies characterised by “grabber friendly” compared to “producer friendly” institutions. Mehlum et al. argued that protection of property rights and control of corruption help turn resource riches to economic growth. In such setting, more resources incentivise businesses to engage in productive investments and create positive externalities. In contrast, fragile property rights and weak control of corruption hinder growth prospects when combined with an abundance of natural resources. In such countries, more natural resources can
incentivise developmental pathologies, in turn creating negative externalities for the rest of the economy (Mehlum, Moene, and Torvik 2006b).

In the broader literature, rent-seeking is defined as the practice of manipulating public policy or economic conditions as a strategy for increasing profits. It is important to note that it can be achieved through both legal and illegal means (Torvik 2002). While rent-seeking can take place in any sector of the economy, I use rent-grabbing to denote that the practice happens in an unproductive, grabbing equilibrium in the natural resource extraction or use process. Richter and Steiner argue that scarcity, low substitutability and sensitivity to price differentials create absolute resource rents in tourism. Furthermore, policies lowering the factor costs of a given product relative to the factor costs in other locations create differential rents in tourism (T. Richter and Steiner 2007). I refer to rent-grabbing in tourism to define corruptive activities of both private and public actors to ensure control over resource rents. I now turn to explain the land and urbanism speculations in tourism.

1.3.2 Land and urbanism speculations

Term land or urbanism speculations has three meanings in the literature. First, originally it was used for risk taking investments where the investors speculate that the demand for the land might rise or that the plot might get urbanised, capturing rents and increasing the profit margin as a result (Yeh and Li 1999; Clawson 1962). Second, it can also refer to risk-taking land purchase whereby the investors lobby political and bureaucratic elites for land urbanization, but have no guarantees the efforts will be successful (Münster and Münster 2012; Scheyvens 2011). Third, it can denote risk-averse investments where the investors purchase the land and either have insider information that the land will be urbanised, exert undue influence or bribe to ensure desired outcomes and high-profit margin (Romero, Jiménez, and Villoria 2012; Bianchi 2004).
When Bureaucrats Constrain the Grabbing Hand

When analysing rent-grabbing, I refer to speculations in the third meaning of the term. However, it is potentially problematic and difficult to differentiate between the three types. For example, purchasing agricultural land and waiting for the price of the land to increase, or simultaneously lobbying for a change in spatial plan and land urbanization is not illegal. Bribing an official or a politician to ensure the land urbanization or to facilitate issuing necessary permits is illegal. Therefore, unless there is explicit data on illegalities, I refer to all three types as land urbanisations. Cases for which there are court or other official records suggesting bribery, undue influence, insider information or another type of illegal activities are coded as illegalities.

1.3.3 Resource use and management

Resource use and management are used interchangeably in the dissertation to delineate management of natural beauties and cultural resources in interaction with people, tourism and other economic activities. Particular focus is on sustainability so that the economic benefits can also be ensured for the future generations. Carter et al. highlight that even though sustainability is an overarching concern of the tourism literature, there is an absence of focus on resource management in tourism discourse (Carter, Baxter, and Hockings 2001).

Tourism sector relies on given, natural and cultural resources such as natural beauties enveloped in favourable climate and cultural resources such as tangible and intangible heritage. Natural resource mismanagement includes loss of biodiversity including land uptake, beach erosion, dredging and destruction of wetlands, mangroves, seagrasses and corals. I argue that the environmental effects are a result of large-scale urbanization of the natural areas, incentivized by the lucrative rapid growth of mass-market tourism. Therefore, I focus on the rent-grabbing and land urbanization patterns that follow.
Cultural resources face similar challenges as the natural resources. Commercialization of the cultural goods guarantees revenues and funding required for preservation which otherwise might be lacking or insufficient (Sharpley and Telfer 2002). However, commercialisation of the cultural resource can also lead to congestion and devastation of the unique sights as they are transformed into tourism and accommodation facilities without full respect of the original form and purpose. When studying cultural resources, I focus on the alienation of the publicly owned cultural sites. I connect misuse of both natural and cultural resources with vested interests and harm to what could potentially be a long-term source of profit.

1.4 Theoretical Framework

To explain variation in outcomes in resource use and rent allocation in the tourism sector, I rely on the resource curse, tourism, corruption and veto points literature. Based on these building blocks, the thesis identifies two groups of veto points, namely bureaucratic and political. In the literature, veto players are defined as an actor or a group without whose agreement a law cannot be passed. Tsebelis’ seminal work developed the veto player framework which includes political institutions of legislation, executive and judiciary (Tsebelis 2002, 31). In this framework, Bureaucratic Veto Points (BVPs) include spatial planning organisation and stringency of environmental regulation. Political Veto Points (PVPs) include vertical cohabitation, turnover and judicial independence. As already mentioned, I use the term veto points in an attempt to situate the research terminologically within the the original veto points body of literature. However, some of the BVPs and PVPs are technically veto mechanisms relying on political and bureaucratic actors that veto rent-grabbing and resource misuse. Civil society and the media do not have a formal role of veto points, but act as catalysts through the judiciary.

The veto points are grouped in the two groups based on the nature of their influence on rent-grabbing and resource management. BVPs have a passive role, through bureaucratic
expertise, implementation, drift or procedural inertia, on either curbing or facilitating rent-grabbing and corruption. PVPs have an active role in the struggle for influence and therefore encompass both mechanisms and institutions from inside the political system, such as vertical cohabitation, turnover in power and judiciary, as well as institutions from outside of the system, such as civil society and the media. I now explain the role of each veto point. First, I focus on the BVPs and explain how spatial planning organization and legislative stringency influence resource use. Second, I outline the role of the Political Veto Points, explain what I define as the vertical cohabitation and how I understand and use turnover in power and judiciary. The role of the media and civil society is also discussed. Third, I present interaction effects of the BVPs and PVPs.

1.4.1 Bureaucratic veto points

In the thesis, I show that the BVP and PVP mechanisms and their interactions define the window of opportunity for resource misuse and rent-grabbing. For the purpose of conceptual clarification, I first describe the role of spatial planning organization. Throughout the thesis, spatial planning refers to a system of plans influencing the use of space for various groups and activities, in various scales. Term urban planning is used to define planning on a more detailed level. Spatial plans are developed on different levels, for example national, regional, county and municipal, each level providing a more detailed overview of how land is used. A schematic overview of planning process on multiple levels in presented in Figure 1-1. It illustrates three levels of spatial plans: national, subnational and a municipal.
INTRODUCTION

While spatial planning is frequently organized on multiple levels, numbers of planning levels differ across countries as well as the authority for adoption and approval of the plans. Spatial planning organization, defined here as a BVP, refers to a number of planning levels, but also to the type of control over changes of the plans. Planning documents, based on spatial planning policy, define how land will be distributed among different sectors of the economy, such as for example agriculture, tourism, industry, protected areas, housing and public areas, roads and energy corridors. Land use defines if the land is non-urban or is planned for urbanization. Non-urban land includes various types of agricultural lands, forests, infertile land, wetlands and grasslands.

