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## Croatian Regional Strategy in the Framework of the EU Accession Process

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**46<sup>th</sup> Congress of the European Regional Science Association  
Volos, Greece, August 30 – September 3, 2006**

**Croatian regional strategy in the framework of the EU accession process**

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**Abstract**

A limitation on the implementation of modern regional policy in Croatia is the inherited doctrine of the reconstruction of war affected areas. This doctrine is no longer appropriate to the needs of new regional policy, which must be formulated in the context of EU accession. This is especially important considering that the EU emphasizes that member states must be in a position to withstand competitive pressures in the single market as a key condition for accession. In this context, regional policy will be closely tied into the accession strategy. A major objective will be to prepare for the introduction of EU cohesion policy and the Structural Funds. The pre-accession funds will contribute to that effort.

The situation in Croatia today is that while “balanced regional development” is one of seven key government priorities, there is no clear definition of what this means. There is a fragmented listing of regions deemed to have special problems without, on the face of it, any coherent profile of those development needs. The National Strategy for Regional Development will seek to address these issues.

The implications, therefore, for approach to the analysis of regional policy in Croatia today is that we concentrate essentially upon three main fields of enquiry from two perspectives – top-down and bottom-up. These are:

- Assessment of the overall policy framework for regional development, including the current legal framework in particular policies, legal acts and regulations which affect the development of those parts of the country which can be loosely termed “assisted areas”.
- Assessment of the institutional and administrative capacity in place.
- Appraisal of the types of regional development instruments currently deployed and their effectiveness in dealing with development needs at national, regional and local level.

The strategy sets the context for balanced regional development both at national and sub-national level as well as draws attention to development needs of the ‘assisted areas’ as well as counties highlighting their different development profiles. It brings together the main analytical parts – policy framework, institutional context and finally an assessment of the existing development interventions. This is followed by a SWOT analysis before moving to a set of conclusions and next steps which will frame the strategic rationale behind the strategy. The paper is linked to the project Strategy and Capacity Building for Regional Development (CARDS 2002 Programme for Croatia): Analysis Section for Strategy.

## **Croatian regional strategy in the framework of the EU accession process**

The purpose of this analysis is to create the basis for the elaboration of a national strategy for regional development which is in line with EU principles and practice. The goal of national regional development policy is:

- to contribute to overall national growth and development by enabling those regions and counties which are lagging behind the more prosperous to compete,
- to reduce the social and economic disparities between the regions/counties and
- to provide a national framework for coordinated local initiative for economic and social development across the country.

As Croatia actively prepares for accession to the EU, it is crucial that it is well prepared for the introduction of EU Structural Funds and pre-accession funds. This will require a significant effort on the part of the government to strengthen the institutional base for the management of the Funds – from the centre of government to local areas across the country. The national strategy for regional development will be a major part of that effort. It will address the internal disparities which are damaging the overall development prospects of the country. In a separate but related exercise, the National Development Plan, and the work associated with it, will provide a framework for dealing with the deep structural obstacles which block Croatia's path towards convergence with the richer member states of the EU. The National Development Plan will eventually incorporate, as a core priority, within a single framework, the National Strategy for Regional Development and Action Plan for Regional Development.

### **Factors for Sustainable Competitive Regions**

The Commission's Third Cohesion Report (2004), identifies a number of factors associated with those regions which have been successful in reversing the development deficit. These concern the effectiveness of the policies and actions undertaken to address the bottlenecks and obstacles to growth and development of the region. Consistently, those regions and member states, which have made the most progress in achieving sustainable competitiveness, have been able to formulate and implement effective policies, strategies and actions to:

- address the structural faults in the regional economy
- improve the quality and flexibility of the labour force
- tackle the infrastructural obstacles to accessibility (tackling peripherality) and sustainable development
- promote innovation (new products, processes) and better links between science and technology and enterprise
- support and stimulate the small and medium sized enterprise sector
- build a modern, competent and responsive administration – and systems of institutions working together for development.

## Regional Policy in Croatia

Upon achieving its independence in June 1991 Croatia inherited a number of unfavourable features, such as disproportions in socio-economic development, depopulation, deterioration and regression of many parts of the country, poor transport and technological infrastructure, as well as lack of capital for restructuring.<sup>1</sup> The Homeland War further resulted in economic and social devastation of many parts of the country, but also in administrative division of Croatian territory based primarily on political prerogatives of the time, which remained, to a great extent, unchanged up to this date. Despite the widely accepted notion that diversity of regions in Croatia, in terms of natural, geographic, social, economic and political aspects, represents an immense wealth for the country. These advantages have not yet been successfully explored and managed.

