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## Challenges in Implementing Croatian Regional Policy within semi-European context

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Theme N: Regional strategies and policies

## **“Challenges in Implementing Croatian Regional Policy within semi-European context”**

### **Abstract**

Croatia is geographically, historically and culturally a part of the European territory. Regions, as specific units within a national territory, are defined differently on EU level than in Croatia, where counties are far too small to be considered as regions in EU terms. The implementation of European regional policy requires “comparability” of territories, which is done on the basis of the Nomenclature of Territorial Units for Statistics (NUTS). After long discussions with the European Commission and Eurostat, Croatia has three “new” NUTS II regions (March, 2007): Adriatic, North-Eastern (Pannonian) and North-Western Croatia including the capital city of Zagreb. These regions are now acceptable for EU regional policy and funds. Institutional structures for managing regional development on this new regional level does not exist, as well as legislative framework necessary to implement policies, strategies, plans or projects prepared at the respective levels, while at the same time very interesting developments from the bottom-up can be observed. Regional development agencies established have recently been nominated as regional coordinators for elaboration of planning documents at the County level initiating development processes, still at the county level and through informal mechanisms at the regional level.

Territorial cohesion across Europe stands out as one of the top European priorities. Considerably large number of programmes, measures and priorities, aim at achievement of this goal. Croatia, as an acceding country, strives to harmonise numerous requirements prior to entering European union space in all aspects of entry, including territorial cohesion. Last decade was marked by a certain shift in shaping and implementing Croatian regional policy at programming and regulatory level towards that aim, among others. Many documents were produced – to serve national purpose, European and/or both. New policy, regulatory and programming environment imposed also creating of institutional set up (structure) that will enable successful implementation at all these fronts. However, regional development has to evolve from the bottom, but the initial push or supporting incentives have to come from above. This is a mutually enhancing development process, where efforts from above (EU and national level) and bellow (regions, counties, and local units) merge and contribute to overall development. This paper explores possibilities and obstacles in implementing of Croatian regional development policy at all levels, within a semi-European context and a given national framework.

**Keywords:** Croatian regional policy, regional development, competitiveness  
**JEL Classification:** R00, R11, R58

## 1. Territorial-administrative structure of Croatia

Croatia's total area is comprised of 56,594 km<sup>2</sup> of main land and 31,067 km<sup>2</sup> of territorial sea<sup>1</sup>. The coast is one of the most indented in the world with 1,246 islands making it the second largest archipelago in the Mediterranean. According to the 2011 Census, there were 4.4 million inhabitants in Croatia (78/km<sup>2</sup>). The legal framework for local and regional self-governments in Croatia was established in 1992. In the following years, a number of reforms of the territorial and institutional framework occurred. The territory of the Republic of Croatia is comprised of 20 counties referred to as regions in the Croatian context, the capital city of Zagreb, which has a County and City status, 126 towns and 429 municipalities.<sup>2</sup> The counties are units of regional self-government and cities and municipalities are units of local self-government as determined by the Act on Local and Regional Self-Government. The territory, name and the seat of these units, the procedures for founding new units, and other territorial changes (merging and secession) are regulated by the Act on the Territories of Counties, Cities and Municipalities in the Republic of Croatia. The determination of the territory of regional and local self-government units is under the authority of the Croatian Parliament. Regional and local self-government units have elected representative and executive bodies.

Within the jurisdiction of county self-governments are activities of regional importance, particularly issues related to education, health, physical planning and urban development, economic development, transport and transport infrastructure, as well as planning and developing the network of educational, health care, social and cultural institutions. Within the jurisdiction of local self-governments are duties of local importance, which directly address the citizens' needs, and which are not assigned to government bodies by the Constitution or the law. Within the remit of their self-government are the maintenance of urban areas and housing, physical planning and urban development, utility services, child care, social welfare, primary health care, elementary education, culture, physical education and sports, consumer protection, environmental protection and development, fire protection, civil defence, public transport, and other tasks in compliance with special legal acts. Based on the fact that larger urban centres are more specific and have a stronger economic base, a new category of local units "big towns" (35,000 or more inhabitants) was recognized by legislation in October 2005. Besides activities for municipalities and towns, additional tasks of big towns are road maintenance, issuance of location permits, construction permits, and implementation of physical planning documents.