Figure 1-1 Multi-level planning
In its application to tourism, spatial planning defines how land as a scarce resource is used. Non-urban land categories in this thesis are agricultural, forest and recreational land. After urbanization, the value of the land, depending on supply and demand, rises even up to a thousand per cent. Such multi-fold increase in the value of the land, based on the tourism absolute resource rent, induces speculative and corruptive behaviour. Therefore, investors purchase coastal land defined in spatial plans as non-urban and lobby or exert pressure on political elites and public administration to facilitate the urbanization.

High demand for tourism land allows reselling the land and ensures unearned revenues, similar to the resource windfalls in oil, gas and mineral extraction. The other option is the construction of the apartments for the market, sales of which also create high profits for the investor. The issue is that neither of the two scenarios helps in the development of tourism. Sales of the land enrich investors, while development of the real estate apartments reduces the supply of the land for tourism and creates numerous infrastructural issues. The apartments are not occupied throughout the year, leading to the phenomenon of the so-called “ghost cities” for which all infrastructure has been built, but is not maintained. Opposite, inadequate infrastructural development can results in congestion, insufficient water and electricity supply during the season and lead to environmental degradation (Agrusa, Jerome Albieri 2011; Sabban 2013; Bianchi 2004).

Therefore, control over changes in the planning documents is very important for prevention of rent-grabbing and resource mismanagement in tourism. In decentralized multi-level planning, local level spatial plans must be aligned with the higher level spatial plans. To change land use on a local level, the higher level sub-national spatial plan must be changed first, which requires the approval of the ministry in charge of spatial planning and adoption in the sub-national level assembly. I argue that the higher the number of vertical veto points
required for approval of the changes in the spatial plan, the lower the chances for a window of opportunity for rent-grabbing and resource misuse. Now, I turn to the stringency of environmental legislation.

The stringency of the legislation defines how much and in which ways natural and cultural resources can be used. Bureaucratic planning and environmental expertise define strict legislation prescribing procedures to ensure sustainable resource use, as opposed to weak legislation that fails to impose limits or controls. Depending on the legislation, the window of opportunity for resource misuse and rent-grabbing can either be increased or decreased. The legislation is prepared and drafted by public administration, but politicians influence it based on their preferences. However, regulations which allow interpretation of the laws are then brought and implemented by the experts in the public administration bodies. The stringency of legislation, therefore, lies between bureaucratic and political mechanisms and represents an interaction between the bureaucracy and the politics.

In the dissertation, the stringency of environmental legislation refers to tourism, planning and environmental standards defining the use of land. There are various ways in which tourism land use can be defined. For example, in some countries, there is a certain number of tourism zones – areas defined for tourism purpose, within which residential use is not allowed. In other countries, there are no specific zones for tourism, nor is residential use prohibited in areas defined for tourism development. Moreover, there are different ways in which certain types of land use are classified. For example, golf and camping land can be defined as both urban and non-urban land. Depending on how golf and camping are defined, a different set of permits and controls is required for project development. There are also differences in the stringency of legislation regarding how much land can be designated for construction, whether urbanization
is prohibited in the coastal belt and so on. Finally, the legislation can prescribe procedures, such as conservation and environment impact studies, that can independently ensure resource use.

The stringency of the environmental regulations is a crucial component as understandably, stricter regulations ensure long-term resource sustainability. A basic set of protective measures, such as urbanization restrictions within a coastal belt, significantly decreases the window of opportunity for resource misuse and rent-grabbing. However, in the context of the researched cases, stricter regulations also mean that tourism projects must satisfy quantitatively more and qualitatively higher standards, verified by separate institutions.

1.4.2 Political Veto Points

In parallel with BVPs, I also research the role and the importance of the Political Veto Points in preventing rent-grabbing and ensuring sustainable resource use. I argue that static political competition, such as parliamentary opposition, does not have a direct effect in controlling tourism resource-related corruption in grabbing equilibrium. Nevertheless, the empirical investigation undertaken here shows that dynamic effects of the vertical cohabitation and turnover of power help preventing rent-grabbing and resource overuse. Vertical cohabitation is political control of various sub-national levels of government by different political option, including parties and coalitions. In the literature, the term cohabitation is prevalently used to describe a division of power between the prime minister from one party and the president from another in a semi-presidential system. Cohabitation can lead to increased presidential activism (Tavits 2009) and has been noted to influence policy making by increasing the number of veto points in comparison with the unified government (Leuffen 2009)

I suggest there are at least two types of vertical cohabitation. In the first case, political leadership on the national and sub-national levels represents different parties. In the second case, different parties control levels of sub-national government, for example, regional and
municipal level. Therefore, I predict cases of multi-level cohabitation where different parties control each level of government, from national to local level units of self-governance. Vertical cohabitation can veto tourism projects – leadership that does not belong to the same party as the other levels of government will engage in a detailed control of the potential outcomes of the project.

Turnover in power is a change of political party or block governing on the national or sub-national level. The effect of the turnover in power and vertical cohabitation is similar as both allow more careful and effective monitoring, particularly if paired up with decentralized spatial planning. Two types of dynamic, political competition veto point have both an individual effect on rent-grabbing and resource use and a joint, interaction effect with other political and bureaucratic veto points. The analysis suggests that cohabitation and turnover are consistently, both in the quantitative and qualitative framework, less influential than BVPs. Nevertheless, their interaction with BVPs has an important role in controlling corruption and protecting resources.

Vertical cohabitation and turnover in power along with BVPs define the window of opportunity for rent-grabbing. Then, judiciary, and civil society and the media through it, can veto processes already set in motion. The judiciary can prosecute cases for which there are indications of illegalities. In addition to the prosecution of the corruption, the judiciary is a channel for civil society and media’s engagement. Civil society and the media can monitor and expose rent-grabbing and resource misuse cases and have the capacity to influence public opinion, with the aim of indirectly influencing political elites through their constituencies. In addition to this channel, civil society and the media can use judicial instruments to request assessments of the legality of spatial planning and environmental documents. Through these
two channels, the civil society and media act as catalysts in vetoing resource misuse and rent-grabbing.

The thesis analyses the effect of the BVPs and PVPs individually, but also their synergy. I argue that vertical cohabitation and turnover in power on the national and subnational level, in interaction with the spatial planning organization and stringent environmental legislation, increases the quality of planning process oversight. Figure 1-2 below illustrates the thesis argument.

1.5 Contributions

Abundant research confirmed that institutions are crucial in determining the developmental outcomes of resource use (Glaeser et al. 2004; Dunning 2008; Acemoglu,
INTRODUCTION

Johnson, and Robinson 2000; Humphreys, Sachs, and Stiglitz 2007; Bulte, Damania, and Deacon 2005; Mehlum, Moene, and Torvik 2006a; Mehlum, Moene, and Torvik 2006b). I build on this scholarship and show which set of institutions help prevent rent-grabbing and tourism resource misuse.