The situation in Croatia today is that while “balanced regional development” is one of seven key government priorities, there is no clear definition of what this means. There is a fragmented listing of regions deemed to have special problems without, on the face of it, any coherent profile of those development needs. There have been ad hoc and episodic attempts to build development capacity at local level in such a way as to mobilise the full productive capacity to the development of the regions and local areas. However, there is no national framework for steering that effort and as a result the effort and motivation these initiatives are short-lived. The National Strategy for Regional Development will seek to address these issues.

Regional development in Croatia is mainly defined through the specific laws. Law based policies favour a number of listed areas, deemed to lag behind as a result of specific development problems. The Areas of Special State Concern include three categories: 1) Areas occupied during the war, 2) Areas suffered war damages and 3) Areas meeting specific criteria of underdevelopment. Hilly and Mountainous Areas are designated on the basis of permanent geographic or natural handicap as well as Islands. The development of the Croatian border areas is seen as a special priority.

In this analysis, we shall, except where otherwise stated, refer generically to all of these areas as the “assisted areas”.

Another stream of regional development is evolving on Counties. There is an attempt to have a development plan in place in each of the counties as soon as possible. The idea of county based development originates from the European Union which is promoting the strengthening of county and local level development capacities. Currently four of the counties have elaborated so called Regional Operation Programmes and another four have started the process. Also the Fund of Regional Development is aiming to support this county based development initiative.

Regional policy in Croatia is at a critical juncture today as a result of its candidate status for membership of the European Union. In this context, regional policy will be closely tied into the accession strategy. A major objective will be to prepare for the introduction of EU cohesion policy and the Structural Funds. The pre-accession

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<sup>1</sup> Human Development Report, Croatia 1999, UNDP, Zagreb, p. 48.

funds, in particular, Phare Economic and Social Cohesion, will contribute to that effort.

### **Development Needs of Assisted Areas**

Given the fragmentation of the policy framework for assisted areas in Croatia and the somewhat “moveable” nature of the process of designation, it is difficult to make common profile of their development needs. There are wide variations in the social and economic situation of the ASSCs, for example, as shown in the factor analysis carried out in the context of the World Bank assessment of those areas.<sup>2</sup> They cover very different development challenges from rural community development and arresting depopulation to industrial restructuring. They also include areas which are emerging from the economic and social trauma of war towards new development opportunities.

Some of the war affected areas were well performing industrialised areas in the past whereas some had great structural problems. Today all of them have in common special needs to recover from war consequences. Rebuild the basic infrastructure, create new productive sectors, improve the living conditions and prepare ground for the returnees. These investments are necessities to achieve average living conditions and circumstances for economic activities. But despite of all these recovery activities the basic structural differences among these areas' development potential does not change.

There is a great variety within the areas which are lagging behind in terms of economic and social development and logically their needs differ fundamentally. Once again, these include rural areas which are suffering from inefficient agriculture, under-productivity, under-employment, poverty and high levels of depopulation. The major need is to restructure agriculture to be competitive and profitable. The second need is to make the economic base more diverse. Rural areas development needs focus on agricultural reform and development of small businesses.

Many currently lagging areas had in past a strong industrial base, often built around major state conglomerates, which have today dramatically collapsed. Declining industrial areas are having major problem of long-term unemployment, poverty and social exclusion as well as a tradition of over-reliance on central planning. The immediate development need is to create new economic base focusing on SME sector. On other hand a big part of existing industries are technologically outdated and inefficient, which is a big risk factor when the economy is opening for free markets.

The major needs of island development are bound up in the challenge of sustainable growth – to build a viable and diversified economic base for all their citizens and in keeping with the natural beauty of the environment. Ageing population and shortage of workforce is one of the islands specific problems influencing directly on investments. Access to education and insufficient basic infrastructure such as fresh water supply, waste management and road network are also limiting development. Key issues include the need to tackle peripherality, improve their accessibility, and stimulate the business environment by a set of various means more favourable for

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<sup>2</sup> Socio-Economic, Territorial and Institutional Assessment of ASSCs (World Bank) 2004

new businesses, private sector investments and to improve the quality of life. The core concepts and strategies for sustainable economic development have to be defined first. After that the major development measures can be identified to meet the needs. It must be stated that the Croatian Islands are a very heterogeneous group. Economically best performing islands are in much favourable situation than many parts of the mainland whereas islands in decline are suffering much severe complexity of problems than typically in similar parts of mainland.