The current administrative division of the Republic of Croatia fulfils EUROSTAT's criteria regarding the statistical division on NUTS 0 and 1 levels (Republic of Croatia), NUTS 2 level (North-west Croatia with 6 counties, Central and East (Pannonian) Croatia with 8 counties, and Adriatic Croatia with 7 counties (see Map 1). As counties are referred to as units of regional self-government in Croatian legislation, they are actually too small to be considered as regions in European terms and belong in fact to the local government level (NUTS 3 level). The local self-government units are LAU 2 level<sup>3</sup>.

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<sup>1</sup> Statistical Yearbook, CBS, 2007.

<sup>2</sup> Last change adopted by Croatian Government - July 2006; CBS Statistical yearbook 2007.

<sup>3</sup> LAU – local administrative unit.

**Map 1: Statistical division of Croatia on NUTS 2 level**



Source: CBS (Official Gazette, NN 35/2007). Map of the Republic of Croatia (National Classification of Statistical Territorial Units based on the European Classification of Statistical Territorial Units – NUTS II LEVEL)

## 2. Institutions responsible for regional development in Croatia

There are several institutions responsible for regional development in Croatia (adapted from Đokić and Sumpor, 2008). Each institution within its scope of work acts as a relevant factor either in shaping, implementing or monitoring regional policy and development within and between Croatian regions. The list of the most important institutions, including their tasks and responsibilities is given in the Table 1.

**Table 1: Key national regional policy institutions**

Institution	Responsibility
<b>The Ministry of Regional Development, and EU fund (MRRFEU)</b>	<ul style="list-style-type: none"> <li>• <i>the main responsible government institution for regional policy in Croatia</i></li> <li>• the Directorate for Integrated Regional Development is responsible for:                             <ul style="list-style-type: none"> <li>○ recommending regional policy and establishment of an integrated planning system;</li> <li>○ programming, implementation, monitoring the implementation and evaluation of annual and multi-annual regional development programmes and projects used for: county and wider regions development;</li> <li>○ support cross-border development, transnational and interregional cooperation;</li> <li>○ preparation of multi-annual and annual strategic and operational documents for the use of pre-accession funds of the European Union and other international financing sources for regional development.</li> </ul> </li> <li>• there are other directorates with specific areas of responsibility:                             <ul style="list-style-type: none"> <li>○ the Directorate for Areas of Special State Concern,</li> <li>○ the Directorate for Regional and Local Infrastructure,</li> <li>○ the Directorate for Reconstruction.</li> </ul> </li> <li>• Newly established Directorate in charge of EU funds</li> <li>• the Sector for Island and Coastal Development is responsible for integrated management of sustainable island and coastal development, in particular for:                             <ul style="list-style-type: none"> <li>○ formulation and proposals of sustainable island and coastal development policy;</li> </ul> </li> </ul>