I contribute to five strands of literature. The existing resource curse has neglected the role of bureaucracy and has not explored tourism resources. Corruption scholarship does not offer a nuanced understanding of the role of the regulations and procedures in preventing rent-grabbing and resource misuse. Tourism scholarship has ignored rent-grabbing and institutional determinants of resource sustainability politics. Veto points framework has so far not been expanded to the resource corruption prevention or spatial planning mechanisms. Developmental political economy literature faces issues of collinearity in analysing the relationship between institutions and development. I now briefly elaborate my contribution to these five strands of scholarship.

1.5.1 Extending the resource curse framework

The first contribution to the literature is expansion and application of the natural resource curse theory on a new, so far unexplored sector. I argue that tourism resources, in the absence of protective bureaucratic and political institutions, can actively stimulate predation and result in negative externalities. In line with the “paradox of plenty,” an area rich in natural beauties, instead of blossoming, paradoxically falls into a vicious circle of corruption and resource misuse. This is an important finding as tourism resources, if used in a sustainable manner and supplemented by the development of a service sector, can be used “infinitely.” However, similarly as in the case of timber-rich economies in which corruption leads to beyond-sustainable rates of timber cutting, rent-grabbing can induce beyond-sustainable rates of urbanization, pollution and congestion. Inadequate regulatory framework and too few veto points can incentivize rent-grabbing, which in turn leads to non-sustainable resource use and
converts the natural and cultural beauties in a finite type of resource that can be “extracted” only once. Tourism resource abundance can also lead to rent distribution through political patronage and, in extreme cases, to higher debt rates than in resource-poor areas.

Other differences prevent direct translation of resource curse to the tourism sector and natural beauties it relies on. Tourism sector faces common pool problems in utilization, instead of point resource type extraction issues. Natural beauties tend to be overused and lack incentives for investments aimed at resource protection and productivity enhancement (Healy 1994; Pintassilgo and Silva 2007). Additionally, tourism tends to be mostly labour rather than a capital-intensive sector, although the jobs it provides are rather low-skilled, seasonal and part-time to an extent. This difference matters since it enables tourism to form stronger forward and backward linkages with the rest of the economy than is the case in most of the classical resource extraction dependent countries (Hirschman 1958; Morris, Kaplinsky, and Kaplan 2012).

1.5.2 Role of bureaucracy and regulations

The thesis provides a second contribution by suggesting that in the case of the tourism sector, lack of bureaucratic monitoring, regulation and simplification of the procedures, particularly in combination with the lack of political controls, can lead to severe resource misuse. The analysis suggests that bureaucratic procedures and legislative strictness can be beneficial in preventing rent-grabbing and resource misuse. Therefore, donor-advocated simplification of the regulatory framework on the grounds of improving business environment should be approached cautiously. Cutting procedures introduced to control rent-grabbing and ensure sustainable resource management can have adverse effects on developmental potential.

1.5.3 Contribution to tourism, development and veto points literature

The third contribution of the dissertation is to the tourism sustainability and resource management scholarship. I fill a gap in the literature on the resource use in tourism sector firstly,
by focusing, on the causes of rent-grabbing and resource misuse in the tourism sector. The literature has so far largely focused on the role of the local community engagement in ensuring sustainable tourism development. I focus on the institutional determinants, namely bureaucratic and political veto points, of resource rent-grabbing. Secondly, I suggest there is a strong relationship between rent-grabbing and resource misuse which has so far been overlooked in the literature.

Fourth, in the dissertation, I research the relationship between political institutions, bureaucracy and economic development. I argue there is a partial exogeneity of the BVP from the politics of the day. This is a contribution to a large debate on the relationship between bureaucracy and politics. Moreover, I suggest bureaucracy has a key role in determining developmental outcomes. This is a contribution to a literature on the relationship between institutions and development, in which bureaucracies have been to an extent sidelined.

Fifthly, the previous veto points scholarship prevalently investigated the effect of the vetos on policy stability and continuity. In the dissertation, I extend the veto framework to explain preventing rent-grabbing and resource misuse in the tourism sector.

Sixthly, the dissertation contributes to the developmental literature by focusing on a new, previously overlooked tourism sector which provides a new insight into the relationship between institution and development. The existing literature focuses on economic development and finds institutions to be corresponding to the level of development, i.e. rich countries have good political and bureaucratic institutions and vice versa. Analysing such cases provides limited insight into causality or endogeneity of the political institutions, bureaucratic capacity and development. However, the tourism sector is special as unregulated growth leads to rent-grabbing and, more important, to misuse of the resources. To avoid negative outcomes, a set of
When Bureaucrats Constrain the Grabbing Hand

protective institutions, which undermine short-term growth at the expense of resources, must be set up.

1.6 Methodology

The thesis is based on a mixed methods approach where the hypothesized importance of the BVPs and the PVPs for the rent-grabbing and resource use are tested through both quantitative and qualitative methods. The application of both qualitative and quantitative methods enables a solid test for the proposed model and hypotheses. To avoid that statements about reality are limited to the specific time and context of the study (Charles Teddlie and Tashakkori 2009), I first perform a panel data and graphical modelling analysis. However, to research in depth the relations and interactions between the BVPs and PVPs, I then turn to comparative case study analysis of two most similar cases. The main advantage of a mixed methods approach is that it helps to avoid selection bias and spurious results coming from the exclusive use of small or large-N analysis (Creswell and Clark 2007; R. Johnson and Onwuegbuzie 2004; C Teddlie and Yu 2007).

1.6.1 Quantitative analysis

The quantitative analysis enables a generalizable check of a set of hypotheses, while mitigating case selection issues plaguing small-N analyses. In the quantitative chapter, I am interested in assessing the effect of BVP and PVP variables on the outcomes of rent-grabbing and resource use. I analyse panel and cross-sectional data with two-stage least squares (2SLS) and principal component analysis (PCA). The cross-national dataset is an unbalanced panel including 127 world economies in 2007, 2009, 2011, 2013 and 2015. The variables are operationalized using indicators available in World Bank Development and Governance Dataset, World Economic Forum’s Tourism and Travel Industry Competitiveness and Global Competitiveness Dataset, Database of Political Institutions, Transparency International’s
Perception of Corruption, Quality of Governance, the Heritage Foundation and World Press Freedom Dataset. To further explore relations within the veto points group and between the dependent variables, I use graphical modelling. Through directed graphical models, I also assess the suitability of a parsimonious tourism sustainability model, including only crucial BVP and PVP variables.

1.6.2 Qualitative analysis

Qualitatively, I apply the principles of Mill’s method of difference and research two most similar cases in a comparative case study analysis (George and Bennett 2004; Flyvbjerg 2006). I use a case study comparison to demonstrate in depth how BVPs and PVPs develop and how my argument handles the complex context of the two cases. To answer the research questions and test the hypotheses, I focus on countries with significant shares of tourism in GDP and rapid sectoral growth, considered as triggers behind tourism expansion. However, I exclude microstates and small island economies from the sample since they often have no other choice for development (Brown 1998).