Hilly and mountainous areas face difficulties as a result of natural and geographical handicap to attract investments and develop new businesses. Dispersed population patterns make more difficult the provision of services such education and social development. Because of the very weak economic base and migration for decades, they are today facing a serious problem of ageing population and circle of declining economy.

Border territories needs to be given a special attention due to a rather unique, slim shape of Croatia with extensive length of the border line with neighbouring countries.<sup>3</sup> Hence, it gives rise to the importance of cooperation with cross border partners in dealing with issues of joint interest. Despite the fact that virtually all counties, except Bjelovar-Bilogora, Požega-Slavonia county and the city of Zagreb, are sharing border with other countries three border regions in Croatia can be defined:

- Italy-Slovenia-Croatia (county of Istria, Primorje-Gorski kotar)
- Slovenia-Hungary-Croatia (county of Međimurje, Varaždin, Krapina-Zagorje)
- Serbia and Montenegro – Croatia, BiH-Croatia (stretching from the county of Osijek-Baranja to Dubrovnik-Neretva county)

## **Changes in EU Regional and Cohesion Policy**

The elaboration of the Croatian National Strategy for Regional Development takes place against the backdrop of a vigorous debate within the European Union around the fundamentals – and the future - of an EU Regional Policy. Faced with the continuing failure to relaunch the economies of the traditional motors of the European Union at the more global level, the focus from Lisbon, Gothenburg and successive summits has been upon competitiveness and growth rather than economic and social cohesion.

The recommendations from the Third Cohesion report (2004), and subsequent proposals for the next reform of the Structural Funds reflect this debate and seek to position EU regional and wider economic and social cohesion policies in the context of the overall EU effort to improve economic performance. The central logic of the new Structural Funds (2007-2013) is that by concentrating much of their resources on the least developed member states and regions, EU regional and cohesion policy

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<sup>3</sup> The borders of the Republic of Croatia are 3,320 kilometers long. The length of borders on land is 2,372 kilometers, which includes 1,011 kilometers of river borders. The longest Croatian border is the one with Bosnia and Herzegovina which is 1,009.1 kilometers long, followed by borders with Slovenia at 667.8 kilometers, Hungary at 355.5 kilometers and FRY at 340.2 kilometers (317.6 km with Serbia and 22.6 km with Montenegro).

can contribute to reducing disparities while raising the competitiveness of the EU as a whole. The outcome of this debate over the next years will have significant repercussions on the direction and management of national (regional) policy in Croatia.

In very concrete terms, therefore, the European Union is introducing a raft of changes to the policy orientation and management of EU Structural Funds for the period 2007 to 2013. The proposed changes are set out in a set of draft Regulations for the Structural Funds (European Regional Development Fund, European Social Fund and Cohesion Fund) as well as in the proposal for the new European Agricultural and Rural Development Fund – all of which are currently the subject of intense negotiations among the EU 25. Their adoption by Council is not expected until end 2006, making it more difficult to fully predict outcomes. Whatever the outcome of these negotiations, it is likely to have a substantial influence on the nature and shape of regional development in Croatia at least over the medium term 6-7 years.

### **Pre-Accession Context**

In the shorter term, the European Commission is also introducing major changes to its pre-accession strategy, drawing on the accession experiences of the recent new member states. In the place of the existing pre-accession instruments (Phare, Sapard and ISPA), a new single Integrated Pre-Accession instrument will come into effect from 2007 (IPA). One of the main reasons for this is to make it possible for administrations in the accession states to simulate management and programming conditions for EU Structural Funds (after accession) as far as possible during the pre-accession phase. From the point of view of the National Strategy for Regional Development, these changes are bound to affect the policy and administrative environment over the first years of implementation.

There are also important lessons arising from the pre-accession experience of the recent member states to be taken into account. In countries where the overall level of development was significantly below the EU average, national development priorities took precedence over the differences between internal regions. All of the smaller countries, for example, had only sectoral - as distinct from regional – priorities in their national development plans. The fundamental reason for concentrating upon national priorities was the pressure to develop, in the first instance, adequate absorption and policy management capacities at national level. This was a logical choice in situations where national regional development policies were not in place and the regions did not have capacities to share development responsibilities with the centre. Additionally, the relationship between regional development policy and the NDP was unclear. It is critical therefore that the preparation and implementation of the National Strategy for Regional Development – overall strategic direction, legal and institutional framework – should, from the outset, be fully aligned with – and add value to - the National Development Plan.