Institution	Responsibility
	<ul style="list-style-type: none"> <li>○ proposal of comprehensive island and coastal protection measures (economic and social as well as environmental acceptability);</li> <li>○ formulation and proposal of establishing a complete system of planning, programming, financing and management of sustainable island and coastal development for all administrative levels;</li> <li>○ planning, preparation, strategy elaboration and/or coordination of strategy elaboration;</li> <li>○ preparation of the legal framework for development policies;</li> <li>• administrative, expert and other tasks related to the organization of the elaboration of strategic infrastructural projects and investment programmes.</li> <li>• The Directorate for EU funds (former <i>Central State Office for Development Strategy and Coordination of EU funds</i>) <ul style="list-style-type: none"> <li>○ the main responsible unit for negotiations with the European Union for chapter 22 of the “acquis communautaire” on Regional policy and coordination of structural instruments. Other responsibilities include:</li> <li>○ the administration and elaboration of the Strategic Development Framework of the Republic of Croatia 2006-2013 and monitoring the implementation of the objectives established by the Strategy;</li> <li>○ the overall co-ordination of EU funds available to Croatia;</li> <li>○ coordination of the elaboration of development of the Strategic Coherence Framework 2007-2013 as a basic strategic document for the use of the Instrument for pre-Accession Assistance, IPA (the segment of promoting economic and social development of the RoC) in co-operation with other state administration bodies, non-governmental sector and the EC services.</li> </ul> </li> </ul>
<b>The Ministry of Finance (MoF)</b>	<ul style="list-style-type: none"> <li>• finances in compliance with the respective legal acts self-government units in the ASSC and HMA by giving up the national government share in income tax revenue;</li> <li>• manages the Local support programme in which seeks to strengthen the financial base of the “assisted areas” through the local grant programme, whereby the grants are weighted in favour of the poorest counties, towns and municipalities, based on a set of criteria (population levels, income levels, assessed efficiency of public services, ratio of capital spend to total expenditure).</li> <li>• beneficiary units have discretion in the use of the grant, within the scope of activities set out in the Act on Local and Regional Self Government, whereby the MoF stipulates that a report on the usage is a condition for grant aid.</li> </ul>
<b>The Ministry of Economy and the Ministry of Entrepreneurship and Crafts</b>	<ul style="list-style-type: none"> <li>• offers a variety of measures, in particular various SME support schemes of high significance for regional development</li> <li>• programmes are implemented in cooperation with the respective bodies and institutions on national, county and local level, as well as commercial banking sector</li> <li>• schemes are focussed on economic development and more balanced regional development in the whole country, while there are no special support schemes (besides IPA grant schemes) only for ASSC or other disadvantaged areas.</li> </ul>
<b>The Croatian Bank for Reconstruction and Development (HBOR)</b>	<ul style="list-style-type: none"> <li>• provides credit lines for different Ministry programmes/projects through a network of commercial banks;</li> <li>• has its own programmes targeting businesses nationally: technology or export related investments, SME and tourism companies;</li> <li>• up to 10% of all government support to local authorities, enterprises and other economic actors is channelled through the Bank by further intermediary of the commercial banking network;</li> <li>• most of its funding goes to ASSC, but on purely commercial transaction conditions favouring non-risk clients.</li> </ul>
<b>The Croatian Small Business Development Agency (HAMAG)</b>	<ul style="list-style-type: none"> <li>• offers a number of programmes to strengthen the small business support network – in particular, the certification scheme for business consultants and guarantee schemes offering special concessions to business in the “assisted areas” as well as start-ups</li> </ul>
<b>The Central Financing and Contracting Agency (CFCA)</b>	<ul style="list-style-type: none"> <li>• formerly a special unit established within the MoF, responsible for payments, accounting, contract administration and financial reporting side of the procurement of services, supplies, and works in the context of decentralised</li> </ul>

Institution	Responsibility
	EC assistance programmes in the RoC; <ul style="list-style-type: none"> <li>• ensures that EC rules, regulations and procedures pertaining to the procurement of services, supplies and works are adhered to, and that a proper reporting system and project information system is functioning.</li> <li>• technical issues of programme implementation are the full responsibility of the authorities responsible for implementing each individual programme, while the CFCA advises on EC decentralised implementation system procedures, e.g. procurement and contracting.</li> </ul>

Source: Đokić, I., Sumpor, M., 2008., "Regional Governance in Croatia's New European Regions" (adapted)

### 3. Croatian regional strategy in the framework of the EU accession process

#### 3.1. National preparation process/ SCF preparation process

The Strategic Coherence Framework (SCF) represents one of the programming documents that serves as a reference point for the use of the EU assistance in Croatia.

Croatia, as an acceding country for EU membership, has access to the Instrument for Pre-Accession Assistance (IPA) launched in 2007. The IPA provides assistance to build institutional capacity for the efficient implementation of the *acquis communautaire* and to prepare for the management of Structural Funds upon accession. The Strategic Coherence Framework refers to Component III (Regional Development) and Component IV of IPA (Human Resources Development). These Components are designed to assist the candidate countries in policy development and prepare them for the implementation and management of the Community's Cohesion policy: in particular the European Regional Development Fund and the Cohesion Fund (Component III) and the European Social Fund (Component IV).

The preparation of the SCF in Croatia is coordinated by the Central Office for Development Strategy and Coordination of EU Funds (CODEF), that has recently become a part of the newly established Ministry of Regional Development and EU funds<sup>4</sup>. The work on the SCF commenced in November 2005 in cooperation with the state administration bodies responsible for policy areas relevant for this strategic document. This includes the Ministry of Finance, the Ministry of Economy, Labour and Entrepreneurship (that has recently split into three ministries respectively), the Ministry of Maritime Affairs, Transport and Infrastructure (ex Ministry of Sea, Tourism, Transport and Development), the Ministry of Environment Protection, Physical Planning and Construction (that has recently split into two ministries respectively), the Ministry of Agriculture, Forestry and Water Management, the Ministry of Science, Education and Sports, the Ministry of Health and Social Welfare and the Central State Office for e-Croatia.