The two selected countries are Croatia and Montenegro. Tourism makes more than 20% of the GDP in both countries. The two cases also share the socialist history, war effects and transition to democracy and market economy. In attracting tourists, both countries rely on their natural resources and pristine environments, but Croatia has been far more successful in preventing resource rent-grabbing and misuse.

The comparative case study analysis has two components. I first historically trace and analyse the coevolutionary development of the BVPs and PVPs. To map out the historical relationship between politics, bureaucracy and economic development, I complemented the available secondary data, such as academic articles, reports, spatial plans and archival materials, with interviews. I gained valuable insight on how BVPs and PVPs developed through 57
When Bureaucrats Constrain the Grabbing Hand

interviews conducted between 2013 and 2016. I talked with national and sub-national level public employees, NGO representatives, experts, journalists, tourism investors and politicians.

Secondly, land urbanization and tourism related corruption, of essential importance in the dissertation, are not well documented in the existing data sources. Spatial planning is a complex area, understandable to architects and civil engineers specialising in urbanism and planning studies. In addition, there are no readily available indicators for illegalities in the tourism sector, neither for Croatia and Montenegro nor for any other country. To be able to systematically analyse and understand the nature and the effect of the Veto Points in the tourism sector, I compile a Tourism Projects Dataset. The dataset catalogues 179 tourism projects in Croatia and Montenegro and encompasses the entire universe of tourism investments in the two countries between 2000 and 2016.

The dataset includes all important projects which have been conceived, implemented, adapted or blocked in the coastal counties and municipalities of the two countries. The importance criterion corresponds to development salience. I include tourism projects represented by media and political elites as strategic for the economic development, labour market and tourism diversification of region or country. For each tourism project, I acquire a basic description of the project and information on land urbanization, corruption schemes and type of resource use. Then I collect data on the main variables of this study: how spatial planning organization and regulations influenced the project, as well as whether there were turnovers in power, vertical cohabitation, or involvement of the prosecution, civil society, media or an interaction of various BVPs and PVPs. Based on this dataset, I analyse the individual effect of the BVPs, PVPs and their interaction effect on the dependent variables.
1.7 Outline

The dissertation aims to research the differences in rent-grabbing and resource use through a novel political and bureaucratic veto points framework. I argue that rent-grabbing and resource misuse in tourism can be defined through a combination of PVPs and BVPs, where both have an individual and joint effect. The thesis is structured as follows.

Chapter 2 introduces three important debates on the bivariate relationship between political institutions, bureaucracy and economic development. I suggest that to explain and understand divergence in rent-grabbing and resource use outcomes in the tourism sector, a coevolutionary approach might better serve than prevalent pairwise frameworks. I argue that there is a partial exogeneity of bureaucratic capacity within a coevolution of political institutions, bureaucracy and economic development. I then critically review the existing resource curse, tourism, corruption and veto points literature and use it as building blocks for the Bureaucratic and Political Veto Points theoretical framework. Within this innovative framework, BVPs and PVPs create a window of opportunity for rent-grabbing which then defines whether resource use will be sustainable or not. Moreover, I hypothesise that besides individual effects of BVPs and PVPs, their interaction has a significant and measurable effect. It either prevents corruption and ensures sustainable resource use when BVPs and PVPs are present or ensures a vicious circle of rent-grabbing and resource abuse in their absence.

Chapter 3 explores the effects of the BVPs and PVPs on the resource use and rent-grabbing through a panel data analysis and graphical modelling. I research two main aspects of the relationship between the predictor and dependent variables. First, the individual effect of each bureaucratic and political veto point, and second, the relationship between the two dependent variables. My results confirm the importance of individual BVP and PVP variables, both in the panel and cross-sectional analyses. The relationship between the dependent variables is researched through a two-stage least squares (2SLS) analysis, where rent-grabbing is
When Bureaucrats Constrain the Grabbing Hand

operationalized through BVP and PVP variables and their principal components (PCA). The results confirm that BVPs and PVPs have a direct effect on rent-grabbing, which then defines outcomes on the tourism sustainability variable.

Subsequently, I use graphical modelling to improve our understanding of the relationships between BVP and PVP variables. An undirected model for PVPs clearly shows the importance of judiciary as a channel for the engagement of the civil society, but also as a mediator preventing corruption affairs’ spillover effects on the resource use. This was not visible from the panel and cross-sectional data analysis. The graphical model for BVPs identifies associations between the indicator of bureaucratic capacity and environmental stringency. Moreover, BVP variables define a window of opportunity for corruption, which then, either prevents or incentivises resource misuse. Through the directed acyclical graphical models, I also build a version of a most parsimonious model of BVPs and PVPs and test their effect on the rent-grabbing and resource use, showing there is a difference between high and lower income countries.

In Chapter 4 and 5, I explain the relevance of qualitative in-depth case study analysis in complementing the results from the regressions and graphical models. Chapter 4 introduces the two comparative case studies of Croatia and Montenegro. Through pairwise comparison, I explain how the two countries have similarities regarding important alternative explanations and how they differ on the outcome on dependent variables. I show that both countries rely on the tourism sector, but there is rampant rent-grabbing and resource misuse in Montenegro. Croatia has managed to largely prevent land speculations and shield its natural resources.

The chapter then outlines the historical development of BVPs and PVPs in Croatia and Montenegro by focusing on the importance of the political competition, economic pressures
and bureaucratic expertise as crucial for defining the system of BVPs and PVPs. I show how the socialist system, whereby, the state was both protector of the resources and investor in the tourism sector, discouraged rent-grabbing and preserved resources. Moreover, spatial planning traditions developed significantly during this period in Croatia, while Montenegro failed to develop domestic capacities, merely benefitting from the Yugoslav-wide planning initiatives. This turns out to be crucial for the different outcome on the dependent variables. Corruptive behaviour spread during the turbulent transition years, but the Yugoslav wars decreased tourism interest and partially shielded the sector from the resource misuse. During this period, Croatia developed a decentralized spatial planning system as an unintended consequence of its state and identity-building efforts. With the end of the violence, tourism rebounded and led to widespread rent-grabbing in both countries.

Chapter 5 explains how a competitive bipartisan system, along with the existence of an autonomous and competent Ministry in charge of spatial planning in Croatia jointly led to the establishment of stringent legislation and to a politics of non-interference into sub-national spatial planning. In contrast, in Montenegro, a partitocratic regime under the control of DPS\(^3\), the hegemonic successor of the communist party, led to the removal of spatial planning veto points and to the concentration of decisions in the hands of the Prime Minister and his cabinet. The Ministry in charge of spatial planning, tightly under DPS’ control, mechanically approved projects of the favoured elites and partially implemented spatial planning regulations for those without ties to the political leadership. Based on the historical analysis I highlight partial bureaucratic exogeneity and the elements of the coevolutionary relationship between politics, bureaucracy and economic development.

