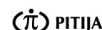


Ad Hoc Interim Evaluation No.
R/ZZ/SF/0813

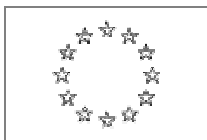


Ad Hoc Interim Evaluation of the European Union Pre Accession Assistance

Review of Phare Assistance to Preparation for Structural Funds in Croatia

MWH Consortium Croatia

11 February 2009



The views expressed are those of the MWH Consortium and do not necessarily reflect those of the European Commission.

This report has been prepared as a result of an independent evaluation by the MWH Consortium being contracted under the Phare programme.

EUROPEAN COMMISSION, Enlargement Directorate General

Directorate E Resources – Unit E4 Operational Audit and Evaluation

e-mail: ELARG-EVALUATION-CROATIA@ec.europa.eu

TABLE OF CONTENTS

TABLE OF CONTENTS

PREFACE

GLOSSARY OF ACRONYMS

EXECUTIVE SUMMARY

MAIN REPORT

| | |
|---|-----------|
| INTRODUCTION | 1 |
| 1.1. Background..... | 1 |
| 1.2. Objectives and Scope of the Ad Hoc Evaluation..... | 1 |
| 1.3. Methodology..... | 2 |
| EVALUATION FINDINGS – THE PERFORMANCE OF PHARE ASSISTANCE..... | 3 |
| EVALUATION QUESTION 1: Has the underlying strategic rationale and design of Phare assistance under evaluation been relevant, in general and intervention-specific both at sectoral and sub-sectoral levels? | 3 |
| EVALUATION QUESTION 2: What is the Phare support under evaluation going to produce and achieve?..... | 14 |
| EVALUATION QUESTION 3: Are the achieved effects sustainable and what further improvements are needed? | 18 |
| 3. LESSONS LEARNED FROM PREVIOUS ENLARGEMENT | 21 |
| 4. CONCLUSIONS | 23 |
| 5. RECOMMENDATIONS | 27 |
| ANNEXES | 31 |
| Annex 1: Scope of the Evaluation – Programme Details..... | 32 |
| Annex 2: Terms of reference..... | 33 |
| Annex 3: Economic Reflections on EU Cohesion Policy and the Croatian Economy | 41 |
| Annex 4: Croatian Institutional Structure for Structural Funds | 45 |
| Annex 5: List of Interviews..... | 47 |
| Annex 6: List of Documents Referred to in the Interim Evaluation | 49 |

PREFACE

The purpose of this ad hoc interim evaluation is to review the current Phare pre-accession assistance dedicated to support Croatia's preparation for European Union Structural Funds and to make recommendations for improvements of the current Phare programmes, as well as an input to the debate on future programming and implementation arrangements under the new Instrument for Pre-Accession in the Croatian context.

This ad hoc interim evaluation report has been prepared by the MWH Consortium¹ during the period from September 2008 to October 2008 and reflects the situation at 31 October 2008, the cut-off date for the report.

The evaluation is based on an analysis of programme documents, including previous *ex post* and interim evaluations, and on interviews with beneficiaries and stakeholders. It examines the performance of the Phare support dedicated to Croatia's preparation for Structural Instruments in addressing the objectives stated in the formal programming documents and provides a general assessment of the related support being given to Croatia. It draws conclusions and puts forward recommendations for future increased performance.

¹ The author(s) of this report are Wulf Schmieder, Andreja Rosandić and Dietmar Aigner, assisted by Short Term International Expert Rolf Bergs. The report was reviewed by the MWH Consortium Croatian Team leader Dietmar Aigner and by Roger Haworth at the MWH Consortium's Central Office.

GLOSSARY OF ACRONYMS

| Acronym | Description | Acronym | Description |
|---------|--|---------|---|
| AAE | Agency for Adult Education | MRDFWM | Ministry of Regional Development, Forestry and Water Management |
| ALMP | Active Labour Market Policy | MSES | Ministry of Science, Education and Sport |
| AP | Accession Partnership | MRCC | Maritime Search and Rescue Centre |
| AVET | Agency for Vocational Education and Training | MSTI | Ministry of Sea, Transport and Infrastructure |
| CARDS | Community Assistance for Reconstruction, Development and Stabilisation | MSTTD | Ministry of Sea, Transport, Tourism and Development |
| CBC | Cross-border Cooperation | MT | Ministry of Tourism |
| CES | Croatian Employment Service | NEAP | National Employment Action Plan |
| CFCA | Central Finance and Contracting Agency | NGO | Non Governmental Organisation |
| CODEF | Central State Office for Development Strategy and Coordination of EU Funds | NPIEU | National Programme for the Integration of Republic of Croatia into the EU |
| DIS | Decentralised Implementation System | NSF | National Strategy Framework |
| EAFRD | European Agricultural Fund for Rural Development | NSRF | National Strategic Reference Framework |
| EC | European Commission | NSRD | National Strategy of Regional Development |
| ECD | Delegation of the European Commission | NUTS | Nomenclature of Territorial Units for Statistics |
| EFF | European Fisheries Fund | OP | Operational Programme |
| EMU | European Monetary Union | OVI | Objectively Verifiable Indicators |
| ERDF | European Fund for Regional Development | PAR | Public Administration Reform |
| ESC | Economic and Social Cohesion | PIU | Project Implementation Unit |
| ESF | European Social Fund | PPF | Project Preparation Facility |
| EU | European Union | PRAG | Practical Guide to EC External Aid Contract Procedures |
| GDP | Gross Domestic Product | PSO | Public Service Obligation |
| HAMAG | Croatian SME Agency | R&D | Research & development |
| HRD | Human Resource Development | RCOP | Regional Competitiveness Operational Programme |
| IB | Implementing Body | RDOP | Regional Development Operational Programme |
| IIT | Intra-industry trade | ROP | Regional Operational Plan |
| IPA | (Single) Instrument for Pre-Accession Assistance | SAPARD | Special Accession Programme for Rural Development |
| JTS | Joint Technical Secretariat | SCF | Strategic Coherence Framework |
| MA | | | |
| MELE | Ministry of Economy, Labour and Entrepreneurship | | |

| Acronym | Description |
|----------------|--|
| SDF | Strategic Development Framework |
| SF | Structural Funds |
| SME | Small and Medium Enterprises |
| SOP | Sector Operational Programme |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TA | Technical Assistance |
| VET | Vocational Education and Training |

EXECUTIVE SUMMARY

Ad Hoc Interim Evaluation Report: R/ZZ/SF/0813

Objectives and Scope of the Evaluation

The purpose of this ad hoc interim evaluation is to review the current Phare pre-accession assistance dedicated to supporting Croatia's preparation for European Union Structural Funds and to make recommendations for improvements of the current Phare programmes, as well as an input to the debate on future programming and implementation arrangements under the new Instrument for Pre-Accession in the Croatian context.

The scope of this Ad Hoc Evaluation focuses on 13 Phare 2005 and 2006 Economic and Social Cohesion programmes in Croatia, directly or indirectly assisting with the preparation for Structural Funds. The evaluation also takes account of selected Community Assistance for Reconstruction, Development and Stabilisation projects which are assessed as relevant to the context of this evaluation.

Key Evaluation Findings

Effective pre-accession programming requires rapid completion of national cohesion policy framework.

The Phare interventions under this evaluation are in general adequately designed and sufficiently reflect urgent needs and development gaps. However, the legislative framework for the process of European Union accession is under preparation and, therefore, it is not yet operational. Consequently Phare programming and programming of future pre-accession assistance in this area cannot yet be fully aligned with the official national strategy for the implementation of European Union cohesion policy.

Phare adequately contributes to Structural Funds preparation despite difficult implementation.

The start to interventions has for the most part been delayed. However, efficient implementation has, to a great extent, made up for this. Although quality and quantity of achieved outputs vary across the interventions, overall they are good.

Nonetheless, there is room for improvement. Improved inter-institutional cooperation and a clear allocation of decision-making responsibilities are still needed to improve the quality of current Phare and later Instrument for Pre-Accession/Structural Funds interventions. Whilst, overall, beneficiaries adequately contribute to the implementation process, there are some cases where a high programme complexity hampers effective and efficient implementation.

Since the relevant Phare programmes have only achieved results very recently, not many positive immediate impacts can be assessed at the moment. Some catalytic and leverage effects have been already achieved in the employment policy field, for instance via introducing a

system of indicators and benchmarks for the monitoring and evaluation of active labour market measures.

Variable prospects for sustainability but on the whole positive.

Due to the early stage of programme implementation, no final statements can be made in terms of sustainability of the results and outputs. However, analysis of the programme environment and framework conditions would indicate generally positive prospects for likely sustainability. Despite some current shortcomings, the perspectives for achieving institutional sustainability are largely considered to be good. Administrative sustainability is also building up notably through substantial institution building support being mobilised. However longer-term viability depends on effective public administration. In this respect, an important challenge is to retain qualified and skilled staff that are essential to the successful management not only of pre-accession assistance but also of European Union structural funds after accession.

Conclusions

Conclusion 1: Overall, good progress towards meeting the *acquis* requirements and effectively applying the single Instrument for Pre-Accession and Structural and Cohesion Funds.

The 'Action Plan for Meeting the European Union Cohesion Policy Requirements' represents important progress towards meeting chapter 22 of the *acquis*. The Phare support under review is making a clear contribution to fulfilling this requirement. Co-financing possibilities for European Union interventions at local level are improving as a result of changes in legislation. There has been also recent clarification of state aid regulation that will help to tackle the sectoral European Union requirements.

Conclusion 2: Strategic basis for European Regional Development Fund and Cohesion Fund is still incomplete.

A gap in the preparedness for European Union Cohesion Policy is the still missing Act on Regional Development and the National Strategy for Regional Development. Croatian stakeholders in regional policy need a clear indication of which regional policy is to be pursued. It is understood that the *Action Plan for Meeting the EU Cohesion Policy Requirements* sets out the role of NUTS II level in the first years after Croatia's accession to the EU, but this information has yet to be made known to stakeholders. The role of the NUTS III 'Regional Operational Programmes' is now clarified at national level. However, whilst information and training is being provided to counties regarding their role in relation to national regional policy and European Union Cohesion policy, the evaluation suggests that there is insufficient understanding at that level on the role of NUTS III within European Union Cohesion Policy.

Conclusion 3: Employment policy and European Social Fund need further institutional development.

The prevailing approach of Phare intervention is more to projects than to programmes. There is a need to develop a higher level of intervention understanding even in the pre-accession context in order to prepare for the future European Union intervention policies. Clear definition of inter-institutional cooperation and decision-making responsibilities is often

missing in this sector and coordination between institutions and agencies involved is still not fully effective. Also know-how and development of management experience at national level needs to improve. Improvement of Labour market statistics is also needed in line with the EUROSTAT requirements.

Conclusion 4: Too great a focus on less developed regions threatens to hamper effective Competitiveness support to Small and Medium-sized Enterprises.

The Phare interventions have put too much emphasis on less developed regions and did not recognise that the strong Croatian regions, such as Zagreb, are also still lagging behind in terms of the European Union competitiveness. Experience with supporting really powerful Small and Medium-sized Enterprises with potential national impact on competitiveness can thus not be acquired. In particular, the intervention on supporting export-oriented Small and Medium-sized Enterprises seems to neglect this relationship and the current regional and national Operational Programmes for Competitiveness require a more balanced strategic approach.

Conclusion 5: Insufficient absorption capacity at national, regional and local levels.

Whilst there is still a shortfall in terms of numbers of staff required to manage EU funds, a more important requirement is meeting staff needs in terms of developing expertise. Because of more immediate priorities, the main focus, in terms of institution and capacity building, is still on central level authorities. Although some improvements can be identified at that level, there are still concerns that, overall, project management needs further improvements in specific areas such as project development, project appraisal, documentation before submitting a proposal, impact assessment, monitoring and financial control. Regional Development Agencies have only recently been established and not all are yet operational, and this partly explains the lack of readiness for Structural Funds.

Notwithstanding current deficiencies, regional and local administrations are displaying a lot of enthusiasm and pro-active engagement. The role of national officials in encouraging and assisting local and regional bodies to develop and submit projects is key, in the longer term, to the success of post accession assistance. Whilst capacity building for such bodies may not, at present, have the priority that it should have at national level, the time will come when they will play an important role in the implementation of EU assisted projects. Croatia, therefore, should heed the experience in new member states, such as Estonia and Slovenia, and ensure that the process of developing the required capacity is not left until it is too late for such bodies to participate effectively.

Conclusion 6: Some horizontal issues need more attention to allow full effective use of support on offer.

Overall, regional policy interventions currently lack social cost-benefit assessments. These are a requirement of applications for assistance to 'Major Projects' under the Cohesion Fund. However, there has been no scope for developing 'Major Projects' under Phare and, therefore, there has been little opportunity to improve skills in this field. The potential of such projects to bring benefits not only for the targeted physical location but for the whole policy field in

general² needs to be incorporated into the strategic planning of both ongoing IPA and future Structural Funds assistance.

There also remains a need for policy guidance, transfer of know-how and stronger coordination of stakeholders, and the Croatian government should charge one body with this responsibility. One option for this role could be the Central State Office for Development Strategy and Coordination of European Union Funds in view of its central involvement.

Croatian evaluation capacity needed under cohesion policy requirements is not yet developed systematically.

Recommendations

In order to respond to these challenges, there are five key areas in which recommendations are made for action:

1. Actions to complete the strategic basis for European Regional Development Fund and Cohesion Fund, including

Recommendation 1: speeding up, by the Croatian government, of the process to complete and fully enact the Act on Regional Development and the National Strategy for Regional Development.

2. Actions to ensure further institutional development in Employment policy and European Social Fund, including

Recommendation 2: application by the Croatian government of a stronger promotion of programme, as opposed to project, approach;

Recommendation 3: a clear definition, instigated by the Central State Office for Development Strategy and Coordination of EU Funds, of inter-institutional relationship including responsibilities for decision-making, of all bodies involved in future European Social Fund operations; and

Recommendation 4: steps taken by the Croatian Employment Service for the further professionalisation of labour market statistics and research

3. Actions to ensure strategic decisions are in place concerning the future approach to promoting Small and Medium-sized Enterprises and competitiveness; including

Recommendation 5: actions by the Ministry of Regional Development, Forestry and Water Management to define a regional policy which take into consideration the advantages of a more balanced approach between needs at national level and the needs of ‘lagging behind’ regions; and

² Use of Major Projects is foreseen under IPA in component III and both in the Environmental OP and in the Transportation OP Major Projects will be co-financed. In the Regional Competitiveness OP it is understood that one project (R&D) will also fall into the category of Major Projects.

Recommendation 6: establishment, with the assistance of the Central State Office for Development Strategy and Coordination of EU Funds, of stronger and formal co-ordination between the Ministry of Economy, Labour and Entrepreneurship and the Ministry of Regional Development, Forestry and Water Management to agree in due time on strategic issues of cohesion policy and in order to co-ordinate pre-accession supporting the private sector development.