### **Links with the National Development Plan**

The National Development Plan for Croatia is currently in preparation. There is an expectation that the NSRD will be incorporated as a key component alongside a number of sectoral priorities. The relationship between the National Regional

Development Strategy and the National Development Plan will be set out in more detail at a later point in time.

At this stage it is important to note that the overall goal and strategic objectives of the NSRD are integral to the success of the NDP. In the first instance, the NSRD has the explicit and unique purpose of setting in place a development infrastructure across the country at county and inter-county level which will provide the capacity – and the mechanisms – for the effective use of the resources provided through the NDP for the development needs of the counties and wider regions. Secondly, while recognising that all of Croatia is under 75% of EU average in terms of GDP and therefore eligible in its entirety for Convergence (or Objective 1) status in terms of EU regional and cohesion policy, there are major and widening disparities between the more prosperous and lagging parts of the country, giving rise to the problems of uneven development. Therefore, by placing a policy premium upon tackling the obstacles to development in the most disadvantaged and lagging parts of the country, the NSRD is contributing to overall national sustainable development and competitiveness. Similarly, the NSRD brings a clear policy focus on reducing the negative effect of border on national competitiveness as well as local economies.

Possibly the most important link between the NSRD and the NDP, is that the institutional and legal frameworks to be set up in the context of the NSRD will provide much of the basis for the preparation, management and delivery of the NDP. The NSRD will set in place an effective inter-ministerial coordination mechanism, establish and test a model for common management, implementation and reporting structures, create and consolidate functionally independent monitoring and evaluation systems, put forward proposals for financial management and control. The NSRD has introduced the consultative model and practice of partnership to be adopted for the preparation, implementation and monitoring of the NDP.

### **Scope of National Strategy for Regional Development**

One of the central issues addressed in the consultation around the NSRD relates to its scope and nature. This is essentially a strategy for the balanced and sustainable socio-economic development of all of the counties and wider regions of Croatia. The focus is as much upon process as product in the sense that the NSRD seeks to build and consolidate the capacity for development as well as contributing to development outcomes. Much accompanying work needs to be done in order to make the NSRD more efficient, such as strengthening ministries presence in counties and ensuring sufficient fiscal capacities for all the counties.

It is not a spatial development strategy although there is an implicit recognition of the need for this equally important task to be conducted. The analysis has amply demonstrated that development and growth patterns, particularly over the last decade, have led to significant consequences in terms of territorial impact. Rapid economic expansion in some areas has been mirrored by stagnation and in other parts. Increased activity in some sectors, such as tourism, has given rise to fears for environmental and social sustainability in certain parts of the country. Elsewhere, the rural economy and rural society generally has been changed forever by the decline in agriculture as the major provider for rural dwellers.



The ongoing transformation of the spatial organisation of Croatia raises many long-term strategic challenges for policy makers. These cannot be adequately dealt with in the framework of a strategy primarily focusing upon more sustainable socio-economic development of the country. To try to do so runs the risk of losing the focus and sense of direction so critical to the success of both exercises. Nevertheless, there is a strong and cogent argument for a spatial development strategy to be carried out as a complement, and separate exercise to the present socio-economic development approach to regional development set out in the NSRD.

Regional policy has become a significant Government priority and is seen as an integral part of the overall strategy for national sustainable development and competitiveness. However, as is clear from the analysis, up to the present, both policy and practice have lacked a common sense of direction and coordination.

The National Strategy for Regional Development is intended to provide the means to introduce and implement a more “joined-up” (coordinated) approach to the sustainable socio-economic development of all of the parts of the country. As such, it will represent a significant cross-sectoral, area-focused strand of the National Development Plan (currently in preparation), linking a range of central government ministries and institutions with socio-economic actors and institutions across the country in a concerted long term “top-down – bottom-up” effort to achieve a more balanced development of the country and to reduce socio-economic disparities.

In the debate and discussion generated by the consultation around the findings of the analysis, and taking account of relevant factors in the wider policy environment, the above statement was further refined and its strategic focus sharpened (*see Annex: NSRD chart*). It is the purpose of this paper to reformulate the goal and strategic objectives in the light of that debate, linking them back to the analysis, going forward to the priorities and regional development instruments.

Taking all these considerations into account, the goal is simplified and re-stated as follows:

*“To have functioning regional development policy in Croatia contributing to sustainable national development and competitiveness by 2013”*

reflecting the importance of having in place an effective policy and institutional framework which is capable of stimulating and managing the development trajectories of the counties and wider regions of Croatia, promoting sustainable and balanced socio-economic development, reducing socio-economic disparities, making a distinctive and unique contribution to the goal of sustainable national development and competitiveness.