\(^3\) Democratic Party of Socialists (Demokratska Partija Socijalista)
Chapter 6 investigates the effects of the BVPs on resource use and rent allocation in tourism in Croatia and Montenegro. The chapter shows based on original data – Tourism Projects Dataset – how the stringency of environmental regulations and decentralized spatial planning act as veto points against rent-grabbing on aggregate, national level. I research in detail several tourism projects in each country which clearly outline how decentralized spatial planning and stringent legislation influence the dependent variables. The analysis disproves the mainstream hypothesis that complexity of procedures negatively influences developmental potential.

The role of the Political Veto Points is researched in Chapter seven. In Croatia, the development of a bipartisan system where two political camps exchange power has led to the establishment of a sustainable “rent-sharing” system. The chapter builds on the tourism projects case studies from both economies that illustrate the effect of the vertical cohabitation, turnover in power and judiciary on resource use and rent-grabbing. I also outline that there is a difference in the type and strength of the civil society and the media in two countries. In Croatia, polycentric civil society imbued with expertise managed to overcome collective action problems and is more successful in monitoring and minimising rent-grabbing and resource misuse. In Montenegro, civil society lacks coordination and expert groups are disengaged which makes collective action aimed at protecting resources less likely. From the Tourism Projects Dataset, I select and analyse cases which exemplify how even in the hegemonic party system civil society can ensure victories against rent-grabbing and resource mismanagement.

Chapter 8 inquires into the interaction of BVPs and PVPs. I research cases where the joint engagement of the environmental stringency and decentralization, along with the PVPs has prevented rent-grabbing and non-sustainable resource management. Six types of an interaction effect between PVPs and BVPs are defined. For five types, I outline Croatian tourism projects
in which PVP and BVP synergy led to identifiable improvement in prevention of rent-grabbing and resource misuse. Finally, for the sixth interaction type, I illustrate a Montenegrin project in which interaction effect ensured protection against rent-grabbing even when the overall system incentivised corruption and provided close to no protection for the resources.

In the final chapter, I discuss the implications of the findings presented in this dissertation and their implications for theoretical and empirical developments. I suggest that the thesis contributes to the tourism, natural resource use, corruption and veto points scholarship by identifying specific roles bureaucratic and political controls play in rent-grabbing prevention and sustainable resource management. The dissertation suggests bureaucracy is of great importance for preventing rent-grabbing and ensuring sustainable resource use, which is an updating of the mainstream literature in which bureaucracy was so far side-lined. I argue, contrary to the literature, that the complexity of bureaucratic procedures can assist not only in resource preservation, but also in the control of rent-grabbing. Moreover, I provide a deeper insight into the relationship between political and bureaucratic institutions and development. Methodologically, the dissertation contributes by offering a new approach for analysing sensitive topics and by applying graphical modelling to political economy scholarship.
CONCLUSION

Constraining the Grabbing Hand and Ensuring Resource Sustainability

This dissertation has posed the question of why some countries manage to prevent rent-grabbing and resource mismanagement in the process of tourism development, while others fail to do so, allowing resource revenues to benefit colluding elites and depleting crucial natural and cultural resources. To shed light on this issue, I developed a theoretical framework focused on bureaucratic and political veto points (BVP and PVP) which I then tested quantitatively on a large-N sample of 127 economies, as well as qualitatively through a two most-similar case study comparison of two countries, Croatia and Montenegro. Both countries are tourism-dependent and rely on an abundance of natural resources to attract tourists. They share a socialist heritage, the effects of the Yugoslav wars and autocratic transition to market economy. However, Croatia is more successful in preventing tourism resource rent-grabbing and has managed to better protect its resources, while rent-grabbing and resource misuse are prevalent practices in Montenegro.
CONCLUSION

This mixed method approach corroborated that bureaucratic and political veto points explain variation in the rent-grabbing and resource management in the tourism sector. I built on the existing literature recognizing that tourism revenues can represent a type of natural resource rent, which – depending on the type of political institutions – can incentivize politicians, businessmen and bureaucrats to turn to grabbing, rather than to productive activities. Where mechanisms of governance are grabber-friendly, rent-grabbing, in turn, leads to non-sustainable resource management. Rent-grabbing refers to attempts to illegally ensure control over resource rents – in this context returns in excess of all costs of for example land urbanization, within a grabbing equilibrium. This dissertation suggests that to understand why some countries manage to prevent rent-grabbing and tourism resource use, it is useful to look at the partial exogeneity of bureaucratic capacity. To this end, I map out a theory of coevolution of political, bureaucratic institutions and economic development, instead of assuming the primordiality of one type.

The framework I propose has two components, bureaucratic and political. More specifically, I argued that multi-level decentralized spatial planning that provides administrative controls of political decisions on sub-national and national levels of government, reduces the window of opportunity for rent-grabbing and thus helps prevent resource mismanagement. In addition to the bureaucratic vetoing exerted through the decentralized spatial planning, dynamic effects of political competition also ensure political vetoing. I introduced a new type of political competition, which I call vertical cohabitation. Vertical cohabitation refers to situations in which different political actors, including parties and coalitions, hold power at different levels of governance (national and sub-national, such as regional and local). Along with vertical cohabitation, turnover in power – a change of political party or coalition governing on national and sub-national level – is another type of political veto mechanism. Both vertical cohabitation and turnover in power enable monitoring of tourism projects agreed upon by different political
parties, whereby preventing instances of rent-grabbing and mismanagement to be capitalized upon following elections.

Other important veto points can also have an impact. In addition to these ex-ante veto mechanisms, the judiciary acts as both an ex-ante and ex-post veto point in preventing and sanctioning illegal rent-grabbing, thus protecting against resource mismanagement. Media and civil society act as catalysts, informing the public on rent-grabbing and resource mismanagement issues; but to veto a project, both actors rely on the impartiality of the judiciary. The stringency of legislative is a result of the interaction of the system of bureaucratic and political veto points. I suggested that the legislation is shaped and implemented by the bureaucrats, however it is adopted by the legislative bodies and therefore lies between bureaucratic and political mechanisms. As opposed to weak legislation, strict legislation defines how much and in which ways natural and cultural resources can be used, as well as procedures ensuring sustainable resource use.

**9.1 Findings**

9.1.1 Coevolution between politics, bureaucracy and economic development

The historical chapters (Chapters 4 and 5) explained the relationship between bureaucratic and political institutions and development in Croatia and Montenegro. A combination of socialist state monopoly over land and investments in the tourism sector and Yugoslav expertise in spatial planning resulted in a paradoxical regime of sustainable resource use. While in general communist countries cared little about the environment, in Yugoslavia much attention was paid to the urbanization of less valuable landscapes and protection of the pristine areas. However, while during this period Croatia developed in-house capacities and expertise for resource protection, the Montenegrin coastal belt was protected through federal planning alone.
CONCLUSION

Bureaucratic and political institutions further coevolved after the fall of Yugoslavia. During the transition to market economy and democracy, Croatia and Montenegro found themselves on opposite sides of the Yugoslav wars. On the one hand, Croatia fought for independence and – for the purpose of state-building – reorganized territorially to distance itself from the Yugoslav heritage. On the other hand, the Montenegrin leadership sided with Serbia and advocated Yugoslav continuity. Pre-existing differences in the in-house capacities and expertise in spatial planning, combined with newly introduced changes in territorial organization, led to diverging systems of spatial planning. Croatia introduced a three-level spatial planning system which included national, county and municipal levels of plan-making, while Montenegro opted for a two-level system which included national and municipal levels only.