4. *Actions to support additional efforts for capacity building at national and also regional and local levels, including*

Recommendation 7: actions taken by the Central State Office for Development Strategy and Coordination of EU Funds to improve absorption capacity by intensifying capacity building at all levels for the programming, preparation and implementation of projects

5. *Actions to ensure full effective use of support by tackling horizontal preconditions, including*

Recommendation 8: the promotion by the Central State Office for Development Strategy and Coordination of EU Funds of the use of 'Major Projects' (in accordance with Article 39, Regulation 1083/2006) as a means of developing skills in cost-benefit analysis in the context of enhanced effectiveness of future Structural Fund interventions.

Recommendation 9: designation by the Croatian government of one body charged with responsibility for the provision of policy guidance and knowledge to and overall coordination of stakeholders

Recommendation 10: activities for developing local evaluation capacities for Structural Policy through the Central State Office for Development Strategy and Coordination of EU Funds and Central Finance and Contracting Agency launching a call for the Expression of Interest in order to establish a national register of prospective and qualified evaluation bodies or individuals.

MAIN REPORT

INTRODUCTION

1.1. Background

1. The 2007 Progress Report on Croatia reported uneven progress as regards Chapter 22 (regional policy and coordination of structural instruments). Progress had been limited particularly on the legislative framework which needs to be amended, extended and aligned to Community legislation in a number of relevant areas. On the other hand, Croatia has formally established three statistical and planning regions at NUTS³ II level in March 2007, which is in line with the relevant regulations and with the Commission's suggestions.

2. Good progress was noted in relation to the development of the required institutional framework. The Central State Office for Development Strategy (CODEF) is now performing a coordinating function for Instrument for Pre-Accession Assistance (IPA). However, capacity building needs are still large in some ministries and strengthening administrative and absorption capacity remains a priority for the IPA and Structural Funds to be effectively used.

3. According to the Multi-annual Indicative Planning Document (MIPD) 2007-2009, the IPA Components III and IV aim to support Croatia in policy development as well as preparation for the implementation and management of the Community's cohesion policy, in particular through the European Regional Development Fund (ERDF), the Cohesion Fund and the European Social Fund (ESF). Priorities include *acquis*-related investment in environmental protection, the development of a European transport network, support to the productive sector, particularly SMEs, employment, education and social inclusion.

4. There have been a number of previous studies on Phare support in candidate countries to the various preparations for access to the Structural and Cohesion Funds. Since Croatia was not benefiting from Phare funds at the time when these were conducted, the country and its specific characteristics could not be considered. Therefore, this thematic review represents the first attempt to assess the situation of Phare pre-accession support specifically in the context of Croatia's preparation for Structural Funds.

1.2. Objectives and Scope of the Ad Hoc Evaluation

5. The objective of this Ad Hoc Interim Evaluation Report is to review current Phare pre-accession assistance dedicated to support Croatia's preparation for European Union (EU) Structural Funds and to make recommendations for improvements of the current Phare programmes, as well as an input to the debate on future programming and implementation arrangements under the new IPA in the Croatian context.

³ Nomenclature for Territorial Statistical Units

6. The report focuses on Phare 2005 and 2006 programmes under the Economic & Social Cohesion (ESC) sector in Croatia, directly or indirectly assisting with the preparation for Structural Funds. The list of projects can be seen in Annex 1. The evaluation also takes a brief account of selected CARDS⁴ projects relevant to the given evaluation context.

7. The scope of evaluation to be covered by this report according to the Terms of Reference (see Annex 2) contains three main questions:

- Evaluation question 1: *Has the underlying strategic rationale and design of Phare assistance under evaluation been appropriate, in general and intervention-specific both at sectoral and sub-sectoral levels?*
- Evaluation question 2: *What is the Phare support under evaluation going to produce and achieve?*
- Evaluation question 3: *Are the achieved effects sustainable and which improvements are further needed?*

1.3. Methodology

8. The methodology for preparing this report consisted of document and literature survey, interviews with Croatian authorities, beneficiary institutions, the European Commission (EC) at Headquarters and Delegation, contractors and academic observers. Methodologically, based on the given evaluation questions, the gap analysis approach was applied. This means there was a comparison of the actual situation in Croatia with the benchmark of the membership status in this policy field. The contribution of Phare to the achieved level and the necessary further inputs are then highlighted.

9. An important source of information in assessing the situation in Croatia has been the views of partners and stakeholders. This is especially the case in considering effectiveness, impact and sustainability where the progress reports provided did not contain much relevant information, and the Phare activities were still at an early stage.

⁴ Community Assistance for Reconstruction, Development and Stabilisation

EVALUATION FINDINGS – THE PERFORMANCE OF PHARE ASSISTANCE

EVALUATION QUESTION 1: Has the underlying strategic rationale and design of Phare assistance under evaluation been relevant, in general and intervention-specific both at sectoral and sub-sectoral levels?

Phare programming has suffered from the absence of a national strategic development and legislative framework. Although the Strategic Coherence Framework for 2007-2013 has been prepared by CODEF, it came too late for the Phare programme, and its benefit is more as a reference document for IPA. However, within this constraint, the Phare interventions under this evaluation are in general adequately designed, take account of Croatia's administrative and absorption capacity and address urgent needs and development gaps.

2.1.1 There is no sufficient national cohesion policy framework upon which to base successful pre-accession programming

10. **Currently no sufficient policies and institutional settings are in place for providing a fully appropriate base for designing sectoral pre-accession interventions.** The National Strategy of Regional Development (NSRD) is still at draft stage and consequently the related Phare interventions have no strategic foundation upon which to build. Already the strategically important CARDS 2004 intervention on “Regional Development Capacity Building Facilities” has suffered from the absence of this strategy. The existence of an official national regional development strategy and regional development act (see below) are regarded as key elements in the design of this intervention.

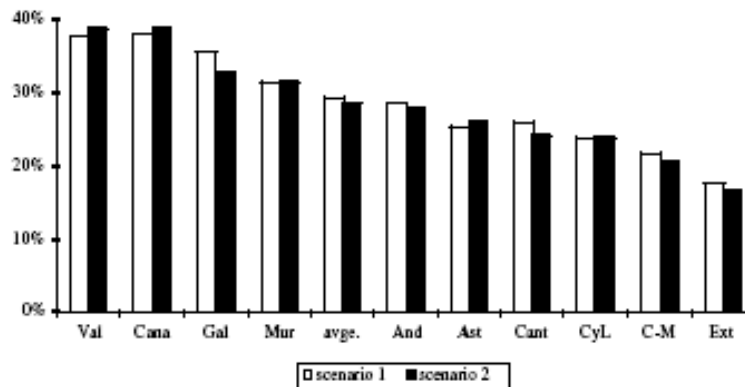
11. **The current draft version of the National Strategy of Regional Development (NSRD) puts too strong an emphasis on supporting economically backward regions rather than promoting national competitiveness.** On the face of it, it would appear that this is balanced out by the IPA-Regional Competitiveness Operational Programme (IPA-RCOP). The programme's Priority Axis 2 (Enhancing the Competitiveness of the Croatian Economy) is, at ME 28.6, almost twice as large in monetary terms as Priority Axis 1 (Improving the development potential of lagging behind regions). However, part of the Priority Axis 2 will have to be spent on ‘lagging behind’ regions, and, in total, 41.5% of the programme will be allocated to these⁵. As these regions constitute only one third of Croatia's population, this results in a clear concentration in per capita terms of the OP resources in the ‘lagging behind’ regions as compared to other regions. However, there is evidence from other countries that the approach of greater concentration on ‘lagging behind’ regions could hamper the economic development of a country as a whole. The following example of the Spanish regions shows that placing priority on the development of the poorest regions could be at the cost of the net welfare at the level of the better-off regions and at national level (see Illustration 1). Moreover, the choice of regional policy within such a uniform but still heterogeneous region (in terms of

⁵ Source: DG Regio

regional disparities) depends on social cost-benefit factors. Assessment of these remains currently underdeveloped in respect of most prevailing national and EU interventions.

The figure shows the average rate of return on CSF public expenditure in each of the Objective 1 regions. This variable ranges between 16.5% in Extremadura and slightly over 38% in Valencia and Canarias. Cross-regional differences in rates of return are therefore substantial, and returns are generally higher in the most advanced Objective 1 regions (Valencia and Canarias) and in those that have the lowest stocks of capital per job (Galicia and Murcia).

Figure 3: Average social rate of return on CSF public expenditure by region



The wide dispersion of returns across regions suggests that the current criteria for the allocation of European cohesion expenditure generate an important efficiency cost – or equivalently, that the overall impact of the Spanish economy could be much greater if efficiency considerations were given greater weight in the allocation of these funds. This would certainly entail an important change in the orientation of EU cohesion policy as structural assistance would shift towards the richer regions of the cohesion countries. This would probably favour faster convergence among member states at the cost of some increase in internal inequality. But since there are important redistribution mechanisms in operation within member countries, a significant part of the income gains would be redirected towards the poorer regions. For the case of Spain, it has been estimated that a policy shift in this direction would generate a net welfare gain.

Illustration 1: CSF public expenditure across Spanish regions⁶

12. ***In terms of programming for EU Structural Funds, Croatia is opting for a national rather than regional approach.*** Croatia has no administrative NUTS II tier, the minimum territorial level at which structural interventions under ERDF, the Cohesion Fund or ESF can be programmed. There was considerable confusion about the status of the numerous ‘Regional Operational Programmes’ (ROP) which have been produced at NUTS III level. The term ROP is misleading here as they do not represent the framework for Structural Fund interventions at regional level. In fact, such programmes should be seen as Regional Development Strategies which are very important in another sense, namely as contributions by local stakeholders to regional policy development in Croatia. This is broadly recognised, both at central as well at regional level. The strategic content of these programmes is currently being reviewed and consolidated. On the basis of this, the development priorities at the higher, NUTS II, level will

⁶ Cf. also: M. Hallet 1997, National and regional Development in Central and Eastern Europe – Implications for EU Assistance, EU Commission DG 2 Economic Paper 120; and R. Bergs 2004, ‘Towards market Integration in an Enlarged EU: The Choice of Regional Policy in the Accession Countries’, The ICAI Journal of Applied Economics, III/3, pp. 7 ff.

be defined which, in turn, will contribute to the preparation of Integrated Regional Development Operational Programmes. All these strategies will be incorporated into an integrated National RDOP. The Institute for International Studies in Zagreb and the two faculties of Economics of the universities of Split and Zagreb are facilitating this process. The national level is a useful approach to bypass the otherwise necessary establishment of administrative structures at NUTS II levels. The approach to intervene with a national ROP has also been pursued in Romania and formerly in Ireland. This structure is less costly and easier to administer.

13. Background information on Croatia's economy and reflections on it in the context of the EU cohesion policy are provided in the Annex 3.

2.1.2 The legislative and budgetary frameworks for managing structural funds are incomplete but good progress has been made in establishing the institutional structure.

14. ***The Regional Development Act has still not been enacted.*** The Regional Development Act is intended to be a key sectoral legislative document and an essential background element for future planning and programming. Its preparation has taken a long time and adoption is still pending. As it is still a draft, there is no clear foundation upon which to base regional policy. According to the 2007 country report the draft act needs further substantial work to eliminate potential contradictions with the regulations governing Cohesion policy and avoid establishing too complex programming and management. The draft act was not available to the evaluators and there was therefore no opportunity to review its contents and to understand the concrete points at issue. Removing contradictions and formal deficiencies will be further supported by the running CARDS 2004 programme and probably through Phare 2006 assistance for related institutional capacity building. It is essential that this act and the above-mentioned NRSD are consistent in approach and finalised soon.

15. ***2007 Country Progress Report⁷ concerns about the lack of multi-annual budgeting of the Croatian public finance are still to be addressed.*** Croatia has moved from an annual to a three-year budgetary planning system. However, the need for approval for each year's budget remains. Commitments for the other two years will be subject to approval by the Ministry of Finance. The system is however not yet consistent with regulatory requirements for cohesion policy. The 2007 Country Progress Report stated that Croatia 'needs to amend and extend its legislative framework to allow multi-annual budget planning, financial management and control.'⁸

16. ***Progress is being made in finalising state aid rules.*** According to EC Treaty Article 92ff and 130a, state aid rules provide important framework conditions for the intervention of structural funds. Following the 2007 country report, recommendations on major amendments have been made in the state aid and competition policy in 2007 and 2008 with respect to adopting the *acquis* in that field (e.g. state aid for rescue and restructuring, *de minimis* aid, research and development subsidies, state aid for environmental protection and state aid rules for state guarantees). A number of sector related state aid rules have still to be aligned, a particular instance being in the shipbuilding sector. The major efforts undertaken by the

⁷ European Commission Staff Working Document: Croatia 2007 Progress Report, published 6, November 2007

⁸ Chapter 22: Regional Policy and coordination of structural instruments. The 2008 Country Progress Report, issued after the cut off date for this report, reiterated this concern.

Croatian government suggest that the necessary legislative revisions are being addressed properly.

17. ***Good progress is being made under Phare in establishing the Croatian institutional structure for future Structural Funds***, in comparison to other new Member States who struggled initially in this respect (see Box 1). Upcoming IPA intervention has provided an additional strong motivation for the establishment of the necessary institutional (SF) structures.

Box 1: Romania did not have a clear vision about Structural Funds institution building until early 2004.

Until the end of 2003, preparations for Structural Funds in Romania suffered from the absence of an institutional context establishing where the main responsibilities for the future management of the Structural Funds were going to be. In addition, preparations for a Structural Funds management system were not strategically planned nor part of a coordinated approach. However, the year 2004 has seen significant progress, with an amended Law on Regional Development; the Chapter 21 position paper, and the Government plan for building up administrative capacity for the Structural Funds. Romania was relatively late with formulating its overall approach to Structural Funds preparations, around a year later than Bulgaria. Romania then tended to prepare (preliminary) National Development Plans (NDP), which were methodologically and analytically impressive but often lacked well-defined implementing modalities.

Source: ZZ/ ESC/0535 Thematic ESC Report: Published by DG Enlargement, December 2006

18. ***However, clarification on coordination responsibility and clear allocation of decision making power is still needed at central and regional level.*** Establishment of the institutional framework structure for IPA and later on Structural Funds intervention is in process. The institutional structure organisation as described in the *Action Plan for Meeting the EU Cohesion Policy Requirements* is attached as annex 2 to this report. The institutional framework for administering future EU Cohesion Policy has been a major issue, but only with regard to the specific problems of insufficient institutional independence and unclear roles of involved ministries. Basically the structure for management and implementation of the IPA programmes should also be maintained for the Structural Fund interventions. The following overview shows the relevant Croatian institutions and their experience (see Illustration 2). The institutional structure includes both, institutions with and without previous IPA experience in related tasks.

Management institutions with previous IPA experience in the related tasks:⁹

| | |
|------------------------------------|---|
| Future Managing Authorities | Ministry of Sea, Transport & Infrastructure Ministry of Environmental Protection , Physical Planning & Construction Ministry of Economy, Labour & Entrepreneurship |
| Future Intermediate Bodies | Ministry of Regional Development, Forestry & Water Management ; Environmental Protection & Energy Efficiency Fund; Ministry of Health and Social Welfare ; Ministry of Science, Education & Sport; Agency for Vocational Education and Training; Croatian Employment Service; Croatian Waters; Central Finance & Contracting Agency |

⁹ Bold letters mark part of the institution which will be responsible for the management of the IPA programme according to Croatian proposals and as such gather experience relevant for Structural Instruments.