## **Indicators**

In defining indicators to set measurable objectives and later to measure the efficiency of national regional development policy it is important to cover all the fields which have a major influence on socio-economic development. These would include: population, education, employment and economy. Indicators should be able to

demonstrate how the counties and wider regions are contributing to national growth and competitiveness. The most crucial indicators to be collected by the counties are:

- GDP /capita
- Enterprises
- Population
- Migration
- Unemployment
- Employment by sectors
- Educational attainment
- Counties fiscal capacity (net income /capita; debts /capita)

By following these indicators at sub-national level (Counties, preferably on municipalities) the Government will be able to measure how efficiently the regional development strategy works in enabling Counties and wider regions to contribute sustainable national growth and competitiveness. Besides these strategic indicators a set of indicators will be introduced for the Priorities under Objective 1.

### **Strategic Objectives**

The twin strategic objectives of the NSRD highlight the inseparability of policy substance and institutional context if such an outcome is to be achieved. These are as follows:

#### **Strategic Objective 1**

*“All counties and “wider regions” enabled to contribute to sustainable national development and competitiveness – and reduced social and economic disparities across the country”*

This objective stems from all the evidence gathered over recent years, presented in the analysis, pointing to persistent patterns of uneven development - on the one hand, rapid economic growth and, on the other, enduring decline and decay. The situation in the regions differs vastly from county to county and, indeed, within counties. This complexity poses a significant challenge to policy makers.

Within counties and their wider regions, the rapid growth of some of urban centers has led to further distortions and disparities between town and country. Nowhere is this more marked than in the relationship between Zagreb and its wider region. Such patterns are also evident in the rich coastal areas in Dalmatia compared with the poorer more rural hinterland. In Slavonia, towns like Osijek and Slavonski Brod exercise considerable influence over the wider regional economy, in terms of markets, services, local transport, links between higher education, research and business, yet, up to the present, have failed to stimulate the balanced development the wider region.

The analysis highlighted significant shortcomings in the capacity at county level, to manage the development challenge. There is, generally a lack of consensus around priority needs and little sense of consistent policy direction. Inter-agency cooperation is missing. On the positive side, the current ROP experiences are generating useful

models for better coordination of effort among local agencies and institutions. It is important to build on this work.

The stimulation of development at county level calls for a high level of political cooperation and commitment, good working relationships between social and economic actors and at grass roots level, people to people cooperation. There is also little practice of inter-county cooperation around development needs which makes it more difficult to identify and address more strategic wider regional development priorities, including the role of urban centers and the relationship between town and country. Many of the strategic socio-economic development needs of counties and wider regions will require more structured and systematic collaborative activity between counties. Inter-county cooperation around the wider region strategic priorities will become a significant factor in the development of the regions.

The continuing failure of large parts of the country to reduce the gap in terms of socio-economic development with the more prosperous parts poses a major and enduring obstacle to the achievement of sustainable development and overall competitiveness, both at national level and within those regions directly affected. As demonstrated in the analysis, the contribution to the national economy from the lagging regions is disproportionately small and decreasing, while the scarce yet valuable public resources directed towards them has had little real or enduring effect.

The development needs of these areas are deep-rooted, complex and wide-ranging. This strategic objective, therefore, also raises a challenge for government agencies to coordinate and focus better their interventions. The explicit purpose is to improve the performance of the lagging areas in terms of socio-economic development, enabling them to play a more substantial and equitable part in the national economy.

Up to the present time, cross border cooperation has been treated as a mainly local development issue affecting border areas rather than the wider economy as such. There is no central policy for cross border cooperation in terms of socio-economic development. Not enough is known of the impact of Croatia's extensive borders with six different countries in terms of the ability of its producers and service providers to integrate their businesses in the wider European markets – or its people to enjoy the benefits of free movement. Given that seventeen out of twenty counties in Croatia are border counties, the effect of border is simultaneously national, regional and local. It is an integral part of the NSRD.

Strategic Objective 1 acknowledges the heterogeneity of circumstances and the complexity of the challenge across the different parts of Croatia. It brings together these three strands of regional policy within a single policy framework. At the core is a new relationship of shared responsibility between the centre and the local, “top-down and bottom-up”, based on a fundamental recognition of the inadequacy of either approach working in isolation - and built around the principle of partnership. It combines national priorities and a focus on the uniqueness of place. This Strategic Objective sets an explicit task for regional policy to reduce the socio-economic disparities between the poorer and more prosperous parts of the country, thus contributing to sustainable national development and competitiveness. Finally, it places the focus on the need for a more managed approach to dealing with the effect of border locally, regionally and nationally.