Political changes at the end of the decade led to further differentiation between the two countries with regard to the organization of spatial planning and the stringency of the environmental and tourism related laws. The autocratic state was dismantled in Croatia after the death of its first President and war leader Franjo Tuđman in 1999. In the aftermath of his autocratic rule, two party blocks started to compete in a democratic system. Opposition parties took over power from HDZ, which had dominated until that point, and decreased the authority vested in the function of the president, also initiating a fight against corruption and cronyism. In Montenegro, in-party conflicts within DPS in 1997 and 1998 resulted in the marginalisation of Momir Bulatović and the development of two within-DPS centres of power, one around Milo Đukanović, and the other around Svetozar Marović. However, the domination of DPS as a hegemonic party was not challenged in the same way as in Croatia.

In 2000, the strengthening of the DPS in Montenegro and the development of bipartisan democracy in Croatia coincided with the end of the Yugoslav wars and the beginning of the
tourism boom. Historical analysis revealed that the partitocratic regime, in combination with the lack of spatial planning capacities and expertise, has led to further centralization and weakening of the regulatory system in Montenegro. The authority over resource management was removed from municipalities and centralized by the government, while pre-existing legislation provided no restrictions regarding construction on the coastal belt. In contrast, partisan competition and a strong legacy in spatial planning – expertise and capacity – jointly steered towards stricter legislation in spatial planning in Croatia. The inherited capacity and autonomy of bureaucracy thus ensured the proper implementation of strict environmental laws that jointly prevented rent-grabbing and resource mismanagement.

At the end of the 2000s, the economic crisis introduced a quasi-experimental variable in both economies, testing how diverging regimes can handle resource busts. In a democratic context with a strong spatial planning “pocket of efficiency,” the crisis pressured politicians to facilitate new investments by stripping away veto points which served as protection against rent-grabbing and resource mismanagement. However, in Croatia, the expertise and capacity of the bureaucracy to recognize and curb rent-grabbing projects with negative effects on resource use has not been influenced by the crisis. Although implications of the legislative changes cannot yet be observed and therefore are not analysed, it seems that the spatial planning capacity and expertise of the bureaucracy continued to provide protection against rent-grabbing and resource mismanagement.

In Montenegro, the crisis period coincided with a new in-party conflict that resulted in the prosecution and marginalization of the power-group surrounding of Svetozar Marović. Absolute rent monopolization in the hands of the narrow circle around DPS’ Government and the fast pace of resource extraction incentivised further centralization of the resource management process. As a result, the new Montenegrin plan for coastal development selectively
revoked permits for the urbanization of the areas controlled by Budva DPS. Despite the alleged dedication to resource protection, the plan threatens important ecologically protected areas and promotes the vested interest of a minority above public interest, by urbanizing untouched areas of the coast.

The in-depth qualitative cases confirmed the hypotheses in complex contexts and provided a deeper understanding of the theoretical mechanisms. The analysis also mapped out how resource booms and busts influence institutional changes, and thus directly contributes to the debates on the primordial role of the political and bureaucratic institutions and levels of development.

9.1.2 Quantitative analysis

The quantitative analysis in Chapter 3 tested the main hypotheses about the dominant role of the bureaucratic veto points in preventing rent-grabbing, through an analysis of panel and cross-sectional data. The findings support the assumed importance of an independent judiciary and, a somewhat weaker, role of political competition for reducing rent-grabbing. In addition, a two-stage least squares model with instrumental variables was conducted and revealed that BVPs and PVPs affect the sustainability of resource management through rent-grabbing. This is one of the major findings of the quantitative chapter and speaks most directly to my theoretical framework. To reduce the number of correlated individual variables I used a principal component analysis. Using BVP and PVP principal components in a panel data framework confirmed the relative dominance of the bureaucratic veto points over the political ones, with all robustness tests supporting the claim that bureaucracy has been unjustly neglected in the literature.

Using graphical modelling, I have probed associations and lack of associations between the individual bureaucratic and political veto point variables. Such an analysis of the data
revealed how the variables are associated with each other within the pre-defined BVP and PVP models. Based on these analyses I formulated a parsimonious model which clearly shows that BVPs and PVPs influence resource management by (not) creating windows of opportunity for rent-grabbing. The results also speak to larger debates in political economy on the relationship between political and bureaucratic institutions and development. The level of development clearly plays an important role in defining how BVPs and PVPs associate with rent-grabbing and resource management. However, previous literature overlooks the relevance of partial bureaucratic exogeneity, which my analysis showed to exist both in high- and lower-income economies.

The quantitative analysis provided strong support for the outlined bureaucratic and political veto points framework, allowing for the generalization of the argument across cases. The graphical modelling findings also gave some insights into the relationship between individual variables.

9.1.3 Country-level analysis of BVPs, PVPs and their synergies

In addition to mapping out the coevolutionary development of partial bureaucratic exogeneity, the thesis relies on original data – namely, the Tourism Projects Dataset – to systematically analyse how BVPs and PVPs influence individual projects. Chapters 6 describes the dataset in order to show that on the aggregate level, major differences in the BVPs and PVPs have led to a significant divergence in rent-grabbing and resource use in the two countries. On a micro-level, I selected and described the cases that were most likely and least likely to demonstrate the effect of BVPs, PVPs and their joint effect. Tourism projects were coded as dummy variables based on a number of elements, including the presence and effect of the BVPs, PVPs, property rights, land urbanization and illegalities. In the BVPs empirical chapter (Chapter 6), I analysed how spatial planning organization and the stringency of legislation affect
rent-grabbing and resource management on the national level and how the mechanisms operate in specific tourism projects.

Through analysed Croatian tourism projects in Chapter 6, I showed how the system of BVPs explicitly prevents problematic projects. I illustrated how multilevel planning in Croatia activates the system of bureaucratic controls and prevents rent-grabbing, ensuring sustainable resource management as well. However, I also outline how the system of BVPs provides sufficient project flexibility if environmental impact assessments justify changes in the plans. The analysis further suggested that protective regulations should be clearly set apart from the complex procedures of land and property restitution, which aggravate and hinder the implementation of the otherwise well-conceived projects. Montenegrin tourism projects in Chapter 6 revealed that the construction boom happened due to the lack of limitations and controls against construction in the narrow coastal belt. However, the conservation standards assisted in the protection of valuable cultural heritage, even if only in the case when the investors did not belong to one of the centres of power.

In the empirical PVP chapter (Chapter 7), I analysed how political competition, as well as the judiciary and its catalysts – media and civil society – create a window of opportunity for rent-grabbing and resource management on the national level, and how these mechanisms operate in specific tourism projects. On the national level, a lack of political competition and politically controlled judiciary in Montenegro enabled rent-grabbing and resource mismanagement, while in Croatia bipartisan democracy and a politically independent judiciary assisted in preventing such outcomes.