Major policy priorities and objectives defined in the SCF are in accordance with the priorities and objectives set out in:

1. national strategic documents (i.e. Strategic Development Framework for 2006-2013);
2. strategic documents referring to the EU integration process of Croatia (Stabilization and Association Agreement, Accession Partnership, 2006 Progress Report, Multi-annual Indicative Planning Document for Croatia, Multi-annual Indicative Financial Framework for Croatia for 2007-2010);
3. relevant sectorial documents defining broad policy-guidelines in particular areas with a view to adopting EU standards and best practices (e.g. priorities within the section on human resource development are aligned with Joint Inclusion Memorandum and Joint Assessment Paper);

<sup>4</sup> For the first time in Croatia, field of regional development has become an important issue in terms of political set up and has been matched with EU funds, since regions represent units of analysis for future allocation of EU funds and they are in domain of this ministry.

- documents establishing broad EU priorities linked to the Lisbon agenda and forming a reference point for member states' strategies and programmes (i.e. Community Strategic Guidelines).

### 3.2. Strategic Development Framework 2006-2013 (SDF)

Strategic Development Framework 2006-2013 was approved by the Croatian Government in August 2006. The formal adoption of SDF followed after two rounds of public consultations with trade unions, non-governmental organizations, different associations of entrepreneurial sector and general public who had the opportunity to give their comments and suggestions.

SDF defines national economic goals and instruments for their implementation in the period between 2006 and 2013, with the overall aim to achieve economic growth through competitiveness and employment embedded in the modern state of social cohesion. Goals and instruments defined in the document are drafted in accordance with the determination of Croatia to become a full member of the EU and its obligations arising from this process.

The starting point of the Strategic Development Framework is that government driven growth is not sustainable in the long run; what is required is the strengthening of private sector, its competitiveness and its overall ability to become the main driver of the future economic growth. Since the economic growth should ultimately result in improved living standard for all the citizens, the elements of social inclusion and social justice are equally important for this process. These two pillars are integrated into the main strategic goal of Croatia – achievement of prosperity through the development of a competitive economy in a modern European welfare state.

In order to achieve this goal simultaneous and coordinated actions are required in **10 strategic areas**. These strategic areas can be divided into three main groups which reflect their ability to influence growth and competitiveness.

- The first one refers to *the completion of the transition process* through comprehensive reform of judiciary and public service, i.e. building new role of government, strengthening entrepreneurial climate and decisive implementation of privatization and restructuring. The first group of strategic areas is focused on those problems that directly obstruct development, as their resolution is a precondition for an efficient use of available resources. These are called "*the problems of uncompleted transition*" because the analysis shows that Croatia has a developmental 'reserve' which is currently spent on unproductive subsidies to individual companies and inefficient administrative processes. The second group of *priority areas refers to the strengthening of development infrastructure* i.e. education and efficient labour market, productive application of science and ICT in economy, further development of transport and energy infrastructure and last, but not least, social cohesion and justice. These are fundamentals of future growth and their effects on growth could be observed only after a certain period of time. However, the decisive actions towards the *implementation of the measures identified* in these areas are needed now, exactly because of the time lag needed to fuel the growth. The third group of priority areas includes *developmental links* i.e. *macroeconomic environment*, efficient and integrated financial services and sustainable development visible through the constant care about environment, natural resources and regional development. These strategic areas by themselves cannot be the sources of long-lasting growth, even though sustainable growth is not possible without continued improvements in those strategic areas.

Seven of the above-mentioned strategic areas and related measures and instruments envisaged for their resolution are directly relevant for the SCF and more specifically components III and IV of the IPA programme. These areas are the following: new role of the government; entrepreneurial climate; efficient labour and education; science and ICT; transport and energy infrastructure; spatial planning, protection of nature and environment, regional development, and social cohesion and justice.