Management institutions without previous IPA experience in the related tasks:

| | |
|------------------------------------|---|
| Future Managing Authorities | Ministry of Regional Development Forestry and Water Management Central Office for Development Strategy and Coordination of EU Funds |
| Future Intermediate Bodies | Transport Agency Ministry of Economy, Labour & Entrepreneurship Ministry of Culture BICRO Agency Agency for Small Entrepreneurship Ministry of Regional Development, Forestry and Water Management |

Illustration 2: Croatian institutional structure for Structural Funds according to Croatian proposal

19. CODEF will have an enormous responsibility for the overall functioning of EU Cohesion Policy in Croatia. It will not just be responsible for the National Strategic Reference Framework (NSRF) (as it is now for the IPA-SCF), but also for the supervision of the entire institutional system. CODEF management and staff are aware of their tasks and responsibilities but there are still unsolved competence questions with other state bodies and resulting unclear procedures.

20. It is furthermore important – also for the implementation of the IPA programmes – that the large number of first and second-level subordinated Implementing Bodies (IB) are effectively managed. Currently the designated Managing Authorities (MA) lack the necessary authority to co-ordinate at the same level structures of the other line ministries.

21. *Independence of the audit authority from the certifying authority is improving.* A major issue so far has been the limited independence of the audit authority from the certifying, or authorising, authority, both of which have been departments of the Ministry of Finance. Council Regulation 1083/2006 stipulates that the member state have to clearly lay down rules governing its relations with the Managing Authority, the Certifying Authority and the Audit Authority. As long as there is no formal agreement of independence, accreditation of the audit authority cannot succeed. However, this issue has now been solved through a separation of the audit authority from the Ministry of Finance.

22. *Too many staff planned for future Managing Authority and Implementing Bodies.* The *Action Plan for Meeting the EU Cohesion Policy Requirements* contains a comprehensive calculation of the number of staff needed for a Managing Authority and an Implementing Body. However, according to experiences from other countries, the proposed sixteen full-time employees per MA is not needed to fulfil its tasks, even considering Croatia stands at the very beginning of EU Cohesion Policy. At the level of Implementing Agencies, the envisaged number of 31 people is likewise questionable. The staffing level should, logically, be related to the number of measures an IB has to implement. Principally the director, a responsible state secretary or the minister has to represent the IB before the MA. Within the IB, officials of the departments/sections in charge of the measures will be responsible for the day-to-day implementation of the measures. They will have to appraise the project applications, launch calls, prepare contracts and monitor the measures. Two or, at most, three persons per measure should be sufficient to cover the required tasks. As there will be, in any event, national co-financing from already established national interventions, it makes sense that the sections and the staff cover both the application of the national as well as the EU contributions.

23. ***Qualitative improvements in staffing are needed.*** Based on the provisions given by the *Action Plan for Meeting the EU Cohesion Policy Requirements* and the assessment made of the current performance of the staff dealing with EU issues, it is evident that much more important than meeting the staff needs in number is meeting the staff needs in qualification. Here, major emphasis should be laid on the incentive to acquire the knowledge sustainably (notably among younger staff) with prospects for career and salary improvement. In addition, there are, currently, insufficient experienced individuals to staff critical positions.

2.1.3 Phare assistance is appropriately designed but some interventions are delayed and need adjustments before implementation

24. Private sector development is a major prerequisite for economic integration. Only if the Croatian economy is competitive within the EU markets will the country benefit from the Economic and Monetary Union (EMU). Achieving the necessary level of competitiveness requires the increase of productivity in a number of sectors, notably those with a strong Research & Development (R&D) foundation. Key indicators for economic integration will be the production of products of similar range and quality to those of the other EU members and an increase in the level of intra-industry trade. Here, it is also important to consider the Lisbon goals overall, aiming at making the EU the most competitive and dynamic knowledge-based economy of the world, capable of sustainable economic growth and greater social cohesion.

25. ***Phare interventions in the area Small and Medium-sized Enterprises (SME) and Competitiveness are designed to meet needs.*** Projects covered by the report are Phare 2005 Business Related Infrastructure Grant Scheme under ESC 2005, Phare 2006 Support for Increasing the Competitiveness and Exports of Croatian SMEs and Phare 2005 Support to Ministry of Economy, Labour and Entrepreneurship (MELE) in the Implementation of the SME Pilot Grant Scheme.

26. The overall objective of the ongoing and forthcoming Phare intervention in the area of SME and competitiveness is to fulfil the requirements of the Chapter 20 Enterprise and industrial policy and the European Charter for Small Enterprises. The major purpose of the Phare intervention is to enhance capacity in a way that the SME Department within MELE (or the SME Agency (HAMAG) respectively) is able to develop adequate policies and provide support to SMEs in accordance with EU standards as required by the *acquis* and the EU Charter for Small Enterprise. HAMAG should be responsible for SME policy implementation in future.

27. This institutional capacity building is expected to significantly improve Croatia's ability to successfully negotiate the SME chapter and implement prudent SME policy. The results to be achieved range from a review of the SME institutional and regulatory framework and policies, the mechanisms of business advisory service policies and SME definitions and statistics to targeted training for the beneficiary authorities and institutions.

28. Business related infrastructure is an important field of intervention, particularly in a Convergence country, which Croatia will be. However, grants under ERDF will be managed in accordance with the respective rules. This includes the nature of the individual programme intervention and its co-financing ceilings (Convergence vs. Regional Competitiveness) which also determine provisions for funding and realising major projects. Whether a grant scheme confined to business infrastructure is useful remains questionable. This type of measure could

be just one among those of the IPA-RCOP and grant management could be centrally carried out by the responsible Managing Authority. An *integrated* Phare grant scheme for ERDF type measures would have been more appropriate to directly serve also the future structural funds needs in this respect. Probably, the specific division of tasks among the MELE and the MRDFWM made this separation necessary. Furthermore, the intended result 'improved business climate' can perhaps be an impact but hardly a project result directly determined by that project.

29. Moreover, in this subsector as well as in the others, the use of 'major projects' is rather limited. The EU however, encourages candidate countries and member states to apply bigger, more complex interventions, - notably under the Cohesion Fund in particular involving environment and transport infrastructure - in order to achieve a more substantial and durable impact in terms of strengthened cohesion and solidarity.

30. ***There is an adequate design of Phare intervention in employment policy sector including respective capacity building components.*** In March 2006 the Government of Croatia adopted the Annual Plan for Employment which includes a range of training and grant and loan measures. Special emphasis in the elaboration of operational measures from the Annual Plan for Employment Promotion for 2006 was laid on the integration of, and alleviation of discrimination against, disadvantaged groups in the labour market. Such groups included disabled persons, people with only little employability prospects, unemployed single parents with young children, and unemployed war veterans. Public works programmes implemented by units of local self-government, as well as the implementation of the measures from the National Programme for the Roma have been seen at the centre of the Annual Plan for Employment. However, as already pointed out by the recent sectoral interim evaluation, a reliable and updated labour market information system is an essential element and a necessary prerequisite for the alignment with the EU employment policy. The current instruments used in the Croatian labour market system do not meet these requirements.¹⁰

31. In the human resource development area, a number of CARDS and PHARE projects were considerably delayed and few of them are being implemented. The relevance of the 2005 Phare intervention in this subsector can be rated as high with respect to future EU cohesion policy under the ESF and the adoption of the *acquis* in that field. A clear focus of this project is capacity building for the Central Employment Service (CES) and pilot measures for disadvantaged groups. This partly addresses the scope of the IPA Human Resources Development Operational Programme (OP) and the future ESF OP (after accession). Here the measure 1b and the entire Priority axis 2 are addressed. The Phare project does not explicitly tackle active and preventive labour market policy and the field of vocational education and training (VET) and lifelong learning as this field had been largely covered by the previous CARDS activities and also by national efforts to strengthen this field for future EU Cohesion Policy. Furthermore, a smaller Phare PPF measure '*Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) - Strengthening the administrative capacity for management and implementation of IPA/ESF*' will address the full coverage of IPA-HRD and future ESF interventions in Croatia.

¹⁰ See Sectoral Interim Evaluation of the European Union Pre-Accession Assistance for the sector Economic and Social Cohesion (ESC), 2008 – R/HR/ESC/0801

32. This combination of national effort and CARDS and Phare assistance provides a complementary blend of investments to address employment needs in Croatia. All these preparatory activities will strengthen the relevance and effectiveness of future ESF interventions in Croatia after accession.

33. ***Phare Cross Border Cooperation (CBC) assistance is sufficiently well designed to tackle economic and social development needs in border areas.*** Cross-border co-operation has played a significant role in reducing the negative effects of national borders and thus contributed to European economic and social integration. Borders, even though they are already technically abolished in many parts of Europe according to the Schengen treaty, are still a barrier to economic growth and cohesion as political borders mostly coincide with cultural and language barriers. Apart from the Schengen area, the EU is still fragmented with economies separated by different currencies institutions and legislation. Here border effects are still more substantial, as differences of the economies translate into barriers along the common borders. This problem is particularly visible along the internal borders with the new member states and the external borders with the candidate countries of which Croatia is one. Phare CBC has therefore an important role in preparing the candidate countries in terms of balancing structural and infrastructural disparities along common borders and for adopting genuine co-operation on joint or complementary activities smoothly. Due to the peculiar geography of Croatia as a small country on the one hand, but one with enormous length of borders and coast on the other, cross-border co-operation is and will be of relatively high importance for economic and territorial cohesion. The Phare CBC Neighbourhood projects aim is to prepare for Interreg Strand A.

34. In this connection, the programmes are divided into two - CBC with an 'old' EU member country (Adriatic New Neighbourhood Programme with Italy) and CBC covering borders with new member countries (New Neighbourhood Programme with Slovenia and Hungary). Both programmes are complex by nature. The latter programme covers three countries, the former covers – for the time being - two out of six neighbouring countries¹¹ without a common border but separated by the Adriatic Sea. In fact the Adriatic Programme is an Interreg Strand A programme but shows major characteristics of a transnational B type programme (transnational co-operation).

35. In the case of co-operation between Croatia and Italy under the Adriatic Neighbourhood Programme, a number of proposed projects have not been applicable, including many kinds of people-to-people activities. The tri-lateral co-operation with Slovenia and Hungary is less complex, but in this case Croatia co-operates with two new member countries without a long tradition in cross-border co-operation. This would suggest that the Croatian authorities involved in Phare CBC have started gaining their experience with highly complex programmes instead of simpler bi-lateral CBC programmes. This is certainly unfavourable for the country, as the whole Interreg (future Objective 3) is anyway highly complex, hard to evaluate in its impacts – also due to mostly high and overambitious expectations - and therefore often subject to disappointment and even failure.

36. ***Phare and ERDF interventions are not synchronised.*** The adequacy of design within the Phare CBC has been already subject to lengthy debates, as it was for other former Phare

¹¹ The entire programme covers Croatia, Italy, Bosnia-Herzegovina, Serbia, Montenegro and Albania.

accession countries. The fact that payments under Interreg III terminate by 31 December 2008 (and the programme is by then officially closed), but Phare 2006 funds are available until end of 2009 makes it impossible to develop co-operation under the programme umbrella. A lot of improvisational effort is needed to benefit optimally from Phare CBC within such double-structure programmes.¹²

37. *Phare support for the capacity building subsector is designed to address real and urgent administrative needs*; however some sub-activities need a revised design due to late implementation. The major intervention to be viewed here is Phare 2006 'Development of Institutional Capacity and Project Pipeline for EU Structural Funds' with a budget of €M 7.0 split between the consultancy on capacity building and the elaboration of a project pipeline. The Project aims at strengthening the institutional and human resources capacity of the Croatian administration for EU Cohesion policy from the central down to the local level. The results of the project will comprise support to consolidate the legal and institutional framework in place for management of cohesion policy, increased capacity and operational efficiency of selected MAs, IBs, the Certifying and Audit Authorities and Monitoring Committees, preparation of the National Strategic Reference Framework (NSRF) and its OPs, sustainable training capacity on the management of Structural Funds and the preparation of a pipeline of potentially eligible national and local/regional projects.

38. If one looks at the present state of institutional preparedness of Croatia in the field of Chapter 22, it becomes immediately clear how much relevance this strategic intervention will have for the country. Although the bulk of preparative work has been done, especially since the cut-off date of the 2007 country report, there is still a number of important issues to be tackled.

39. So far, IPA programming has been completed and projects about to start. Furthermore, the *Action Plan for Meeting the EU Cohesion Policy Requirements* (to fulfil the conditions of Chapter 22) was submitted in March 2008¹³. Furthermore, CARDS 2003 and 2004 have largely contributed to the necessary institutional preparedness of Croatia. The latter intervention is still running. Therefore, Phare 2006 intervenes at a rather advanced level of institutional development. Some sub-components, as they are defined in the project fiche, may come too late, as the intervention (with a start of January 2009) suffers from a delay due to tendering issues. The needs assessment of that intervention is still based on the EC Regular Report Croatia 2005.

40. A major point to be stressed here is the functional separation of some short- and medium term priorities of the *Accession Partnership* on Chapter 22. Phare 2006 should address short-term priority 2, to select and build up the capacity of key Managing Authorities and (Implementing) Bodies for the implementation of structural instruments, as well as medium-term priority 1 to 4 which are:

¹² See also Thematic Evaluation - Phare Cross-Border Cooperation Programmes 1999-2003 (Phare Ex post evaluation), 2006

¹³ In this Action Plan, the Government of Croatia describes in a detailed manner its proposed measures to solve outstanding issues in the fields of the legislative framework, the programming and the project pipeline, institutional structures, monitoring and evaluation, financial management and control, communications and the establishment of the administrative capacity.

- a. to ensure a clear distribution of responsibilities and strengthen coordination, both at inter-ministerial level and between national and regional authorities;
- b. to continue to build up of capacity in the designated Managing and Paying Authorities;
- c. to improve the design and implementation of regional development plans;
- d. to set up proper monitoring and evaluation systems and to enhance financial management and control procedures.

41. It should be noted that, for the short-term priority 2, the key authorities have been already selected and the institutional intervention system is in place. This was already prepared for IPA. The system of CODEF, Managing Authorities, Certifying and Audit Authority is defined, and in accordance to the Council regulation 1083/2006. However, an important short-term priority is separated from the project activities; the project fiche says that the Croatian authorities have ‘elaborated a National Strategy for Regional Development (NSRD) and are preparing a single legal framework which aims to incorporate the existing fragmentary legislation relating to underdeveloped Croatian regions’. It has to be pointed out, however, that both documents are still at a draft stage, subject to internal discussion and not at all representing a reliable foundation to the project. As long as it is not clear what the final strategy and the formal Act on Regional Development define, the project cannot develop its thrust and is thus probably running below potential performance.

42. It is therefore of utmost importance that the 2006 intervention once started in 2008 can reliably build upon a regional development law and the National Regional Development Strategy, both of them in compliance with the relevant Council Regulations. Otherwise, the relevance of the project can be negatively affected. Further, there are three minor Phare 2006 interventions with a direct relevance to *acquis* Chapter 22 (annex 1 No. 11, 12, 13) which address very well specific institutional issues where the Croatian authorities need support.