## **Strategic Objective 2**

*Have an effective management framework for regional development in place*

The second NSRD strategic objective is directly related to the conclusions in the Analysis which stress the need, on the one hand, for a unified coherent legal framework and, on the other, an effective, coordinated institutional infrastructure for regional policy reflecting the national and multi-sectoral scope of the development challenge. This is a more “horizontal” objective which will impinge on every part of the realisation of Strategic Objective 1.

Current regional policy in Croatia is regulated by a complex set of legal instruments which have evolved over the years but which are ill-adapted to the present needs for a number of reasons – they fail to set out adequately the relationship between central and local government in the area of sustainable socio-economic development, they lack the instruments that make it possible to focus and concentrate resources on development needs, there is no provision for objective monitoring and evaluation, the concept of partnership involving a wide range of socio-economic actors is missing. For that reason, the NSRD will propose a new comprehensive legal framework, bringing together existing legal instruments to give them greater effect and applicability in the face of the new challenge of integrated regional development.

The analysis also highlighted the critical need for greater policy direction and management - and for the introduction of systemic coordination across all of the institutions of central government involved in regional development. The situation at present is characterised, in the main, by stand-alone initiatives, considerable duplication of effort and resources, and an absence of objective monitoring and evaluation across the policy field. Implementation systems and methods of delivery lack transparency and make it difficult for policy and programme managers to assess the effect of interventions. The Croatian Bureau of Statistics does not yet collect comprehensive socio-economic statistics at county level and the contested reliability of statistics is a significant problem for development strategists. On the positive side, the introduction of multi-annual budget surveys in 2005 creates a basic framework for greater financial management and longer-term programming.

The analysis of development capacity outside the centre highlighted the vast disparities between counties in terms of resources locally available for development. It also underlined significant institutional problems across the country. Briefly stated, links between central and local government are distended and uncoordinated. Government offices in the counties tend to be far removed from policy or programme management and have a marginal development role.

The second strategic objective therefore also places the focus upon the challenge of building institutional and administrative capacity for regional development at national level.

Finally, the designation of NUTSII areas for Croatia is still a major issue of national concern as well as for the management of regional policy. Whatever the outcome of Government deliberation in this context, the institutional and administrative

implications will be dealt with under the second strategic objective. The next section deals with Strategic Priorities.

**Strategic Priorities**  
**Overview of Strategic Priorities**

A set of strategic priorities have been identified under each Strategic Objective which relate to specific areas of work contributing to the realisation of the overall Aim/Goal.

In the case of **Strategic Objective 1**,  
*“All counties (and “wider regions”) enabled to contribute to sustainable national development and competitiveness – and reduced social and economic disparities across the country”*

The priorities are the following:

<p><b><u>Priority 1.1</u></b></p> <p><i>“To strengthen (development capacity of) counties and wider regions across the country to utilize and manage their development potential”</i></p> <p><b><u>Priority 1.2</u></b></p> <p><i>“To support the areas persistently lagging behind to contribute to sustainable national development and competitiveness”</i></p> <p><b><u>Priority 1.3</u></b></p> <p><i>“To diminish the negative effect of borders to the development of counties by cross border development”</i></p>
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**Strategy Objective 2** relates to the legal, institutional and administrative capacity dimensions of the NSRD.

*“Have an effective management framework for regional development in place”*

The Priorities are as follows:

<p><b><u>Priority 2.1</u></b></p> <p><i>“Clear, coherent and agreed legal framework for regional development”</i></p> <p><b><u>Priority2.2</u></b></p> <p><i>“Effective policy management and institutional framework for regional development at all levels (based on principles of partnership, equal opportunities, sustainable development)”</i></p>
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## **Linking the Priorities to Strategic Objectives**

### **Priority 1.1**

**“To strengthen (*development capacity of*) counties and wider regions across the country to utilize and manage their development potential”**

#### **Purpose**

This priority area makes clear the national scope and mission of the NSRD. It is based upon the recognition, borne out in the Analysis, of the need for central government to mobilise and enter into a new development partnership with socio-economic actors at county and inter-county level. Equally, it draws attention to the importance of building - and using - the development capacity of county socio-economic actors and institutions to manage the development potential of counties and wider regions. This priority goes beyond the purely national institutional and administrative capacity which is an essential element for effective regional development – and which is dealt with under Priority 2.2 below.