## 4. COMMUNITY STRATEGIC FRAMEWORK

## **4.1. COUNCIL REGULATION (EC) 1085/2006 ESTABLISHING AN INSTRUMENT FOR PRE-ACCESSION**

### **4.1.1. Setting an overall framework for pre-accession assistance**

On 17 July 2006, the European Council adopted a Regulation Establishing the Instrument for Pre-Accession Assistance that sets the overall framework for assistance to candidate and potential candidate countries covered by the Regulation, and identifies general principles of assistance under each of its components. In general terms, the assistance supports the strengthening of democratic institutions and rule of law, protection of human rights, minority rights and gender equality, public administration reform, economic reform, development of civil society, social inclusion, confidence-building measures and reconstruction and regional/cross-border co-operation. Since Croatia belongs to the group of candidate countries, and taken into account that accession negotiations with Croatia have commenced, support under the Instrument for Pre-Accession Assistance shall in addition finance progressive alignment with the *acquis communautaire* and social, economic and territorial development, including the investment in the areas of regional and human resources development. The latter shall enable the beneficiary country to gain experience with Structural Funds-type and Cohesion Fund-type interventions, and prepare for the management of the EU Cohesion Policy on accession.

The general policy framework for assistance under the Council Regulation 1085/2006 is defined by the Accession Partnership, the Commission reports on the progress made in the process of preparing for the EU accession, and the Strategy Paper contained in the Enlargement Package. Within the general framework, assistance is provided through multi-annual or annual programmes that are aligned with the Commission Multi-Annual Indicative Planning Document and Multi-Annual Financial Framework. The Strategic Coherence Framework, and the related operational programmes for specific sector areas, take due account of the priorities and principles established in the Commission documents.

### **4.1.2. Regional development component**

According to the Council Regulation 1085/2006, the Regional Development component will provide support in the policy development and implementation of the Community's Cohesion Policy, more specifically the European Regional Development Fund and the Cohesion Fund. In this context, the priorities eligible for financing under IPA programme are regulated by Article 147 of the Commission Regulation implementing Council Regulation (EC) No 1085/2006 establishing IPA instrument. Implementation of actions defined under the above mentioned Regulation should support Croatia in gaining experience in Structural Funds type interventions which will be taken over and followed up by the actions supported by the European Regional Development Fund and the Cohesion Fund (as defined under Regulation No 1080/2006 of 5 July on the European Regional Development Fund; Regulation No 1084/2006 of 11 July 2006 establishing a Cohesion Fund) upon accession to the EU.

### **4.1.3. Human resources development component**

The Human Resource Development component shall also support the beneficiary country in policy development as well as in preparation for the implementation and management of the Cohesion Policy, more specifically the European Social Fund. In this context, the priorities eligible for financing under IPA programme are regulated by Article 151 of the Commission Regulation implementing Council Regulation (EC) No 1085/2006 establishing IPA instrument. Implementation of actions defined under the above mentioned Regulation should support Croatia in gaining experience in Structural Funds type interventions which will be taken over and followed up by the actions supported by the European Social Fund (as defined under the Council Regulation No 1081/2006 of 5 July 2006), upon accession to the EU.

## **5. ANALYSIS OF THE SOCIO-ECONOMIC SITUATION**

### **5.1. Principles for concentration of assistance**



The limited volume of financial support available from the IPA programme requires careful consideration of priorities and their concentration on a specific set of areas. All the priorities identified in this SCF represent an intersection between the objectives identified in the national and Community strategic documents and they were selected on the basis of their compliance with national and Community policies. Within that framework, the following concentration principles were observed:

- The fact that IPA will primarily serve an important goal of building operational capacity for the management of Cohesion policy post-accession, and that maximum resources need to be allocated to reinforcing institutional capacity of the management structures and the preparation of project pipeline for the future;
- The fact that IPA serves as an instrument through which candidate countries are assisted in the implementation of the *acquis communautaire* and that the interventions need to be closely aligned with the priorities from the Accession Partnership;
- The urgency of the measures to be implemented, based on the socio-economic analysis in a given sector areas, and their ability to provide a platform for subsequent Structural Funds-type interventions.

#### **5.1.1. Regional development (component III)**

Assistance to the transport sector will concentrate on the modernisation of network along the Pan-European transport corridors. This will include the rehabilitation of the railway network on Corridor X and the inland waterway network on Corridor VII. The selection of priority areas of intervention is based on the needs analysis in the transport sector, which shows that the investments into the transport infrastructure have to be structured in such a manner that will allow for a more balanced development and inter-connectedness of individual types of transport, whereby special attention is to be attributed exactly to the railways and waterways. This objective has been fully acknowledged by the Strategic Development Framework 2006-2013. It is also in line with the principles of the EU transport policy, which promotes the development of transport modes alternative to the road transport to provide for a more economical and environmentally friendly transportation of goods and passengers.