2.1.4 Programming takes adequate account of Croatia’s administrative and absorption capacities and constraints but is affected by missing formal policy orientations and legislation

43. ***The current pre-accession support on offer provides in general a realistic programming approach in terms of the strengths and weaknesses of Croatia’s administrative capacity,*** A major advantage is that a high proportion of employees in the ministries and subordinated authorities have already familiarised themselves with the complexities of regional policy even before CARDS or Phare support was provided. Hence, CARDS/Phare inputs have been absorbed by well prepared individuals in the beneficiary agencies thereby enhancing its effectiveness. Independent learning and preparation has been more prevalent in Croatia than in many other former accession countries in Central Europe.

Box 2: Two speeds of development of institutional capacity in Croatia

Concerning design and implementation of regional policy, the development process in Croatia proceeds at “two different speeds”. A higher speed of development and partly also a higher level of professionalism can be observed in many regional institutions, such as in a number of RDAs. The staff of those institutions is adequately organised, well trained and experienced in the fields of setting up development priorities and the design, development, organisation and management of corresponding practical implementation. There is also a good level of updated professional know-how according to EU standards. Many regional stakeholder institutions are able to operate and react flexibly. However, this is not the case for all regional stakeholders and education and awareness-raising needs exist in many place. Nevertheless, the enthusiasm appearing at many local and regional stakeholders is encouraging. In central administration and management bodies, which are often but not always structures of different line ministries, there is another situation. The staff of central administration and management bodies lack in several cases updated professional expertise and experience. These central institutions act in general more slowly and less flexibly which affects in some cases the policy implementation process.

Source: interviews

44. ***Capacity of co-financing at regional and local levels is improving.*** Until recently, local government borrowing was set at a maximum of 20% of revenues raised in the previous financial year. Whilst prudent in terms of fiscal stability, this had the potential to limit the absorption of EU funds through restricting the co-financing capacity of local government. Legislation which came into force in July 2008 removed this ceiling. Local authorities are now free to borrow the necessary co-financing without government approval, but have to notify the Ministry of Finance (a special register of local government borrowing). In addition to that, the Fund for Regional Development will secure co-financing at local level for local governments without sufficient financial capacity for local projects with major importance. These decisions are of major importance and should enhance the co-financing capacity at local levels.

45. ***There exists the risk that programming for EU Cohesion Policy and even the IPA programmes will be negatively affected in terms of timing and content.*** This is caused by the fact that the underlying strategic and legal foundations on choices of regional policy and the flexibility within the range of possible strategic orientations are not yet formally decided. There is no formal requirement for an EU-country to have a law for regional development or a national strategy for regional development, the only obligation is to comply with the relevant Council regulations. However, the Croatian government and authorities are working on such additional national legal and strategic documents but have yet to produce final decisions. Without a clear strategic orientation, the benefits of IPA and future structural funds programmes will be significantly reduced.

46. The 2007 country report also addresses the issue of missing project pipelines. This is an essential subject at the level of programming. So far, developed project pipelines for ERDF type projects are not existent. Phare 2006 *Development of Institutional Capacity and Project Pipeline* will tackle that issue, but the activity comes late in the process of preparation. The maturity of project ideas in mind at regional level (i.e. the level of concreteness, justification through preparatory feasibility studies etc.) is not known to the evaluators, but one should be aware that preparation of high-quality project preparation and documentation is a time-consuming process. By the date of accession, a reasonable project pipeline should be developed in order to avoid loss of time and funds. Experience from previous enlargement rounds shows also that the project pipeline process applied in many new Member States did not always have the full beneficial impacts as expected (see Box 3). It may not be too late for

Croatia, but, nevertheless, alternative solutions need to be explored, including consideration of good practice from new member states, such as that from the Czech Republic in box 3 below.

Box 3: High-quality project preparation is a demanding, time-consuming process.

While the concept of strengthening a project pipeline with good quality projects to be submitted for the various Structural Funds measures is very useful, their potential benefits did not materialise in many cases. The main problem with many of these PPFs was their long delay. In many of the new member states of the EU, the Phare beneficiaries could only start looking for the consultant to assist them in preparing their Structural Funds application or supporting studies by the time the first calls for the corresponding Structural Funds measures were already closed. This seriously reduced the relevance of the preparation facilities. In some countries, the PPF grant schemes were accompanied by a service contract to guide the beneficiaries through the PPF project. Some of these service tenders failed, leading to a less well-prepared grant scheme administration or an additional delay in the launch of the PPF itself. An interesting and successful model of preparing a Structural Funds project pipeline was applied in the Czech Republic, where a combination of training and project formulation and preparation was applied instead of a standard grant scheme with a secretariat. Embedding project preparation activities in a wider context of capacity building, instead of simply providing the funds to hire one's own consultant turns out to lead to more sustainable results.

Source: ZZ/ESC/0538 Thematic ESC Report

47. ***In the field of monitoring and evaluation, Croatia still lacks sufficient national resources for programme evaluation.*** The market for programme evaluation has not yet been recognised in the private or non-governmental sector. No information has been found that Croatian authorities, particularly CODEF, have already undertaken actions such as publishing a Call for Expression of Interest, in order to prepare a register for competent evaluation bodies for ESF, ERDF, Cohesion Fund, European Agricultural Fund for Rural Development (EAFRD) and EFF. There are two or three national think-tanks which might be capable in terms of experience and qualification, but, for a 'Convergence' country, the capacity in volume needs to be enhanced.

EVALUATION QUESTION 2: What is the Phare support under evaluation going to produce and achieve?

The quality and quantity of achieved results and outputs varies. Administrative preconditions are largely in place but staff involved in implementation are still short of the necessary experience and expertise. Improved inter-institutional cooperation and a clear allocation of management responsibilities are still needed to improve programme quality. Programmes have only achieved results recently and not many immediate impacts can be observed. Some catalytic effects have been achieved in the employment policy field.

2.2.1. High programme complexity and limited administrative experience hampers sound implementation.

48. ***Administrative complexity directly affected the quality of performance of the Phare sectoral support.*** Phare and the underlying PRAG¹⁴ rules are complex and to some extent not

¹⁴ Practical Guide to EC External Aid Contract Procedures

sufficiently flexible. Short-term financing horizons make it often difficult to prepare and implement a single project soundly, given the associated time pressure. Furthermore, programmes often become out-of-date because of long gestation periods in some cases, delayed project starts or failed tendering processes, and need to be revised in order to be effective.

49. ***Another factor causing loss of efficiency in project execution is the high turnover in staff within the stakeholder authorities*** and the consequent recruitment of young and inexperienced staff. Although the young staff are often highly motivated, little support is provided to help them understand the policies behind the programmes and the overall contextual complexity. Often, staff are overburdened in terms of workloads and responsibilities, sometimes hampering smooth preparation and execution.

2.2.2. Beneficiaries allocate in general the necessary resources to ensure co-financing, but full 'ownership' is reduced by a lack of knowledge of the policy context for their programmes.

50. Within the constraints referred to in paragraph 43 above, the Croatian partners contribute with their own co-financing for the whole spectrum of interventions under review, as agreed and in a fully reliable way. But co-financing is only one element of 'ownership'. Although much effort is put into enhancing staff capacity in numbers, lack of specific knowledge of the policy field and the strategic aims of the projects can lead to the project managers not appreciating the importance of some aspects of their project.

51. Full 'ownership' of Phare interventions is further not ensured, as long as a full understanding of the policy context is not demonstrated completely at the level of programme management and monitoring in CFCA, CODEF and the beneficiary ministries; only state secretaries and a limited number of senior staff are capable of comprehending the underlying rationale of such programmes. On the positive side, the high level of motivation and self-learning efforts among the young staff as experienced during the field interviews is a positive factor for success that needs to be appreciated as well.

2.2.3 Outputs and results are mixed in quality and quantity.

52. ***Lack of coordination affecting effectiveness of Phare in the fields of SME policy and Competitiveness area.*** Effectiveness of the Phare intervention in the subsector is hampered in terms of quality to some extent by a lack of co-ordination between MELE (responsible for the programmes on capacity building and exporting SMEs) and the MRDFWM (responsible for the business-related infrastructure programme). Consequently the related sub-sectoral interventions under review differ in their effectiveness. If this unsatisfactory situation is not resolved quickly, increasing problems can be expected within the preparation process of structural funds in future.

53. In terms of the programme on grants for business related infrastructure, the intended number of grant projects may be achieved but their relevance to business-related infrastructure is sometimes questionable. For example, support has been given to municipal cultural and sports infrastructure projects. Some projects would have been more appropriately assisted by other measures, for example, a project for trout fisheries which would better fit within the EFF type measures.

54. ***In the Employment subsector the intended results of Phare 2005 are likely to be fully achieved even though the intervention is not finalised yet.*** The aim of implemented training was to inform the participants, CES staff, about the process of grant scheme management, the responsibilities on different levels and the link between the levels and the related tasks to be performed by the future persons in charge. The major purposes were familiarisation of the CES staff with setting-up basic procedures and providing to them with practical training (basics) and input of EU experience based on actual developed guidelines, manuals, templates and check-lists. Most of these were translated into Croatian and combined into a training package that the participants received during training. Procedures under IPA were also taken into account.¹⁵

55. The grant scheme itself is operational and, according to the representative of the CES, successfully supporting groups threatened by social exclusion. In terms of co-operation with providers of training and supporting disadvantaged groups, the non-governmental sector is not very much involved, the focus being so far on public institutions. Eleven projects are supported by the grant scheme. An important outcome has been the manual for the use of grants under IPA and later ESF. This manual is also used for the IPA-OP HRD. An important target group under this programme is women. This was one of the strategic recommendations of the Phare project. It can be stressed that Phare has already contributed substantially to prepare for IPA and future Structural Funds (here ESF) in the policy field of employment.

56. ***Effectiveness of the Phare interventions in the area of CBC/Interreg is adequate. However, due to Croatia operating under different rules to its partners, joint project cycles could not always be synchronised.*** The type of project is, in most cases, genuine co-operation and representative for Interreg. Typical examples are cross-border networking of SMEs and clusters facilitated by co-operation of chambers of commerce and the establishment of a network of partnerships in the cross border area of northern Dinaric Mountains, which will contribute to recognition and long-time conservation of the high natural value of this area (DINA RIS under the tri-lateral programme). In all measures, a number of joint projects have been initiated. In terms of simple effectiveness, all projects have performed satisfactorily.

57. In terms of intrinsic effectiveness (i.e. developing effective cross-border cooperation) the situation is less favourable due to the highly complex conditions such as the inherited programme differences between Phare CBC and Interreg where the multi-annual Interreg intervention process, despite being underpinned by the joint programming framework, frequently does not sit well with the Phare annual programme cycle. This has had some influence on the performance of the programmes. In some cases, the contracting process lasted longer than planned. This stemmed from cumbersome decision making processes and the many actors involved in evaluating proposals and decision making. Therefore, in terms of the Adriatic Neighbourhood Programme, projects under the 2007 call had to be shortened to approximately half the initial planned duration in order to meet the implementation deadline. The same problems have been experienced under the Tri-lateral Programme with Hungary and Slovenia.

58. It was also not always easy for Croatian partners to find appropriate partners in the other countries, also leading to a delay of programme implementation. In some cases this was also

¹⁵ The CES has published reports on the training sessions (cf. <http://www.hzz.hr/phare2005/default.asp?id=63>)

due to quality issues of the project approach in mind. Co-operation at the level of programme implementation and at project level has been good and there is no indication of the Croatian side being a purely passive partner. Effectiveness can thus be assessed as sufficient for both programmes.

59. There is currently an ex-post evaluation of Interreg III which will also cover the two programmes addressed by this report. The ex-post evaluation will look at the programmes in more depth and also from the viewpoint of a comparative analysis of type of programmes and patterns of performance, which would give important insights for stakeholders engaged in complex programmes such as the Adriatic New Neighbourhood or the Tri-lateral programmes. This ex-post-evaluation will generate more detailed results and it is highly recommended to consider the results for future evidence-based policy for IPA and Objective 3 co-operation.

60. *Effectiveness of Phare support in the area of capacity building can not be fully assessed yet, because implementation will only start in 2009.* As the related 2006 Phare support has not commenced, it is too early to provide an effectiveness analysis. In order to achieve the intended results and activities in a need-oriented and relevant manner, Phare 2006 *Development of Institutional Capacity and Project Pipeline for EU Structural Funds* requires partial revision in a way that it is adapted to the situation in 2008 and to the currently remaining needs to prepare institutionally for EU Cohesion Policy. Likely effectiveness will depend on whether or not the legal and strategic policy foundations are formally in place, meaning the full enactment of the proposed strategic and legal background documents.

2.2.4 Some positive immediate impacts achieved across the sector already indicate good prospects for adequate intermediate and global impacts

61. *Phare support under review has achieved first results only very recently.* Therefore, only an assessment of likely immediate impact can be made. Immediate impacts of Phare are likely to be the acquisition of knowledge and experience in managing EU Cohesion policy, the validation of previously acquired knowledge, the improvement of formal structures (e.g. an independent auditing authority, initiated by Phare assistance and later supported by IPA), and the strengthening of the partnership approach (stressed by representatives of the Phare 2005 active labour market policy programme). Furthermore, immediate impacts include also the development of relevant administrative capacities and skills in related ministries and agencies. Phare assistance allows Croatia to initiate policies, strategies, and legal and regulatory frameworks.

62. *Major impacts from the sectoral interventions under review should be in the medium term an essential contribution to the closure of Chapter 22.* They will also assist in improving competitiveness of the SME sector (in terms of the European SME Charter), providing knowledge on how to deal with complex cross-border and transnational cooperation programmes and increasing awareness of their major importance for Croatia due to its peculiar geographic shape, and improving the activity rate through support for disadvantaged groups. All this contributes to the enhancement of competitiveness of the Croatian economy. Also at intermediate impact level, Phare assistance is galvanising Croatia into recognising the importance of the regional aspects in the social and economic fields, and in making relevant decisions for national development.

63. The global impact of Phare support on offer should be seen in the way it has introduced the concept of socio-economic development programmes and the whole mechanism for disbursing funds effectively in this context, a process which will be completed later under IPA. However, set against that is the fact that, as experienced in the new Member States, one year of Structural Funds' operations may make a more significant impact on national stakeholders' perceptions and understanding of Structural and Cohesion Funds than pre-accession programmes will have been able to.¹⁶

2.2.5 Catalytic effects of the Phare programme have been detected only in the policy field of employment

64. ***There will be catalytic effect resulting from the production of the manual for grant management under ESF.*** This manual is already in use under the IPA-OP HRD. Furthermore, the Phare 2005 support for *Active Labour Market Policy* has also facilitated the capability to draft the new National Action Plan for Employment (which is geared to IPA and future ESF) without direct Phare support. In this context also the previous CARDS programmes led to important catalytic impacts as, for example, the Education Sector Development Plan 2005-2010 and an Adult Learning Strategy and Action Plan.

65. ***A further catalytic effect was achieved by introduction of a system of indicators and benchmarks for the monitoring and evaluation of active labour market measures.*** This indicator system was elaborated under Phare assistance in close cooperation with the labour market stakeholders and actors on central and regional level. The introduction of this system into the practical work was prepared by well targeted training and accompanied by TA.