In-depth project analysis suggested that vertical cohabitation and turnover in power in Croatia played a significant role in preventing rent-grabbing and resource mismanagement. In Montenegro, due to the centralization of the system, vertical cohabitation could not play a role.
From the perspective of the role of the judiciary, the analysis of the specific projects revealed that in Montenegro, the judiciary was used as means of facilitating in-party conflicts, while in Croatia, despite increased independence, prosecution encountered difficulties when investigating possible criminal elements in speculative land use. Research on the role of the NGOs and the media provided strong support for the catalyst hypothesis. Moreover, it suggests that NGOs can win battles even in partitocratic regimes such as in Montenegro. The analysis also suggests that, despite lower press freedom score, the media is more influential in fighting against corruption in Montenegro than in Croatia.

Chapter 8 explores the synergy of BVPs and PVPs. The existence of multi-level spatial planning and strict legislation in interaction with the political veto points have a clear interaction effect on rent-grabbing and resource management. The interaction effect was mostly noted in Croatian cases, but the analysis suggested that interaction of the BVPs and PVPs can also ensure resource protection against vested interest also in partitocratic Montenegro.

9.2 Theoretical Implications

This dissertation built on four strands of literature: natural resource curse, tourism, corruption and veto points. Developing a bureaucratic and political veto points framework provided a contribution to each of these four fields of scholarship. I have argued that tourism resources, especially if institutional protective mechanisms are lacking, can incentive rent-grabbing in a similar way as already noted by the resource curse scholars focusing on oil, minerals, alluvial stones or timber. Beyond applying the framework to a new sector and focusing on a so far under-researched tourism resource, I have expanded existing scholarship on non-sustainable resource management. The resource curse scholarship has so far largely focused on autocratic institutions, inequality, negative growth, falling rates of educational attainment and civil wars as the outcomes of rent-seeking and patronage in resource abundant
CONCLUSION

contexts. However, the negative effects of the resource abundance and corruption on the environment have been neglected in the literature. The dissertation provided a theoretical framework for understanding and analysing how resource abundance can induce rent-grabbing and result in a lack of environmental sustainability. Moreover, it suggested how such vicious circle can be broken if a set of protective bureaucratic and political veto points are in place.

For the tourism literature, the dissertation has expanded the scope of the research on resource management stakeholders. Beyond identifying the important stakeholders, I have studied the role each of the stakeholders has in preventing rent-grabbing and ensuring sustainable resource management. Contributing to a theoretical framework that mainly focused on the role of the local communities, I specify the role of regulations and bureaucracies, as well as of the political competition and judiciary. In this research, I have also investigated the importance of the local communities for ensuring sustainable tourism development and identified the exact channel which allows civil society to veto tourism development projects through the judiciary. The findings confirmed that in the most cases, resource mismanagement occurs as a consequence of rent-grabbing. This is a contribution to the existing scholarship, which has so far ignored corruption in theoretical considerations of sustainable resource governance.

For the corruption and rent-seeking scholarship, the dissertation provided new insights into rent-grabbing in the tourism sector and its links to developmental outcomes. I argued that decentralized bureaucratic oversight over political decisions and strict environmental legislation have a key role in controlling rent-grabbing. By doing so, the thesis contributed to the existing corruption literature, which has largely advocated deregulation to disincentivize businesses from bribing or going “underground”. However, researching tourism sector in this dissertation enabled a better understanding of the kind of bureaucracies and regulations needed
to prevent corruption. I have argued that to prevent corruption and achieve sustainable resource management, a system of strict legislation and decentralized spatial planning must be in place. The dissertation thus argued that there is an important difference between protective regulation and red tape, as well as between vertical and horizontal veto points.

Furthermore, I have adapted the veto points framework to the rent-grabbing and resource management scholarship. The initial literature suggests that veto points have the ability to reject proposals for policy change. In the theoretical framework, I have argued that political and bureaucratic veto points can also curb rent-grabbing. The thesis has also developed a new type of veto mechanisms related to political competition for which I have coined the term of “vertical cohabitation.” I have proposed that vertical cohabitation – control over different levels of government by various political actors – can help in preventing rent-grabbing and resource mismanagement. I now turn to the methodological contributions of the dissertation.

9.3 Methodological Contributions

In addition to the theoretical contributions mentioned above, the dissertation also offers a methodological contribution with policy implications. Corruption research largely relies on either aggregate indicators of corruption, or on circumstantial accounts of corruption occurrence. I attempt to systematically capture rent-grabbing by cataloguing the whole universe of tourism projects and by coding land urbanizations according to official documents as corrupt and potentially corrupt affairs. Such approach is a contribution to the methods of researching sensitive topics as it provides not only in-depth insight in the specific cases, but also aggregate statistics on the prevalence of rent-grabbing in the use of tourism resources. Cataloguing tourism projects according to the pervasiveness of the rent-grabbing and its influence on resource management also has policy implications. The dataset offers an overview of a variation
of cases, which policy makers can understand as lessons for the future management of the resources.

Finally, in the thesis, I have graphically modelled the cross-sectional data to better understand the associations and lack thereof between veto points, rent-grabbing and resource management. The method has so far been commonly applied in pharmaceutical and epidemiology research and has only recently been introduced to political science to explore causal interpretations of multiple variables of interest. This dissertation therefore makes a methodological contribution by applying both directed acyclical and undirected graphs to the broader field of resource governance and corruption.

Apart from the theoretical and methodological contributions which the research offered for the natural resource curse, tourism, corruption and the veto points scholarship, the argument has direct implications for policymakers interested in preventing rent-grabbing and resource mismanagement. I now turn to the policy implications for international organizations, national governments and local communities.

**9.4 Policy Implications**

The thesis argued that stringent legislation and multiple, vertically placed, veto points curb rent-grabbing and help in ensuring resource management. This conclusion counters the argument put forward in the mainstream corruption and investment literature that burdensome regulation always incentivises businesses to bribe, rent-seek and cheat on taxes. There are two strands of developmental literature that deal with bureaucracy and regulation in a very different way. The first type of developmental literature recognized in the aftermath of the Washington consensus that markets cannot be left alone, while the second focused on choosing domestic winners and suggested that embedded autonomy of bureaucracy is crucial for jump-starting development.
However, despite recognition that capable bureaucracy is much needed, international organizations still bid countries against each other to attract investors by cutting down the regulatory burden. The dissertation therefore contributes to a better and more nuanced understanding of the role of regulation and bureaucracy in curbing corruption and supporting sustainable resource management. I suggest that procedures introduced to control rent-grabbing and ensure sustainable resource management should not be cut as this can have adverse effects on developmental potential.

In this vein, the thesis echoes Karl Polanyi’s term of “fictitious commodities” which underscores the moral indecency of treating people, land, and money as strictly marketable products. Polanyi was concerned with the negative externalities of unregulated markets, suggesting defiled landscapes, pollution, destruction of food and raw materials as outcomes. Therefore, the main argument of the thesis, namely that lack of regulation and market failure can have devastating negative outcomes on resources can be particularly useful for the work of the international organizations and for their engagement in promoting good governance in developing economies.