Activities in the environment sector will be directly related to the implementation of heavy-investment environmental *acquis* that shall prepare Croatia for accession to the EU. The priority sectors will include preservation of drinking water quality, wastewater treatment and solid waste management already identified as key sectors in the Strategic Development Framework 2006-2013 and the Accession Partnership with Croatia. In the second phase of the IPA operation, issues of energy efficiency and air quality may be considered, provided that the socio-economic analysis identifies them as priority sectors from the environmental point of view.

The regional competitiveness operational programme will, in line with the objectives identified in the Strategic Development Framework, support entrepreneurship as one of the key development factors of the country's economic development and promote business and investment climate to increase its impact on efficiency of economy. The programme will provide cohesion-type support to the underdeveloped areas of Croatia and competitiveness-type support on a more general scale in order to prepare for effective management and use of both types of Cohesion policy interventions (cohesion and competitiveness) upon accession. The cohesion part of this programme will concentrate on Croatia's two less developed NUTS II regions – East (Pannonian) Croatia and Adriatic Croatia regions. Investment into infrastructure associated with SME development and promotion of the business and investment climate will be geographically concentrated on counties that have more than 50% of their surface area categorised as an Area of Special State Concern. In order to ensure continuity of EU assistance, the project pipeline which has been prepared under previous EU programmes will be taken into account in the project selection process. In its competitiveness segment, the programme will support the wider

competitiveness agenda in line with the Lisbon objectives, focusing on advisory services for enterprises, use of new technologies, links between the research & technological development and economy, and creation of platforms for networking of businesses.

## **6. OBJECTIVES OF THE STRATEGIC COHERENCE FRAMEWORK**

Within the overall aim of ensuring that the relevant institutions of the Republic of Croatia achieve readiness for EU membership and develop institutional capacity and practical experience with the management of Structural Funds-type interventions, the following objectives are proposed under IPA Components III & IV in Croatia.

1. To improve accessibility and promote the free movement of goods and persons within Croatia and between Croatia and the European Union by establishing a balanced transport network that meets international standards and is coherent with emerging European priorities in the field of transport.
2. To protect and improve Croatia's natural and living environment and environmental potential as a key element for future development, at the same time enhancing sustainability of energy systems especially by increasing energy efficiency and promoting renewable energy solutions,
3. To achieve higher competitiveness and a balanced regional development by encouraging research and technological development, small and medium-sized enterprises, development of the information society and e-Croatia, alongside with improving overall social and economic conditions in underdeveloped areas,
4. To create more and better jobs. More immediately, to attract and retain more people in employment by increasing human capital investment, reinforcing social inclusion and promoting adaptability of enterprises and workers.
5. To improve the capacity and efficiency of those Croatian public institutions that have responsibilities for the promotion of the four preceding objectives, at both the national and sub-national level.

The above priorities will be implemented by four Operational Programmes. The main priority axes under each of the Operational Programmes for the period 2007-2009 are listed below.

## **7. OPERATIONAL PROGRAMMES**

### **7.1. THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME**

Croatia is at a disadvantage on two levels in relation to "regional competitiveness": first, as a still relatively less developed economy within the European context; and, second, as a country wherein some regions are lagging behind the national average level of development. While it is proposed to concentrate IPA resources under this Operational Programme both geographically and sectorally, one cannot ignore either the support to Croatia's overall competitiveness in the wider European context or the need to ensure a balanced approach to socio-economic cohesion between the regions of Croatia. In addition, the Operational Programme needs to address support for OP management and for preparation of mature projects for both, IPA funds and the Structural Funds in the future.

Geographical concentration will be achieved through focusing on the ten counties that have more than 50% of their surface area categorised as an Area of Special State Concern. This approach is consistent with the legal basis of the existing Act on the Areas of Special State Concern, in line with the draft National Strategy for Regional Development and referred to in the Multi-Annual Indicative Programme. Moreover, all ten counties are within the two NUTS II regions whose GDP is below the national average (East /Pannonian Croatia and Adriatic Croatia). It is envisaged to focus roughly half of the funding under the Operational Programme on these lagging areas. Priority Axis 1 will concentrate exclusively on these counties while Priority Axis 2 will aim to target

a significant portion of funding on these counties. In these areas there is also a significant project pipeline developed (through previous EU assistance) which is eligible under IPA.