EVALUATION QUESTION 3: Are the achieved effects sustainable and what further improvements are needed?

Varying prospects for likely sustainability but on the whole positive. Due to the early stage of programme implementation, no final statements can be made in terms of sustainability of the results and outputs. However, the analysis of the programme environment and framework conditions imply in general positive prospects for an adequate sustainability of results and outputs. Despite some current shortcomings, prospects for achieving institutional sustainability are largely considered to be good. Administrative sustainability is also developing, but longer-term prospects are threatened by the failure to retain qualified and skilled staff.

2.3.1 Institutional sustainability is being achieved and secured

66. ***The required institutions and integrated structures for IPA and subsequent Structural Fund intervention are being established with Phare assistance.*** Phare and CARDS institution building is providing a good foundation for future development of the supported institutions and systems. Following accession, all these institutions will be fully integrated into

¹⁶ See also: Thematic Review; Economic and Social Cohesion 1998-2003 (Phare Ex post evaluation), 2006

the EU institutional structures. Once the legislative and procedural framework is completed, EU and Croatian legislation will provide a sound basis for sustainable operations of the Phare-assisted institutions.

67. Major improvement has been achieved regarding institutional set-up and accreditation. Both for IPA and for future Cohesion Policy, the institutional structures consisting of Managing Authorities, other co-operating line ministries and subordinated authorities, the Authorising (certifying) Authority and the Audit Authority are identified, and their tasks specified according to Articles 60 ff. Regulation 1083/2006.

68. Proper institutional set up and accreditation is a precondition for institutional sustainability. In this respect, one important achievement is the recent separation of the Auditing Authority from the Ministry of Finance which also hosts the Authorising (certifying) Authority, thus solving the issue of insufficient independence. The improving flexibility of multi-annual budgeting (three-year horizon) is appreciated but requires further development.

2.3.2 Administrative sustainability is potentially at risk

69. A major cause for concern, despite considerable improvement over recent years, is the low priority Croatia still places on administrative human resources. The benefits of all the training, training of trainers and training equipment will only be fully realised if recruitment increases and staff development strategies materialise. The prevailing trends of horizontal cuts in administrative staff, insufficient attention to strategic human resource development and professional career development, low pay and often unfavourable working conditions are at variance with the commitment to maintain and develop the required level of administrative sustainability. Skills developed under pre-accession support could be lost quickly, whereas new EU legislation and new responsibilities impose considerable extra tasks on ministry and agency departments. In the Structural Funds, an area that attracts many new incoming civil servants, the need to retain qualified staff is particularly important.

70. Pre-accession support *per se* cannot eliminate acute human resource constraints in public administration. These constraints can only be fully overcome through growth and development. The deficits in effective public administration reform are apparent in almost all new Member States¹⁷ and are also of concern for Croatia¹⁸. Any future assistance to Croatia will need to take into account the fact that professional and motivated local administrative staff are the key success factor for managing the accession process adequately, including the use of EU assistance. This has been far more positively demonstrated by previous candidates such as Estonia or Slovenia.

¹⁷ See also: Thematic Review; Economic and Social Cohesion 1998-2003 (Phare Ex post evaluation), 2006; also the ex post evaluation conducted for ten Phare countries confirmed that ...sustainability of structures, systems, trained personnel, etc., rely to a large extent on the creation of stable and attractive working conditions at central and local levels. This in turn will only be delivered if there is continued government support.

¹⁸ Assistance for Croatia's public administration reform is the subject of a separate Thematic Report being prepared at the time of this review. The main purpose of the PAR Thematic Report has been to assess EU assistance provided to Croatia on PAR with particular attention to the development of an integrated and horizontal approach to PAR in the wider context of public sector reform

2.3.3 *There is little evidence that Phare interventions have resulted in an increased dependence on technical assistance by beneficiaries.*

71. The various Phare interventions contributed largely to sustainable institution building on the beneficiaries' side. In this context Phare (and also CARDS) TA was in general relevant and addressed real existing institutional and administrative needs. Phare interventions contributed and still contribute to the achievement of a higher level of preparedness of beneficiaries for IPA and later structural funds intervention. The utilisation of TA has been performed adequately. There are instances where there has been an over-reliance on TA but these have been few in number. Where they do occur, it is often because of too heavy a workload on the beneficiary. On the other hand, however, there are examples of programme implementation units coping well without TA support or being very much an equal partner with the contractor.

2.3.4 *The process to close significant gaps in structures, systems and capacities for future Structural Funds is ongoing but needs further pre-accession support*

72. ***The structures, systems and capacities for future Structural Funds are largely established but they have not reached their full operationality yet.*** A number of significant gaps and further needs have been identified during the evaluation process, for example, the absence of the Act on Regional Development and a national strategy for regional development and insufficient relevant experienced staff. These matters are considered again under Chapter 4 - Conclusions. One of these aspects is the need for particular emphasis to be put at advanced stages of the preparatory process on localised Structural Funds training (see Box 4).

Box 4: Structural Funds Training needs to be more localised.

The latter stages of Structural Funds preparation require many more local trainers, necessitating investment in training-of-trainers approaches first. All trainers, local or international, need to have very specific and in-depth SF knowledge. This issue also has a clear language dimension. When working with international experts, the question of "when to translate a document", determining when an international expert can start or has to stop his contribution, plays an important role in the division of labour between local and international experts, either as trainer or otherwise. An example of relatively successful involvement of local trainers comes from Poland, where selected university staff and instructed higher level officials from ministries took the responsibility for much of the training. Besides the obvious advantage of by-passing the language barrier, this improves the probability of embedding the training material as well as training implementation into the specific context of the Polish Structural Funds programmes. This formula is increasingly needed as candidate countries or NMS move towards their own, unique Structural Funds systems and away from general introductions, principles and existing models from EU-15 Member States. (Source ZZ/ESC/0538 Thematic ESC Report)

3. LESSONS LEARNED FROM PREVIOUS ENLARGEMENT

73. CARDS and Phare interventions in Croatia and experiences in new member states provide many useful lessons for beneficiaries and other stakeholders which should facilitate improved performance in future. Prospects for absorbing these lessons are good, given the developing culture in public administration in the country.

74. *Everything possible should be done to arrange national responsibilities and organisational structures so as to secure the overall coherence and coordination of the various preparations for access to the Structural and Cohesion Funds*, and consequently the most logical sequencing of activities and therefore the best value for EU and national money. In this Croatia is now making good progress but must recognise that further continuous efforts are needed to achieve long term stable performance.

75. *Experience from new Member States demonstrates that the procedures for managing Structural and Cohesion Funds should be as simple and flexible as possible while respecting EU rules.*

76. *More attention than heretofore needs to be paid to strengthening regional bodies and systems.* This is in particular becoming important for developing programming and absorption capacity.

77. *It is essential to increase the quality of programmes to ensure the effective application of Structural Funds.* As seen from previous rounds of programming of pre-accession assistance, all those responsible for programming should focus more on the quality of programmes and their close relevance to proper Structural and Cohesion Fund objectives. The existing attention on the disbursement of allocated funds should be maintained to avoid loss of funds.

78. *Use the experience gained in Structural Funds and feed its lessons into remaining pre-accession support.* In the light of the New Member States' experience, following Croatia's accession the Croatian authorities, namely CODEF, should put in place an adequate monitoring system to ensure that the lessons learned from their early experience of 'live' Structural Funds implementation are fully and quickly taken into account in fine-tuning the later years of IPA and Transition Facility support.

79. *Invest continuously in the development of administrative capacities.* It has been pointed out several times that the insufficient administrative capacity in Croatia is a concern with regard to pre-accession support and also to the implementation and enforcement of the provisions of the *acquis*. There will be an increasing need to substantially invest in the human resources being made available for managing and administering the process of preparing and managing Structural Funds. In the case of Croatia the human resources problems within the civil service have not been sufficiently resolved – despite a number of encouraging initiatives, albeit started recently - and will most likely adversely influence the first years of EU membership.

80. *An interesting experience which could be well labelled as a lesson learned by Croatian stakeholders is realism with respect to developmental perspectives.* A positive example for

that could be how the Eastern Croatian counties (Slavonia) position themselves for active participation future Cohesion Policy (Box 5).

Box 5: Structural Funds preparation in the Vukovarsko-Srijemska County

Although for the counties separate so-called ROPs were prepared, there is a clear local understanding that these will not be formally relevant for future EU Cohesion Policy but rather that there is the need to integrate those programmes at a higher territorial tier, probably at national level. Of course, the different county strengths and weaknesses should be somehow considered in the overall ROP, but the clear statement was that the counties are part of Croatia and also responsible for maintaining and increasing the wealth of the country. Hence, at least for the representative of the Vukovarsko-Srijemska County (actually the war affected region with severest damage); there is a clear understanding that this county is more characterised by weaknesses than by national strengths. Reaping a 'wishful thinking' potential like R&D intensive SMEs and world-class technology based business start-ups is not at all in mind of the representatives of that region, as they clearly recognise the low level of strengths and potentials. Rather, the development and funding aspirations of that region appear very realistic, if not humble. Firstly, projects funded should be not only of strategic nature but also of real strategic outreach and should not only benefit the region but also Croatia as such. Secondly, projects should address the existent potentials of the region rather than weaknesses in a sense of inexistent capacities and missing comparative advantages. The project ideas therefore seem to be identified with care and far-sightedness and not at all connected with any kind of parochial policy. The concrete ideas are concentration on the local comparative advantages. These are (not official, but just as an idea):

- Forestry (especially Slovenian Oak) and agriculture;
- Renewable energy (biomass, geothermal energy);
- Water and waterway logistic.

Furthermore, the preparative activities to cope with future EU Cohesion Policy in Eastern Slavonia also appear quite appropriate:

- Capacity building in the administrations to understand Structural Funds;
- Capacity building at local expert level (engineers, auditors, architects etc.) to submit good-quality project documentations and to ensure proper financial implementation of the projects.

Although this is just only an example of possible lessons learned from insight and some exchange with experts from the CARDS projects, this way of realistic strategic thinking at local level and the avoidance of parochial policy, which is a rampant phenomenon across all European regions (perhaps also in minds of several politicians of Eastern Slavonia), should be considered throughout the regions of Croatia.

Source: interviews

4. CONCLUSIONS

81. Within the context of the Phare programmes under evaluation, the central question is whether there are any prevailing significant gaps in structures, systems and capacities for IPA and future Structural Funds and if there are, what actions would require to be further addressed by the pre-accession support, in particular via the incoming IPA. This issue is dealt with at the strategic level, separated for ESF and ERDF and Cohesion Fund, and for the fields of intervention currently addressed by Phare.

Conclusion 1: Overall, good progress towards meeting the *acquis* requirements and effectively applying IPA and Structural and Cohesion Funds.

82. *The 'Action Plan for Meeting the EU Cohesion Policy Requirements' represents important progress towards meeting chapter 22 and is well assisted by Phare.* Since release of the 2007 country report, the Croatian authorities have made strong efforts in the task of closing chapter 22. There has been far reaching reforms of improved co-financing, state aid and administration of EU Cohesion policy. The *Action Plan for Meeting the EU Cohesion Policy Requirements* represents a quantum leap from the situation in 2007.

83. *Phare assistance has made an adequate contribution to Structural Fund preparation.* Structural Fund Financial Management structures are, for the most part, being prepared satisfactorily. Further capacity building under IPA up to and after EU accession will still be needed which is in line with the practise observed for new Member States. Assistance to institution building is proving crucial but it needs to be ensured that this will not be limited to too small a number of key players. The contribution to SF preparation would have been greater if programme implementation had been more efficient and a clear strategic and legislative framework had been in place.

84. *Co-financing possibilities for EU interventions at local level are improving.* As a result of recent developments, there is now more flexibility for local government borrowing and the Fund for Regional Development, which provides assistance with co-financing, has been upgraded. It is not clear whether these measures are sufficient to ensure a co-financing capacity that would allow full absorption at local level; however they should be recognised as a pragmatic step forward towards increasing the national financing possibilities.

85. *Recent improvements in budgeting process and state aid help to tackle EU requirements.* Budget flexibility and the budget cycle have been improved although further refinements are needed to meet cohesion policy requirements. Budgetary planning now covers a three years period instead of only one year; however, for the time after accession, a three years horizon may not be sufficient to align SF programming and payment cycle. It is apparent that the Croatian authorities are aware of the need for further adjustments. State aid issues for some important fields have been, and continue to be, addressed since 2007.

Conclusion 2: Strategic basis for ERDF and Cohesion Fund is still incomplete.

86. *Incomplete legislative and policy guideline for sound regional development policy.* A major gap for preparedness of EU Cohesion Policy is the still missing Act on Regional Development. While such a law is not compulsory, Croatia announced over two years ago that it intended to have one. Consequently, its continuing absence creates uncertainty as to how

regional policy will be designed and how best to prepare. The same can be said for the NSRD, which is still only at the draft stage. The IPA-RCOP does give some indication as to the likely policy direction through its budgetary distribution. It is understood that the *Action Plan for Meeting the EU Cohesion Policy Requirements* sets out the role of NUTS II level in the first years after Croatia's accession to the EU, but this information has yet to be made known to stakeholders. The role of the NUTS III 'Regional Operational Programmes' is now clarified at national level, namely as contributions by local stakeholders to regional development policy. However, whilst information and training is being provided to counties regarding their role in relation to national regional policy and European Union Cohesion policy, the evaluation suggests that there is insufficient understanding at that level of the role of NUTS III within European Union Cohesion Policy.

Conclusion 3: Employment policy and ESF require further institutional development.

87. *The approach of Phare intervention is more dedicated to projects than to programmes.* Despite good achievements at project levels, there is a need to develop a higher level of intervention understanding, even in the pre-accession context, in order to prepare for the future EU intervention policies. Programmes are, by their very nature, more complex and therefore require more sophisticated means of management. A poorly articulated management structure, overlapping roles and decision-making authority, and roles filled by the wrong people (or not filled at all) can prevent a programme from achieving sustained momentum or enmesh it in endless attempts to achieve consensus on every decision.

88. *Unclear regulation of inter-institutional cooperation and management responsibilities.* Coordination between institutions and agencies involved in the development and delivery of both the IPA programme and the future ESF programme is still not fully effective. Especially the relationship between the MELE as the Managing Authority and the first-level Implementing Bodies does not yet appear to be clearly defined by binding agreements, for example with the Ministry of Science, Education and Sports (MSES) in connection with VET issues. The programme management authority of the MELE needs to be respected even though the two IBs are line ministries at the same level. Experiences in other member states suggest that this kind of co-operation is not always easy.

89. *Advanced level of institutional capacity in employment policy, but know-how and development of experience need to improve.* In terms of preparation for implementing a Sectoral Operational Programme for Human Resources and Employment and general ESF related policies, the Croatian authorities, particularly the MELE and the CES, have already achieved a good level of institutional capacity. Meanwhile many activities have been carried out without direct support of Phare, e.g. the National Employment Action Plan. With regard to staff numbers in MELE for managing ESF, there is the intention to employ sixteen full-time employees only for the administration of the OP HRD. To ensure this administration is effective and efficient, more emphasis will need to be put on the training and qualification of the young and inexperienced staff. Capacity in the second-tier IBs, the Agency for Vocational Education and Training (AVET) and the Agency for Adult Education (AAE) is also still insufficient as these are still young institutions with newly recruited staff.