In placing the emphasis upon the promotion of new sets of relationship between all of the socio-economic interest groups at county and inter-county level, as well as between national and county, Priority 1.1 seeks to build the “social capital factor” critical to effective development. It focuses on supporting and enabling inclusive county-based partnerships to work together to identify the priority needs and to propose shared, realistic and strategic solutions. Such an outcome is more than solely the product of administrative reform, or the creation of formal partnerships for rubber stamping approval. It will require a sustained development effort to create the shared norms, common values and mutual trust which underlie effective performance.

It is not sufficient to simply create capacity within the county since many of the development problems and needs can only be addressed at a wider region level, requiring the close and effective cooperation between counties. In particular, the role of the larger urban centers in terms of the development of wider regions will have to be taken into account in this context. It will, therefore, be critical to build a linking framework to enable counties to work together on shared, more strategic development priorities. Priority 1.1 will propose the means to encourage and promote such cooperation.

Priority 1.1 puts local actors at the heart of the development of their areas. Traditional “top-down” remedies are inadequate in the face of complex local needs and the uniqueness of place. The agreed County (and Wider Region) Development Strategy will over time become the main vehicle for channeling development resources to the priority needs as defined and agreed by those directly concerned – local stakeholders. This will place a substantial burden of responsibility on county partnerships to reach consensus on priority needs and remedies, to undertake development plans, to manage their implementation, to monitor and learn from outcomes and experiences and to draw in new resources for the development of their areas.

## Development Instrument

For all the above reasons, the NSRD will propose setting in place a “*County and Wider Region Development Programme*” which will provide support for inclusive and representative County based Partnerships and their development bodies, charged with guiding and overseeing the development process in the county through the preparation and implementation of county and inter-county (wider region) development strategies.

## Indicators

The efficiency of development instrument will be measured by following indicators:  
Number of the counties’ development strategies approved at the national level  
Coverage<sup>4</sup> of functioning county development partnerships  
Coverage of counties’ having established development institutions

### **Priority 1.2**

***“To support the areas persistently lagging behind to contribute to sustainable national development and competitiveness”***

## Purpose

Priority 1.2 places the accent upon making a concerted and more concentrated effort at central government level to tackle the obstacles to development in those parts of the country which are persistently failing in terms of socio-economic development. The purpose of the priority is to enable these lagging areas to contribute to sustainable development and to participate in the improved overall national prosperity and competitiveness.

## Development Instrument

For that reason, the NSRD proposes setting in place an integrated multi-annual programme specially targeted at the development needs of those parts of the country which are designated as lagging behind. These are areas in which GDP per capita is estimated to be below 65% of the Croatian average as specified in the socio-economic criterion of the Law on the Areas of Special State Concern. In the short term, this programme will include those areas which are eligible for state support under the Areas of Special State Concern Categories I, II and III, the Hilly and Mountainous Areas and the islands designated in Article 2 (para 2) of the Islands Act ). The development instrument will be known in the short term as “the Assisted Areas Programme”.

## Indicators

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- <sup>4</sup> 20 counties and the city of Zagreb
  -

The effectiveness of development instruments of priority 1.2 will be measured by following socio-economic indicators (to be collected by municipalities) compared to national average:

- Change in population
- Population over / under working age
- Migration
- Employment
- Unemployment
- Education (secondary / higher)
- Structure of economy (main sectors)
- GDP /capita

### **Priority 1.3**

***“To diminish the negative effect of borders to the development of counties by cross border development ”***

#### **Purpose**

The third priority area for attention relates to the need for a national policy for cross-border development and cooperation. In defining the scope of the National Regional Development Strategy for Croatia, the issue of border is inescapable. The effect of border is more or less omni-present - on local, regional and national economies. It is clear that the NSRD will have to address the specific development needs (and opportunities) not only along its extensive and very different border regions – but also at national level. The purpose is to provide such a framework and to integrate cross border development to be a part of national regional development policy.

#### **Development Instrument**

For all the above reasons, the NSRD will put in place a *Cross Border Cooperation Programme* under this priority. This will bring together, within a single national policy framework, actions for promoting development through cross border cooperation at local and regional level as well as more strategic actions aimed at facilitating integration into wider European markets. The *CBCP* will not include actions for border area development which are specifically provided for the in the development programme for assisted areas. (Part of the Assisted Areas Programme under Priority 1.2).