Additionally, international organizations often advocate tourism development as a strategy for ensuring growth and job opportunities. However, critics warn that tourism development fails to assist much to poverty reduction in developing countries and has significant leakage rates whereby the rich capture most of the profits. I the dissertation, I focus on rent-grabbing, another negative externality of unchecked tourism industry. I have argued that an abundance of natural and cultural resources incentivises rent-grabbing, especially when protective institutions are absent. Developing countries which lack bureaucratic and political systems of monitoring and control that can curb rent-grabbing face issues in ensuring sustainable resource management. As the most important policy contribution, the research has
suggested that resource mismanagement commonly occurs as a consequence of rent-grabbing. Based on the findings and conclusions, it would be prudent to ensure that systems of bureaucratic and political veto mechanisms are in place before donor money is earmarked for tourism development projects.

Furthermore, studying tourism offers a new insight into institution-building processes and a better understanding of how institutions define developmental outcomes. Tourism is an under-researched policy area from the perspective of the scholarship focusing on the institutional determinants of growth and development. Therefore, this dissertation provides information about a yet unexplored sector, widening our knowledge on the role of the bureaucratic and political institutions. However, unlike other economic sectors in which success is measured by the economic growth, the measure of success in this dissertation is the protection of the valuable resources. As most of the developed countries boast good quality of both political and bureaucratic institutions, researching the institutional determinants of resource preservation in the tourism sector helps in evading the collinearity that affects many other studies. The analysis of the relationship between political and bureaucratic institutions and development in tourism sectors thus allowed discerning how exactly political and bureaucratic institutions influence each other and shape developmental outcomes. In addition, mapping the coevolution of political and bureaucratic institutions and economic development provided valuable lessons for policy makers on how economic development and institutions change. Moreover, I also underline in the analysis that existing political and bureaucratic legacies cannot be simply overwritten and should be considered during policy making.

Beyond implications for the tourism sector, the dissertation also has policy implications for the so-called natural resource curse. Tourism resources are most similar to resources researched within the resource curse framework. For example, if institutions preventing rent-
grabbing are missing, resource revenues incentivise timber cutting at the high rates. The dissertation argued that the interaction between bureaucratic and political controls can prevent rent-grabbing tourism resources. The policy implications for tourism sector can be easily transferred to other resource sectors. Specifically, I argue that additional regulations and vertical mechanisms of control could be of key importance for ensuring environmentally sustainable outcomes of resource management in other sectors. In the next section, I turn to the limitations of the dissertation and possible ways of remedying them.

9.5 Limitations and Future Research Venues

Certain limitations of the work presented in the dissertation were outlined and partly addressed in the individual chapters, such as data issues elaborated in the quantitative analysis. The thesis relies on a quantitative analysis for the generalization of the argument and external validity. However, as was already noted in the quantitative chapter, I have relied on a number of indicators ill-suited for the type of the panel data analysis I would have ideally liked to employ. The literature lacks consensus on how to measure governance, corruption and capacity consistently across time and units of analysis. In addition, there is a general lack of data suitable for a time series analysis of corruption and governance. Moreover, the existing research on corruption, governance and capacity, as well as this work, relies on cross-national surveys and perception based aggregate indicators, which is problematic because of the possibility of confounding effects and bias. In addition to such issues in measuring governance, there is a serious lack of tourism-specific governance indicators, resulting in the use of the best available alternatives. Whilst acknowledging potential limitations, and issues with the data, I have adopted a pragmatic approach and have used panel data analysis to test whether the bureaucratic and political framework can be generalized across a large number of cases.
Furthermore, I have suggested that resource mismanagement occurs as a result of rent-grabbing in tourism abundant contexts, where protective bureaucratic and political veto points are not present. I have shown that this is the most prevalent channel that was statistically tested and applied on a large number of cases, but also that it has a relatively strong internal validity tested through an in-depth comparative case study analysis. However, limitations of the specific causal mechanism outlined and tested in the dissertation include situations when Olson’s stationary bandit monopolizes resource rents and commands strict environmental laws to ensure long-term resource preservation co-existing with rent-grabbing. However, as the stationary bandit would theoretically employ a centralized rent distribution system that ensures the loyalty of her cronies, rent-seeking would have the perverse effect of de facto resource preservation. One such case described in the literature is Maldives, where despite the fact that concessions over islands were divided among long-term connections of the President, the strict legislation ensured resource preservation.

The dissertation dealt with grand corruption and focused on explaining how rent-grabbing causes non-sustainable resource management. Therefore, the Tourism Projects Dataset includes only tourism projects deemed large and important for development. I have included all the projects that promised to create numerous jobs, as well as to provide significant sources of income for the community and the country. Smaller tourism projects, such as private home renting or family hotels and hostels, have not been included in the Tourism Project Dataset. As a result, the thesis has limited insight into petty corruption and bribery which can occur on the municipal level in the process of developing a small-scale tourism project. This represents a possible venue for the future research. An extension of this project would revisit the main hypotheses by focusing on the role of the bureaucratic and political veto points in small scale tourism projects with a focus on the informal economy.
Similarly, the main argument of this dissertation – that the bureaucracy matters for preventing rent-grabbing – could be further tested and extended on the classical focus of the resource curse literature, namely oil, gas, minerals, alluvial stones and timber. The developmental state literature recognizes the importance of bureaucracy, but the policy recommendations still prevalently suggest indiscriminate dismantling of procedures – considered uniformly as regulatory burden – to improve the investment climate and prevent corruption. Future research focusing on the application of the bureaucratic and political veto points could also include testing how the framework applies outside of the resource abundance context.

The dissertation has historically traced the coevolution of bureaucratic and political veto points in Croatia and Montenegro and has tested how BVPs and PVPs affect rent-grabbing and resource use both within a quantitative and qualitative framework. Based on the results of the analysis, I offered a number of policy suggestions relevant for policy making in the tourism, other resource-based sectors, and wider developmental context. However, one of the key shortcomings of this project is its narrow understanding of how changes in governance can be instigated. Nevertheless, it also provides an opportunity to deal with the issue in the future research. To test how changes in governance can be initiated, I suggest the use of randomized control trials and quasi-experiments. Experimental research designs could provide a better understanding of causal relations, but also enable testing various mechanisms under controlled conditions. State of the art methods provide a range of experimental designs, which could assist in testing and identifying a mechanism for jump-starting the fight against corruption. Natural experiments involving as-if random assignment could also be used to research how good governance mechanisms can be built.
CONCLUSION

In conclusion, this work provides theoretical contributions to the resource curse, tourism, corruption and veto points scholarship, and advances our understanding of tourism resource use with wide applications for corruption control, governance and development. Moreover, the dissertation provides a methodologically diverse and innovative approach to analysing rent-grabbing and resource management and proposes new ways of integrating qualitative and quantitative techniques. Finally, I hope the dissertation will be useful for readers and open future research venues.
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372


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