Conclusion 4: There is a risk that SME and Competitiveness support will be hampered by too strong a focus on less developed regions.

90. The Phare interventions have put too much emphasis on less developed regions, not recognising that the stronger regions, such as Zagreb, are also still lagging behind in terms of EU competitiveness. Experience in supporting really powerful SME potential with prospects for national impact on competitiveness can thus not be acquired. In particular, the intervention on supporting export oriented SMEs seems to neglect this relationship and represents a gap to be bridged before accession.

Conclusion 5: Insufficient absorption capacity at national, regional and local levels.

91. *National, regional and local administrations are still not sufficiently prepared to absorb Structural Funds efficiently.* Because of more immediate priorities, the main focus, in terms of institution and capacity building, is still on central level authorities. Whilst there remains a shortfall in terms of numbers of staff required to manage EU funds, a more important requirement is meeting staff needs in terms of developing expertise. Although some improvements can be identified at national level, there are still concerns that, overall, project management needs further improvements, in specific areas such as project development, project appraisal, documentation before submitting a proposal and impact assessment. Further development of monitoring and financial control is also required¹⁹. The lack of preparation to absorb Structural Funds below national level is also partly due to the fact that most of the Regional Development Agencies were established very recently and therefore not all are yet operational.

92. Notwithstanding current deficiencies, regional and local administrations are displaying a lot of enthusiasm and pro-active engagement. The role of national officials in encouraging and assisting local and regional bodies to develop and submit projects is key, in the longer term, to the success of post accession assistance. Whilst capacity building for such bodies may not, at present, have the priority that it should have at national level, the time will come when they will play an important role in the implementing EU assisted projects. Croatia, therefore, should heed the experience in new member states, such as Estonia and Slovenia, and ensure that the process of developing the required capacity is not left until it is too late for such bodies to participate effectively.

93. There is evidence that new Member State municipalities that have been involved in Phare learn fast, especially the medium-sized and larger ones. Phare and PRAG have been called a 'hard but good' school for them and those that did manage to meet the high demands are now faster and more thorough operators in a Structural Funds environment.

Conclusion 6: Some horizontal issues need more attention to allow fully effective use of support on offer.

94. *Assessment of social cost-benefits is underdeveloped in respect of most national and EU regional policy interventions in Croatia.* Cost-benefit analyses are a requirement of applications for assistance to 'Major Projects' under the Cohesion Fund. However, there has been no scope for developing Major Projects under Phare and, therefore, there has been little opportunity to improve skills in this field. The potential of such projects to bring benefits not

¹⁹ Interim evaluation report R/HR/ESC/0801 – 15 July 2008

only for the targeted physical location but for the whole policy field in general²⁰ needs to be incorporated into the strategic planning of both ongoing IPA and future Structural Funds assistance.

95. ***Need for a strong lead body.*** Currently, central administration is provided through CODEF. However, no single body is as yet providing policy guidance and overall knowledge to and coordination of other stakeholders. The Croatian government should identify a suitable body for this role (possibly CODEF) and provide it with the necessary authority which is acknowledged and respected by stakeholders, including ministries.²¹

96. ***Evaluation capacity within Croatia is not yet developed systematically.*** The idea to perhaps carry out evaluations 'in-house' is formally possible (in accordance to the Council Regulation 1083/2006), if independence from the other authorities (MA, IBs, Certifying Authority etc.) is ensured. It would appear that the Croatian authorities have yet to determine how to organise and execute evaluations under cohesion policy requirements.

²⁰ Use of Major Projects is foreseen under IPA in component III and both in the Environmental OP and in the Transportation OP Major Projects will be co-financed. In the Regional Competitiveness OP it is understood that one project (R&D) will also fall into the category of Major Projects.

²¹ See also ESC Sectoral Phare Interim Evaluation Report, 14.07.2008, strategic recommendation 3, pages IV and 32,

5. RECOMMENDATIONS

97. This chapter sets out recommendations which are tailored to improve the programming, management and monitoring of pre-accession support with the perspective of future effective use of Structural Funds. The recommendations reflect the aforementioned conclusions and they are derived from Phare experience in Croatia and from other beneficiary countries. Thus the recommendations should be relevant for the preparation of future programmes, strategies and planning documents, as well as for the development and operation of administrative structures both under pre-accession as well as post-accession requirements.

Action 1: Complete the strategic basis for ERDF and Cohesion Fund.

98. **Recommendation 1: Complete and fully enact the Act on Regional Development and the NSRD immediately.** It is essential to provide as soon as possible legislative and policy guidelines for a sound regional development policy in Croatia to close a major gap in the preparation for EU Cohesion Policy. CODEF together with the MRDFWM should again request from the responsible national authorities prompt action. Since the intention to enact this law was announced several years now, the elimination of uncertainty concerning preparation and design of the regional policy is urgently needed. The same applies to the NSRD. Stakeholders in the field of regional policy need a clear indication as to which choice of regional policy is to be pursued. Potentially, very useful assistance provided by Phare could lose part of its effectiveness as a result of further delay.

Action 2: Ensure further institutional development in Employment policy and ESF.

99. **Recommendation 2: Stronger promotion of programme approach as opposed to project approach.** To achieve a higher level and quality in upcoming EU interventions, it is recommended that the government apply a stronger programme approach in future including, inter alia, follow up and analysis of results and impacts at programme level.

100. **Recommendation 3: Institutionalise cooperation in ESF.** Initiated by CODEF, a clear definition of the relationship of MELE with all the other involved line ministries at IB level, in particular with MSES, and including responsibilities for decision-making, should be established in order to ensure a smooth management of both related pre-accession support and ESF operations upon accession.

101. **Recommendation 4: Professionalise labour market statistics and research.** CES should ensure that the labour market monitoring system and its related indicator system are further improved because the scope of statistical coverage is currently still limited. Furthermore, to support monitoring and to make effective use of labour market and employment data, MELE is recommended to establish a social science research think tank, preferably attached to the CES. The experience of the Institute for Labour Market and Vocational Research of the German Bundesagentur für Arbeit is worth mentioning here as a possible source of guidance and inspiration.

Action 3: Ensure strategic decisions concerning the future approach of promoting SME and Competitiveness are in place.

102. **Recommendation 5:** *MRDFWM should ensure that regional policy takes into consideration the advantages of a more balanced approach between needs at national level and the needs of ‘lagging behind’ regions.* The RCOP’s focus on strengthening less-developed regions may be to the detriment of national growth. Promotion of the latter is essential, given the increasing level of economic integration of the EU and the need for sufficient national competitiveness to cope with the internal market and the European Monetary Union (EMU) in future. Furthermore, the Lisbon targets stipulate sufficient emphasis on competitiveness and growth. A key element in achieving the above balance is the analysis of relevant social cost-benefit factors, an element which currently remains underdeveloped in Croatia.

103. **Recommendation 6:** *Stronger and formal co-ordination should be established between MELE and the MRDFWM to agree in due time on strategic issues of cohesion policy and in order to co-ordinate pre-accession support to private sector development.* CODEF is encouraged to facilitate the establishment of formal cooperation between these two key line ministries.

Action 4: Support additional efforts for capacity building at all levels.

104. **Recommendation 7:** *To improve absorption and implementation capacity, CODEF should take steps to improve the capacity for programming, preparation and implementation of projects at national, regional and local levels.* The strategic Phare 2006 intervention ought to address those gaps as well to a certain extent. However the concrete needs in the individual sectors and regions are still to be assessed and tailor-made local training schemes will be required even after the date of accession. Further national and EU assistance for qualifying organisations at all levels is required. Priority should be given to government institutions, given their central role in the early stages of Cohesion Fund and Structural Fund assistance. However, the development of expertise below that level should not be left so long that regional and local stakeholders are unprepared for involvement when the time comes. CODEF should assess carefully the priorities below national level in order to ensure the most cost-effective use of resources.

Action 5: Ensure full effective use of support by tackling horizontal preconditions.

105. **Recommendation 8:** *Promote the use of ‘Major Projects’.* CODEF should ensure that, in the context of enhanced effectiveness of Structural Fund interventions, greater use of so called Major Projects (in accordance with Article 39, Regulation 1083/2006) takes place. Those projects often not only benefit the physical location but also have a strategic benefit to the whole economy. Such projects are always based on cost-benefit evidence. Croatia’s neighbour, Slovenia, has emphasised the use of major projects - not only under the Cohesion Fund where all projects need to be major - but also under ERDF and ESF.

106. **Recommendation 9:** *Strengthen the central government role in Structural Policy introduction.* The Croatian government should designate one body charged with responsibility for the provision of policy guidance and knowledge to, and overall coordination of, stakeholders. This body should be provided by the government with the necessary authority which is acknowledged and respected by stakeholders, including ministries.

107. **Recommendation 10: Develop local evaluation capacities for Structural Policy.** The development of evaluation capacity is a pressing need. CODEF and CFCA should launch a call for the Expression of Interest in order to establish a national register of prospective and qualified evaluation bodies or individuals. . Good practice can be found in the Call for Expression of Interest in the field of assessment and monitoring of national Strategic Reference Frameworks, Strategic Coherence Frameworks and Operational Programmes, issued by the European Commission 2006 (OJ 2006/S-65-067117).

ANNEXES

ANNEX 1: SCOPE OF THE EVALUATION – PROGRAMME DETAILS

| No. | Project | Allocation |
|-----|---|---------------|
| 1 | Phare 2005 Business Related Infrastructure Grant Scheme under ESC 2005 | 4.970.000 EUR |
| 2 | Phare 2005 Active Employment Measures for Groups Threatened by Social Exclusion | 2.250.000 EUR |
| 3 | Phare 2005 Capacity Building of the SME Support Structure and Alignment of Policy and Actions to the SME Charter and to the Chapter of <i>Acquis Communautaire</i> on SME | 1.800.000 EUR |
| 4 | Phare 2005 CBC/INTERREG III A: Adriatic Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) | 3.000.000 EUR |
| 5 | Phare 2005 CBC/INTERREG III A: Cross-Border Cooperation Between Croatia, Slovenia and Hungary (Neighbourhood Programme) | 3.000.000 EUR |
| 6 | Phare 2006 CBC/INTERREG III A: Cross-Border Cooperation between Croatia, Slovenia and Hungary (Neighbourhood Programme) | 3.000.000 EUR |
| 7 | Phare 2006 CBC/INTERREG III A: Adriatic Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) | 3.000.000 EUR |
| 8 | Phare 2006 Support for Increasing the Competitiveness and Exports of Croatian SMEs | 2.700.000 EUR |
| 9 | Phare 2006 Development of Institutional Capacity and Project Pipeline for EU Structural Funds, post-accession | 7.000.000 EUR |
| 10 | Phare 2005 Support to Ministry of Economy, Labour and Entrepreneurship in the Implementation of the SME Pilot Grant Scheme | 199.999 EUR |
| 11 | Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) - Strengthening the administrative capacity for management and implementation of IPA/ESF | 160.000 EUR |
| 12 | Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) – Head of Operating Structure for Regional Competitiveness OP (RCOP) – to assist in the preparation for the delivery of the OP | 199.550 EUR |
| 13 | Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Support for establishment and accreditation of future Implementing bodies for the Regional Competitiveness Operational Programme (RCOP) | 189.283 EUR |
| 14 | CARDS 2003 Support to National Development Planning: | 1.598.125 EUR |
| 15 | CARDS 2004 Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Programmes. (funded from CARDS 2004 administrative capacity building and project preparation facility) | 1.795,225 EUR |
| 16 | CARDS 2004 Regional Development Capacity Building Facilities | 1.500 000 EUR |

ANNEX 2: TERMS OF REFERENCE

Interim Evaluation of EU pre-accession programmes in Croatia**Ad Hoc report****R/ZZ/SF/0810 - Phare assistance to preparation for Structural Instruments - Croatia****TERMS OF REFERENCE****Objectives**

To review current Phare pre-accession assistance dedicated to support Croatia's preparation for EU Structural Funds and to make recommendations for improvements of the current Phare programmes, as well as an input to the debate on future programming and implementation arrangements under the new Instrument for Pre-Accession (IPA) in the Croatian context.

Background and Context

The current lack of institutional capacity in Croatia has directly influenced absorption capacity with respect to the incoming IPA and Structural Funds in the future. Consequently, an ad hoc report on the Phare efforts in building up structures, systems and capacities for Croatia's future participation in the EU Structural Funds has been requested by the European Commission Delegation (ECD) in Croatia. In view of further considerable support under IPA such a report should also allow to contribute to a realistic assessment of the current state-of-play for EU pre-accession support in this sector and allow the Commission to better plan the future assistance in the area.

Country situation

The 2007 Progress Report on Croatia reported uneven progress as regards Chapter 22 (regional policy and coordination of structural instruments). Progress had been limited particularly on the legislative framework. Croatia's draft law on regional development still needed to be simplified and streamlined to avoid potential contradictions of the regulations governing cohesion policy. Croatia also needed to amend and extend its legislative framework to allow multi-annual budget planning, financial management and control. Coherence between the national and Community legislation in the areas of public procurement, competition, state aid and the environment still needed to be ensured. On the other hand Croatia had prepared a revised provisional classification for establishment of three statistical and planning regions at Nomenclature for Territorial Statistical Units (NUTS) II level, which is in line with the relevant regulations and with the Commission's suggestions.

Good progress was stated in conjunction with the institutional framework, however. The Central State Office for Development Strategy (CODEF) became operational and was performing a coordinating function for IPA. Further thoughts were needed in order to ensure a coherent structure for coordinating future structural and cohesion funding and to identify the appropriate level for implementation of regional programmes and the related management

structures. There had been also some progress in the area of administrative capacity for future Structural Funds. However, capacity building needs are still large in some ministries and strengthening administrative and absorption capacity remains a priority for Croatia. In order to successfully absorb the Instrument for Pre-Accession (IPA) and Structural Funds in the future, significant strengthening was still needed.

Progress has been good in the area of programming. Inter-ministerial working groups under coordination of CODEF have drawn up a Strategic Development/ Framework and a Strategic Coherence Framework has produced a range of operational programmes. On the other hand, Croatia still needs to prepare a comprehensive and quality project pipe line for implementation under future Structural Funds. As concerns the process of establishing an electronic monitoring system but substantial work still lies ahead. Furthermore, it needs to build up evaluation capacity and an efficient financial management and control system for implementation of the Structural Funds.

Future relevant IPA support

According to the Multi-annual Indicative Planning Document (MIPD) 2007-2009 the IPA Components III and IV aim at supporting Croatia in policy development as well as preparation for the implementation and management of the Community's cohesion policy, in particular regarding the European Regional Development Fund, the Cohesion Fund and the European Social Fund. In terms of pre-accession assistance under Components III and IV, priorities comprise *acquis*-related investment in environmental protection and the development of a European transport network together with support to the productive sector, in particular to SMEs; Component IV priorities comprise investment in employment, education, social inclusion and human capital formation. The financial allocations earmarked for Components III and IV are 142.4 M€ and 38.3M€ for the period 2007-2009.

Additional pre-accession support is being made available under IPA Component 1 (Transition Assistance and Institution Building) for capacity building activities aimed at strengthening the wider institutional framework for a sustainable regional development policy.