### **Priority Axis 1: Improving development potential of lagging regions**

#### **Measure 1a. Business-related support systems**

The measure envisages support for establishing and improving public business-related infrastructure in ten counties which are least developed within the two NUTS II (East /Pannonian and Adriatic) regions targeted by this Priority. The measure will operate as a grant scheme supporting regional and municipal authorities and institutions with the development of business-related support systems, i.e. capital and infrastructure investments as well as investments into the accompanying services. It will primarily support investment in the development of new and existing business and related infrastructure in support of the region's perspective economy branches. The component will focus on investments which improve the efficiency, capacity, quality and attractiveness of the business support infrastructure in question.

#### **Measure 1b. Promotion of business and investment climate**

In order to address an unequal distribution of investments within Croatia, the measure proposes to support county staff with gaining the skills and improving the information necessary for investment promotion. The measure envisages certification of professional regional structures that will enable regional authorities and other organizations relevant to local and regional economic development to match their investment requirements with regional strengths and opportunities. The measure will entail training, consultancy and other Technical Assistance (TA) for a number of counties within the two NUTS II regions targeted by this Priority.

In addition, both measures will support the preparation of project pipeline and support relevant institutions and potential beneficiaries in the preparation of tender documentation in the field of this and future Operational programmes. This includes the generation of project ideas and their elaboration into mature and high-quality proposals.

### **Priority Axis 2: Enhancing the competitiveness of Croatian economy**

#### **Measure 2a. Support services for existing enterprises**

The measure focuses on services to existing SMEs, particularly those with potential for growth and export. Assistance will be extended in areas underpinning SME competitiveness – use of ICT in business (e-business), scope for clustering and enhancement of general business advisory skills and services. Assistance will target individual SMEs as well as the relevant institutional infrastructure in order to enhance the business services and make them more accessible to SMEs.

#### **Measure 2b. Technology transfer and support services for knowledge-based start-ups**

The measure will contribute to building technology transfer and commercialization capacities of higher education institutions and public research organizations in order to contribute to knowledge-based economic development. The measure will also reinforce clustering of SMEs and start-ups in high value added sectors and public research centres and universities. The measure envisages assistance through both grant schemes and single tenders.

In addition, both measures will support the preparation of project pipeline and support relevant institutions and potential beneficiaries in the preparation of tender documentation in the field of this and future Operational programmes. This includes the generation of project ideas and their elaboration into mature and high-quality proposals.

### **Priority Axis 3: Technical assistance**

#### **Measure 3a. TA for OP management**

The objective of this measure is to ensure efficient and effective OP management, and to develop the institutional capacity for managing and absorbing IPA and the future Structural Funds. The

measure envisages several types of TA for the relevant national and regional level bodies: support to OP coordination and management including programming, project preparation, monitoring, information, evaluation, financial management and control; and aid to enhance the specification, collection and use of statistics, which will be necessary for effective monitoring and evaluation under IPA and, subsequently, the Structural Funds.

## **Conclusion**

Implementing regional policy in Croatia is quite complex and challenging task. Croatia as a country is very heterogeneous and this is reflected in different geographies of the country, levels of development, socio, cultural and many other features. Each region should be approached carefully and using a tailor-made solutions to specific problems and obstacles. Combination of various documents prepared (primarily for EU as well as for national purposes) that are based on analyses, defined measures and priorities should ensure that at the same time:

- quality projects are prepared and timely financed;
- selection of project proposals is carefully made, based on clear and on time designed selection criteria;
- institutions in charge of implementation of these documents are well coordinated to avoid overlaps and exploit possibilities given to a maximum degree;
- that national priorities are taken into consideration and requirements set by national authorities.

Some preconditions that enable successful regional policy implementation within EU accession framework have already been set. One of them is merging of Central state office for development strategy and coordination of EU funds to the recently established Ministry of Regional Development and EU funds. Inseparable components, such regional policy and EU funds are at global EU agenda, now will have a chance to get bound and result with positive outcomes, especially in terms of use of EU funds in Croatia. Even though this is still an accession period for Croatia it is of great importance for use of Cohesion and Structural funds, as lessons learnt in this process will be directly performed in future actions once Croatia becomes the Member state with equal access to benefits that accession brings with.

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