#### **Indicators**

The effectiveness of development instruments of priority 1.3 will be measured by following socio-economic indicators (to be collected by municipalities) compared to national average:

- Change in population
- Population over / under working age
- Migration



- Employment
- Unemployment
- Education (secondary / higher)
- Structure of economy (main sectors)
- GDP /capita

## **Linking the Priorities to Strategic Objective 2**

**Strategy Objective 2** relates to the legal, institutional and administrative capacity dimensions of the NSRD.

*“Have an effective management framework for regional development in place”*

The Priorities are as follows:

### **Priority 2.1**

***“Clear, coherent and agreed legal framework for regional development”***

### **Priority2.2**

***“Effective policy management and institutional framework for regional development at all levels (based on principles of partnership, equal opportunities, sustainable development)”***

### **Priority 2.1**

***“Clear, coherent and agreed legal framework for regional development in place”***

### **Purpose**

Priority 2.1 has the single purpose of creating an overarching legal framework which can accommodate, coordinate and refocus existing laws for specific areas and those which regulate the relationship between central and local levels of governance. The new law will make it possible to introduce new and more appropriate development instruments to meet the challenge of balanced and sustainable regional development.

### **Actions**

In the first phase, there is a need for adoption a general (or umbrella) Law on Regional Development as a basis for NSRD/AP future implementation and policy development. The law should deal with the specific questions that are necessary for effective management of regional development policy such as basic concepts of regional policy, unified definitions and principles of regional development, basic institutional and management framework at the national and county level, necessary programming and implementation arrangements, basic monitoring and evaluation procedures, financial resources of regional policy, etc. Also, the law should institutionalise positive practice that has been established in regional development

policy community such as inter-ministerial coordination, partnership and practice of wider consultations with relevant policy stakeholders.

Furthermore, the law should represent a legal basis for future adoption of necessary bye-laws that should be drafted and adopted after the framework law. These bye-laws should take the form of government decrees, regulations and other legally binding documents that should in a more detailed way deal with questions, which are not fully regulated in the higher legal acts.

### **Priority 2.2**

***“An effective policy management and institutional framework for regional development at all levels (based on principles of partnership, equal opportunities, sustainable development) in place”***

#### **Purpose**

The purpose of this priority is to improve and strengthen the institutional arrangements at national level which are necessary for the effective administration and management of regional policy. This applies to the direction and coordination of central government systems, to the organisation of delivery methods at all levels, to the introduction of new systems to monitor and evaluate against strategic development goals and targets, to the management of financial resources and to the systems in place for verifying and controlling the use of public funds in this area. It includes changes to structures, strengthening human resources and introducing new systems and tools.

#### **Actions**

Priority 2.2 of the national strategy for regional development will propose a series of actions in the short, medium and longer term aimed at improving and strengthening institutional arrangements at national level. These will include actions to clarify management roles particularly in the area of policy direction and effective co-ordination; actions to put in place the structures, skills and systems for programming strategic priorities: actions for strengthening implementation and delivery of programmes and government initiatives; actions to set in place mechanisms for monitoring and evaluation; actions to improve multi-annual financial programming, coordination and budgeting; actions to introduce appropriate financial control procedures. Under this priority will also be included actions to build an effective infrastructure for consultation and partnership at the national level.

#### **Linking NSRD to Action Plan**

The NSRD goal, (as well as strategic objectives and priorities) reflect the challenge that regional development should make a distinctive, value-adding and necessary contribution to the outcome of the National Development Plan. They are intended to cover a period of seven years 2006-2012. Given the extent and relative uncertainties to be anticipated during that time, they will be subject to ongoing assessment and monitoring. A mid-term evaluation will be conducted before the end of 2009.

Furthermore, the actions envisaged in the short term towards the realisation of the NSRD overall objectives will be set out in an Action Plan for the initial period 2006-2007. This will provide a more detailed description of the actions and development interventions to be undertaken under each of the Strategic Priorities during the first two years. The Action Plan will constitute the early “path” to the realisation of the overall strategic goal and objectives. The resources for the Action Plan will be based primarily within the national budget. However but it will also take within its scope, as a single management and coordinating framework and part of the NSRD, other existing programmes, projects and initiatives (such as the World Bank supported Social and Economic Recovery Programme for the ASSCs, the Islands programme, and the actions financed by the various EIB loan programmes) - within the broad sphere of regional development. The Action Plan will represent a practical operational approach as well as a structure and context for monitoring. It will also target and draw on support mechanisms such Cards and Phare IB in the short term, in anticipation of using the new Integrated Pre-Accession instrument in time to continue to build the necessary structures, systems and skills for the effective management of the National Strategy for Regional Development.

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