Previous Phare evaluations

The Consolidated Summary Report of Phare Support issued in 2004²² concluded, with regard to Phare support to ESC, that: early programmes were over-ambitious; there had been a weak strategy framework; twinnings had made limited contributions; pilot investments had not been well focused; immediate impact was limited and, overall, Phare had had little success in preparing candidates for the Structural and Cohesion Funds. These key findings were generally well received by operational stakeholders and by the EU25 Member States. However, in subsequent discussions with DG Enlargement Operations, it was argued, *inter alia*, that the evaluation had only captured an early stage of the ESC programmes; as a result, it did not reflect acceleration in ESC performance, and the assessment of impact was premature. These points were disputed by the evaluators. It was finally agreed that a brief evaluation update would be carried out about a year later and would constitute the second evidence base for the present report.

²² 'From Pre-Accession to Accession - Interim Evaluation of Phare Support Allocated in 1999-2002 and Implemented until November 2003' published by the Evaluation Unit of DG Enlargement

The findings of the update, covering support to ESC in the ten Phare countries, were summarised in the thematic report on ‘Phare Support to Economic and Social Cohesion in Bulgaria and Romania’²³. Five critical areas were identified where lessons derived from experience with Phare support to ESC needed to be taken into account in Bulgaria and Romania. Firstly, the Update noted that national responsibilities and organisational structures should be so arranged as to secure the overall coherence and coordination of the various preparations for access to the Structural and Cohesion Funds. Secondly, procedures for managing these Funds should be as simple and flexible as is consistent with conforming to the EU rules. Thirdly, more attention needed to be paid to strengthening regional bodies and systems. Fourthly, all those responsible for programming should focus more on the quality of programmes and their close relevance to proper Structural and Cohesion Fund objectives, and less on the disbursement of allocated funds. Fifthly, in the light of the New Member States’ experience, Bulgaria and Romania should put in place adequate monitoring machinery to ensure that the lessons learned from their early experience of ‘live’ STRUCTURAL FUNDS implementation are fully and quickly taken into account in fine-tuning the later years of Phare and Transition Facility support. The lessons for Bulgaria and Romania need to be considered also in respect to the current candidate countries.

In January 2005, the Court of Auditors (CoA) issued a Special Report on Phare support for the CCs for managing Structural Funds²⁴. The Report examined the effectiveness of the Phare programme in helping to prepare CCs for managing the two main EU Structural Funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The Report covered the period from 1998 to 2002 and focused on the 1998 Special Preparatory Programme (SPP) and the ESC programme first launched in 2002. Based on the conclusions, the CoA recommended more institution-building support in the area of managing Structural Funds after accession; that considerable resources should be devoted to the *ex post* control of Structural Funds operations in the new member states; and that a clear strategy should be put in place identifying the different steps that still need to be taken for preparing the current and future candidates for managing the Structural Funds.

The recent Phare *ex post* evaluation produced a thematic review on the Phare ESC programmes for the period 1998-2003²⁵. The review concluded that despite its shortcomings, Phare had made a good contribution to preparations by new member states for EU Structural Funds. Programming and administrative capacity had been successfully supported. However two factors were of note: the failure of the pilot investments to deliver ‘learning-by-doing’ to complement the institution building components and the fact that support was not provided across the ‘entirety’ of candidate countries’ territories. By and large, central bodies and Managing Authorities had benefited most from the assistance, and with some exceptions, regional bodies had largely lost out. The failure to successfully target the appropriate levels and regions was largely due to delays in finalising Structural Funds arrangements.

The *ex post* evaluation also pointed out that Phare support for preparations for Structural Funds was not used strategically because, to a large extent, candidate countries lacked phased operational plans for building administrative capacity for programming and implementation.

²³ Published by the Evaluation Unit of DG Enlargement – December 2006

²⁴ Special Report No. 5/2005 “Concerning Phare support to prepare the Candidate Countries for managing the Structural Funds”.

²⁵ Phare Ex Post Evaluation. Phase 3, Thematic Evaluations – Economic and Social Cohesion: Economic and Social Cohesion 1998-2003, 2006.

Early buy-in by candidate countries into the entire process of preparing for Structural Funds was an important precondition for the effective use of the economic and social cohesion programme. There were two main areas where lessons learned were not taken up: learning from cross-country experience and where the Commission itself was unable to respond adequately to the need to bring Phare closer to Structural Funds. Investment support and institution building had only a very limited impact on reduction of disparities due to the small size of investments delivered over a wide geographical area.

Since Croatia has not been benefiting from Phare funds at the time when the above mentioned evaluation reports were conducted the Country and its specific characteristics could not be considered in these previous studies. The proposed thematic review represents the first attempt to assess the situation of Phare pre-accession support specifically in the context of Croatia's preparation for Structural Funds.

Scope

This evaluation will result in an ad hoc report. It will focus on Phare 2005 and 2006 ESC programmes in Croatia, directly or indirectly assisting with the preparation for Structural Funds. The projects building the basis of the evaluation are proposed in Annex 1. The evaluation will also take brief account of selected CARDS projects relevant to the given evaluation context. The key evaluation questions are formulated in the following Section 4. The report shall include relevant analysis, as well as conclusions, recommendations and lessons learned for an improved implementation of current programmes as well as for future pre-accession programming, notably of the new IPA. The report will also draw on experience from new member states.

Key Evaluation Questions

There are three key evaluation questions to be answered in relation to assistance in support of Structural Funds preparation:

EVALUATION QUESTION 1: Has the underlying strategic rationale and design of Phare assistance under evaluation been relevant, in general and intervention-specific both at sectoral and sub-sectoral levels?

- Is the Phare programming conducted in line with the Commission's and Croatia's relevant pre-accession and sector strategies? In particular to which extent current Phare programming takes account of the Strategic Coherence Framework 2007-2013, the Operational Programmes for IPA Components III and IV, the Draft Strategy for Regional Development, the Draft Regional Development Act, and where appropriate also of Regional Operational Programmes at county levels? Are the Phare funds under evaluation subject to strategic use and proper prioritisation as requested for the effective use of pre-accession funds?
- What are the current Croatian structures, systems and capacities both at national, regional and local level for planning, managing and coordinating future Structural Funds and to what extent are these being supported by Phare? Are these structures, systems and capacities in line with Croatia's Action Plan for Meeting the EU Cohesion Policy Requirements?
- Is the design of individual Phare interventions sound and does it address the real needs?

- Does Phare programming take adequate account of Croatia's administrative capacities and constraints?

EVALUATION QUESTION 2: What is the Phare support under evaluation going to produce and achieve?

- Are Phare inputs/activities being efficiently transferred into the planned outputs?
- Does the beneficiary allocate enough resources for a proper running of Phare in what concerns the interventions under evaluation?
- To what extent are the outputs and objectives of Phare support being effectively achieved and the specified results delivered?
- What is the extent of actual and currently likely immediate, intermediate and wider (global socio-economic) impacts?
- Are there any planned/ unplanned catalytic and/ or leverage effects resulting from the Phare assistance under evaluation?

EVALUATION QUESTION 3: Are the achieved effects sustainable and which improvements are further needed?

- Are the beneficiary institutions, structures, systems and resources created with Phare support currently sustainable and what are the prospects for long-term sustainability, in particular in respect to IPA Regulation, IPA Implementing Regulation and Framework Agreement, and Croatia's Action Plan for Meeting the EU Cohesion Policy Requirements?
- Does the current Phare support assist Croatia in sustainably strengthening its programming and administrative capacities so that they may implement and absorb Structural Funds upon accession?
- Have there been instances in the past where interventions resulted in increased dependence on technical assistance instead of producing a sustainable institution building effect?
- Within the context of the Phare programmes under evaluation: Are there any prevailing significant gaps in structures, systems and capacities for IPA and future Structural Funds? If there are, what would be required actions to be further addressed by the pre-accession support, in particular via the incoming IPA?
- What lessons can be learned from the planning/programming process of Phare assistance aimed at preparing Croatia for IPA and future Structural Funds?

Within the scope of the Phare interventions subject to the current evaluation the evaluation report will take account of the two key instruments of Structural Funds, namely European Regional Development Funds (ERDF) and European Social Fund (ESF). The ad-hoc interim evaluation will also provide comparisons with and examples of experience and good practice from other candidate countries or member states in relation to the Phare support under evaluation.

The report will present technical recommendations for the improvement of pre-accession programmes' design and implementation, preferably with specific focus on strategic aspects for the current and any future similar interventions.

Methodology

- a) The exercise will have the following components:

- Initial data collection, documentary research and analysis.
 - The answers to the above evaluation questions will be obtained preferably by a combination of methods, including desk research, semi-structured direct and/ or telephone interviews. The detail of the questions will be presented to E4 prior to this part of the exercise starting. Interviewees will include representatives of ECDs, NACs, PIUs, Commission Service Headquarters, including DG REGIO. Again, the list of those to be interviewed will be first be approved by DG ELARG Evaluation Unit.
 - Using the results from this exercise, assess the impact that current Phare support, or the lack thereof, have on the implementation and results of assisted projects/programmes in preparing Croatia for the effective management of Structural Funds on EU accession.
 - Draw conclusions and make consequent recommendations in respect to current Phare support but also with a perspective on the incoming IPA assistance.
 - Elements of good practice from former candidate countries/ new member states will be identified and presented.
- b) As part of the consultation process, a kick off meeting will be held in Zagreb and participants will be invited to comment on the Draft ToR. The scope of the evaluation including the identification of selected CARDS projects will be confirmed at the kick off meeting. Relevant stakeholders will be invited to comment on the final draft report.
- c) The basis for Judgement Criteria is the Intervention Logic of programmes/ projects including their logical frameworks. In certain cases, evaluators may have to reconstruct the intervention logic if it is missing or inaccurate.

Data Sources:

Information will be collected and will include:

- Phare programme planning documents, including Financing Memoranda and Project Fiches
- Relevant pre-accession documentation (notably Regular Reports, Comprehensive Monitoring Reports; Accession Partnership and NPAA documents);
- Phare Interim Evaluation Reports
- Phare Monitoring reports
- Minutes, etc of SMSCs and JMCs, and other organisations involved in monitoring
- Previous Phare evaluation work already carried out in this sector, notably the results of Phare ex post, interim and ad hoc evaluations produced by the European Commission and those produced by the new member states on a decentralised basis
- Previous interim and ex post evaluation of CARDS.

Detail of the final information base will be defined and presented at the kick-off.

Target Audiences

The main users of the evaluation will be the EC Delegation in Croatia together with relevant Croatian stakeholders. Other users will be relevant Country Coordinators and relevant units in DG Enlargement and in line DGs concerned. Prior to finalisation of the evaluation a draft report will be circulated for commenting by all relevant stakeholders.

Activities, Resources and Timetable

The MWH Consortium will produce an ad hoc report by 30 September 2008. The report will follow closely the style of presentation used under the previous IE contract for Bulgaria and Romania.

This thematic report will be conducted in a number of stages as follows:

| Steps | Activity | Month | | | | | | | | | | | |
|-------|--------------------------|-------|---|--------|---|-----------|---|---------|---|----------|---|----------|--|
| | | July | | August | | September | | October | | November | | December | |
| 1 | Kick off meeting | ■ | | | | | | | | | | | |
| 2 | STIE approved | | ■ | | | | | | | | | | |
| 3 | Desk study of literature | | ■ | ■ | ■ | ■ | | | | | | | |
| 4 | Interviews | | | | | ■ | ■ | ■ | | | | | |
| 5 | Analysis | | | | | | | | ■ | ■ | | | |
| 6 | Drafting of report | | | | | | | | | ■ | ■ | | |
| 7 | Report to E4 | | | | | | | | | | | ■ | |

The evaluation will be lead by the Team Leader (Croatia) with support from the project director/deputy project director, IE team members in Croatia, and a senior short-term international expert (STIE). The total resources envelope available for this exercise amounts to 115 man-days.

This would include 14 senior short term international expert days. The STIE would bring specific experience in EU regional and structural policy including the organisation, implementation and evaluation of EU structural actions.

List of Projects to be included in the thematic report

| Project | Allocation |
|---|-------------------|
| Phare 2005 Business Related Infrastructure Grant Scheme under ESC 2005 | 4.970.000 EUR |
| Phare 2005 Active Employment Measures for Groups Threatened by Social Exclusion | 2.250.000 EUR |
| Phare 2005 Capacity Building of the SME Support Structure and Alignment of Policy and Actions to the SME Charter and to the Chapter of <i>Acquis Communautaire</i> on SME | 1.800.000 EUR |
| Phare 2005 CBC/INTERREG III A: Adriatic Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) | 3.000.000 EUR |
| Phare 2005 CBC/INTERREG III A: Cross-Border Cooperation Between Croatia, Slovenia and Hungary (Neighbourhood Programme) | 3.000.000 EUR |
| Phare 2006 CBC/INTERREG III A: Cross-Border Cooperation between Croatia, Slovenia and Hungary (Neighbourhood Programme) | 3.000.000 EUR |
| Phare 2006 CBC/INTERREG III A: Adriatic Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) | 3.000.000 EUR |
| Phare 2006 Support for Increasing the Competitiveness and Exports of Croatian SMEs | 2.700.000 EUR |
| Phare 2006 Development of Institutional Capacity and Project Pipeline for EU Structural Funds, post-accession | 7.000.000 EUR |
| Phare 2005 Support to Ministry of Economy, Labour and Entrepreneurship in the Implementation of the SME Pilot Grant Scheme | 199.999 EUR |
| Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) - Strengthening the administrative capacity for management and implementation of IPA/ESF | 160.000 EUR |
| Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) – Head of Operating Structure for Regional Competitiveness OP (RCOP) – to assist in the preparation for the delivery of the OP | 199.550 EUR |
| Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Support for establishment and accreditation of future Implementing bodies for the Regional Competitiveness Operational Programme (RCOP) | 189.283 EUR |
| CARDS 2003 Support to National Development Planning: | 1.598.125 EUR |
| CARDS 2004 Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Programmes. (funded from CARDS 2004 administrative capacity building and project preparation facility) | 1.795,225 EUR |

ANNEX 3: ECONOMIC REFLECTIONS ON EU COHESION POLICY AND THE CROATIAN ECONOMY

Basically, a country has a scope of choices between one extreme, namely to fully balance regional development and to remove any regional disparities or the other extreme to fully exploit growth by developing the growth points regardless any regional disparities. As regards the choice, most countries will adopt a mix of both orientations, some with more emphasis on growth, others with more emphasis on territorial equity. But this is not a constant for a country over time.

Croatia is an accession country and, upon accession, it will probably belong to the ensemble of European Convergence regions (as a whole). Therefore, the whole country, even Zagreb, will be eligible for the Objective Convergence with the highest co-financing rate.

The choice of regional policy within such a uniform but still heterogeneous region (in terms of regional disparities) depends on social cost benefit considerations. Important is to see that Croatia will not become just a member of an association of wealthy states, but of one with a deep level of economic integration among the member states and for a major part of it even a common currency. This is to be considered, if one assumes that among the member countries or at EU supra-national level there is no fiscal equalisation mechanism and there are considerable barriers to mobility (language, different labour laws etc.). Within a monetary union (Croatia will be obliged to prepare for the Euro), a sufficient level of integration and a sufficient synchronisation of business cycles is necessary to avoid asymmetric shocks. The more a country is integrated with respect to intra-industry trade, the more it will benefit from a monetary union.

A brief glimpse at the situation of Croatia (both, in terms of economic integration as well as regional disparities) shows the following picture:

Sanja Maleković and Jakša Puljiz (*Current Situation and Future Perspectives of Regional Policy in Croatia*, IMO, Zagreb, 2007) view the regional disparities of Croatia under consideration of an index consisting of a demographic and an economic index. Although values and patterns of standard deviation differ, the slope of both curves suggests a higher positive correlation. The index is applied exclusively for Croatia; there is no reference to an EU level. It can be easily seen that regional disparities, particularly in terms of the local economies, are not that much pronounced if one excludes the city of Zagreb. Even here there might be another result, if the origin of GDP is changed. It is to be borne in mind that the economic power of Zagreb, displayed by the chart, is also fuelled by the commuters, and if one would calculate economic power at terms of value added for the respective residential place, Zagreb would appear significantly lower in economic power. In fact, regional disparities are obviously less pronounced than often asserted. The productive performance and income is however not more heterogeneous than in other EU countries.

Counties according to economic index (2004) and demographic index (2001), Croatia=100

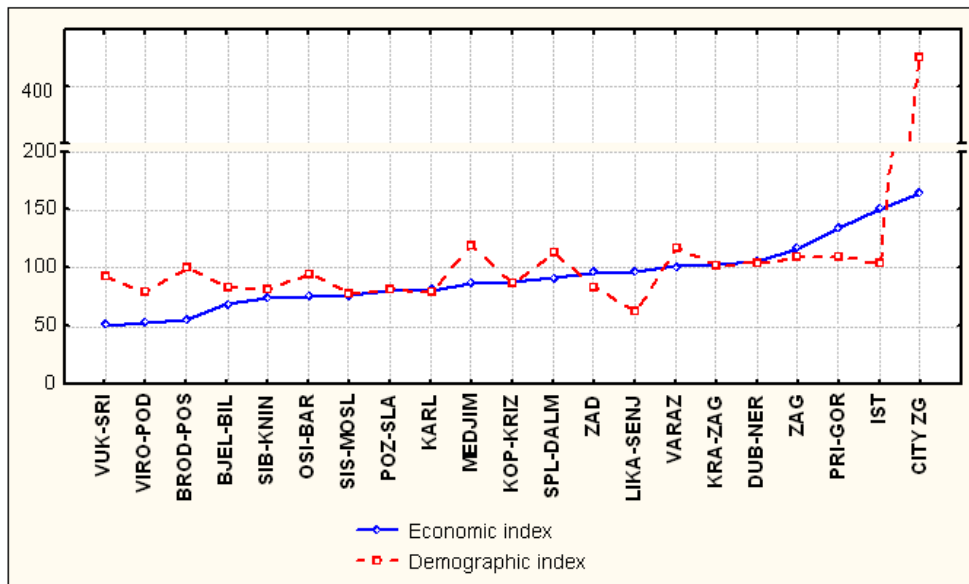


Chart: Sanja Maleković and Jakša Puljiz

Hence, a strongly skewed profile of funding repartition among the regions is not necessarily suggested for Croatia. An important further factor for the choice of regional policy (at least in the context of integration into the EU markets) is competitiveness within the market in which the country is going to integrate. Market integration is an important prerequisite for real convergence and thus sufficient stability within a highly integrated economic space (notably EMU). The usual index to calculate market integration is the *Grubel-Lloyd-Index* for Intra-industry trade. This index measures the intensity of exchange of products of the same type (e.g. cars for cars, medical technology for medical technology, grain for grain etc.). For the EU as a largely knowledge-based economy, high levels of IIT can only be achieved of countries which economies are likewise knowledge-based. Croatia’s entire economy is lagging behind, even more the index deteriorated since middle if the 1990s.

The GL index between Croatia and the EU-15, 1994-2003.

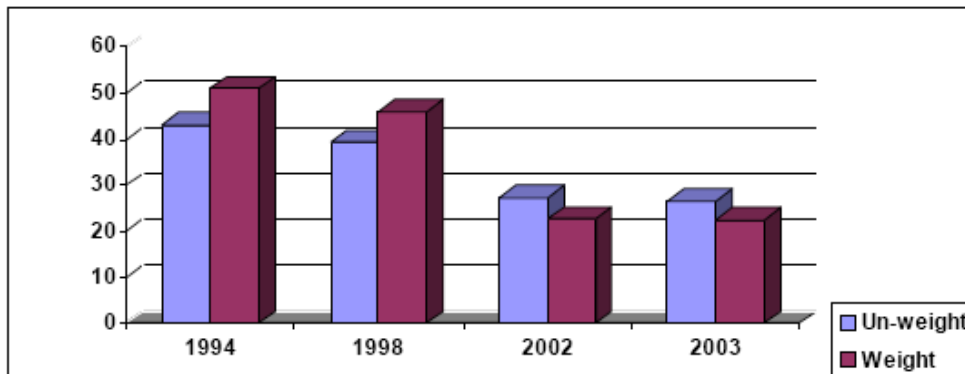


Chart: Lorena Škuflić

The Czech Republic, Hungary and Slovenia revealed index values of more than 70% in 2002. Even Romania and Bulgaria as the least developed EU economies for the moment, achieved index level of more than 40%, while the unweighted index of Croatia was less than 30%.

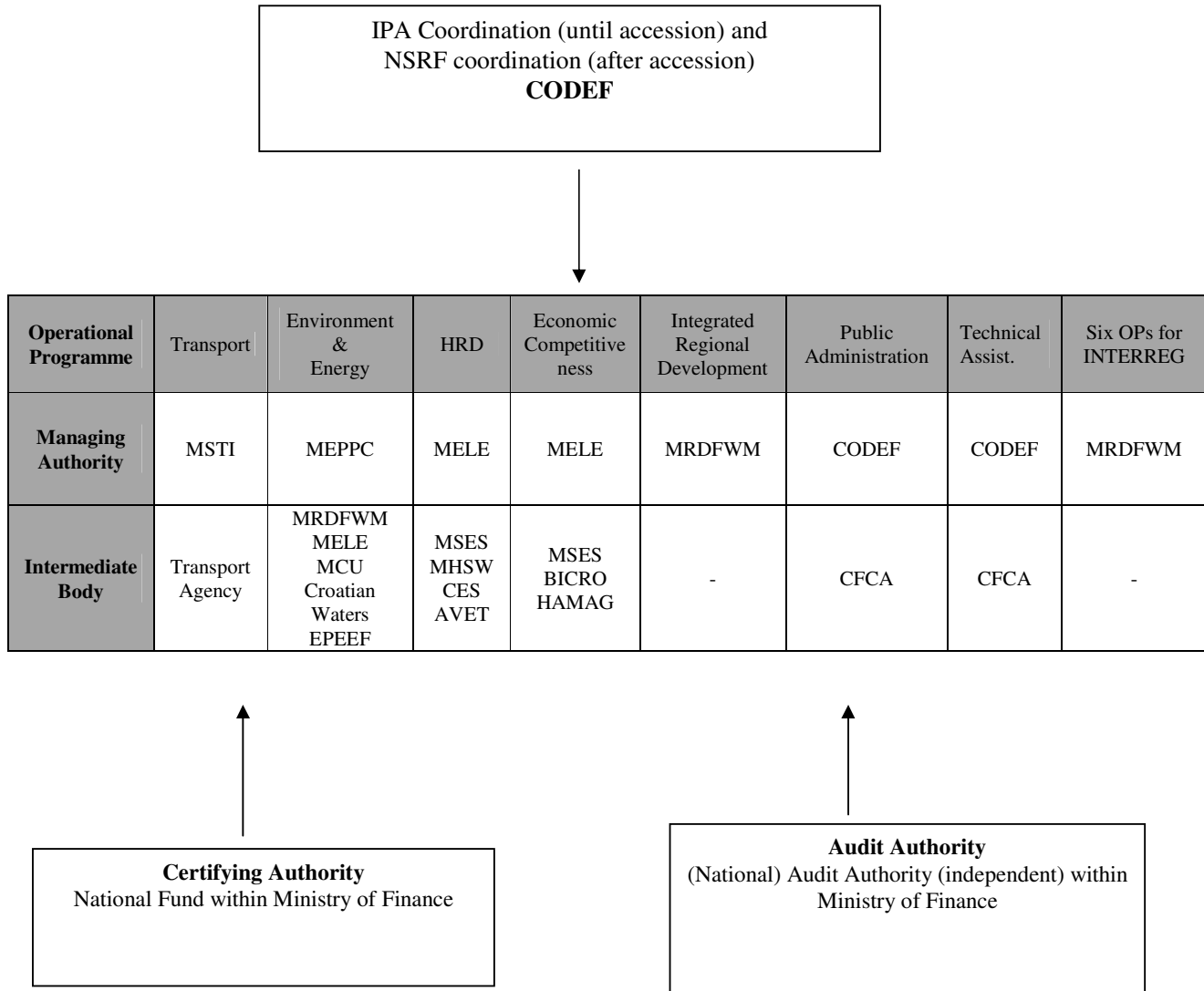
The data presented by the above Figure show both un-weighted and weighted GL indexes but both of them emphasize the worst position of Croatian business sector in the exchange with the EU. If we calculate the weighted GL index, Croatia had a poor intra-industry trade with the EU in 1994, but, in 2003, the GL was even only 22.4 per cent. The un-weighted GL index showed that the Croatian trade pattern was an inter-industry one during the whole period, the GL index strongly decreased from 36.2 per cent to 27.4 per cent. Comparing the level of IIT between the EU and some other transition countries, Croatia had the lowest GL index among them. During the last ten years, Croatia has developed IIT only in the following products: oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medical plants; straw and fodder; tobacco and manufactured tobacco substitutes; other vegetable textile fibers; paper yarn and woven fabrics of paper yarn; special woven fabrics; tufted textile products; lace; tapestries; trimmings; embroidery and furniture; medical and surgical furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified; illuminated signs, illuminated nameplates and the like; prefabricated buildings. All of these products are resource and labor intensive goods, homogeneous products manufactured at perfect competitive markets and their most important feature refers to their price. There is no particular monopoly profit due to a specific product innovation in traded goods. (cf. Lorena Škuflić 2005, *The integration process as a determinant of the intra-industry trade*, School of Economics and Business, Zagreb)

This suggests that Croatia on the one hand and the EU member states on the other hand are still quite dissimilar in their product ranges and thus not yet deeply integrated. Inter-industry trade is predominant over intra-industry trade. Fostering intra-industry trade implies strengthening the economic competitiveness of Croatia on the EU goods markets. This means that there should be a considerable push in productivity, R&D, product design and other factors and a shift to the production of goods with a similar technology level as that of the other EU countries. Otherwise, Croatia will run the risk to suffer rather than to benefit from the Economic and Monetary Integration.

For the purpose of Cohesion Policy this would imply a substantial emphasis on a growth and competitiveness oriented national economy and to avoid overly funding in regions with a low level of absorptive capacity.

This does not at all mean that lagging regions should be excluded from regional aid, they should be of course be well addressed by regional policy, alone in order to improve social situation and employment. But it is to be stressed that even Zagreb might be in need of cohesion support in order to fulfil and strengthen its role as the national growth engine. Without the stronger regions, Croatia will have only little chances to contribute to the Lisbon goal.

ANNEX 4: CROATIAN INSTITUTIONAL STRUCTURE FOR STRUCTURAL FUNDS



ANNEX 5: LIST OF INTERVIEWS

| INSTITUTION | INTERVIEWEE | DATE |
|---|---|------------|
| Croatian Employment Service, Radnička cesta 1, 10 000 Zagreb | Ms. Nada Kerovac, Project Manager for Phare | 8/09/2008 |
| Croatian Employment Service, Radnička cesta 1, 10 000 Zagreb | Ms. Tatjana Tihomirović, PIU member | 8/09/2008 |
| Croatian Employment Service, Radnička cesta 1, 10 000 Zagreb | Mr. Mladen Vojković, PIU member | 8/09/2008 |
| Croatian Employment Service, Radnička cesta 1, 10 000 Zagreb | Mr. Heinrich Duffner, TA Team Leader | 8/09/2008 |
| Central Finance and Contracting Agency, Vukovarska 284/2, Zagreb | Mr. Dario Baron, Deputy Head Office | 8/09/2008 |
| Central Finance and Contracting Agency, Vukovarska 284/2, Zagreb | Mr. Dalibor Puhar, Task Manager | 8/09/2008 |
| Central Finance and Contracting Agency, Vukovarska 284/2, Zagreb | Ms. Iva Špoljar, Task Manager | 8/09/2008 |
| Delegation of European Commission, Trg žrtava fašizma 6, Zagreb | Mr. Oskar Benedikt, Head of Section | 8/09/2008 |
| Delegation of European Commission, Trg žrtava fašizma 6, Zagreb | Ms. Rima Joujou, Task Manager | 8/09/2008 |
| Delegation of European Commission, Trg žrtava fašizma 6, Zagreb | Ms. Helga Bugarović Devčić, Task Manager | 8/09/2008 |
| Local Economic Development Agency, Trg Vinkovačkih jeseni 1, 32 100 Vinkovci | Mr. Zvonimir Čordašić, Director | 9/09/2008 |
| Vukovar-Srijem County, Department for International Cooperation and Capital Investments, Županijska 9, 32 000 Vukovar | Mr. Zoran Vidović, Head of Department | 9/09/2008 |
| Ministry of Economy, Labour and Entrepreneurship, Ulica grada Vukovara 78, 10 000 Zagreb | Ms. Tatjana Kesić-Šapić, State Secretary | 10/09/2008 |
| Ministry of Economy, Labour and Entrepreneurship, Ulica grada Vukovara 78, 10 000 Zagreb | Ms. Sanja Mudrić, PIU member | 10/09/2008 |
| Central Finance and Contracting Agency, Vukovarska 284/2, Zagreb | Ms. Ivana Šipić, Task Manager | 10/09/2008 |
| Central Finance and Contracting Agency, Vukovarska 284/2, Zagreb | Ms. Željka Marinac, Task Manager | 10/09/2008 |
| Institute for International Relations, Lj. F. Vukotinića 2, 10 000 Zagreb | Ms. Sanja Maleković, Researcher | 10/09/2008 |
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Ms. Suzana Kovačević, Task Manager | 11/09/2008 |
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Ms. Ana Krvarić, Task Manger | 11/09/2008 |

| INSTITUTION | INTERVIEWEE | DATE |
|---|--|------------|
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Ms. Iva Frkić, Deputy State Secretary | 11/09/2008 |
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Ms. Ana Šimunić, Task Manager | 11/09/2008 |
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Mr. Vjeran Bašić, Task Manager | 11/09/2008 |
| Central State Office for Development Strategy and Coordination of EU Funds, Radnička cesta 80/V, Zagreb | Ms. Ana Beban, Task Manager | 11/09/2008 |
| Ministry of Regional Development, Forestry and Water Management, Vlaška 106, 10 000 Zagreb | Mr. Darko Stilinović, Head of PIU | 11/09/2008 |
| ECORYS, Ministry of Regional Development, Forestry and Water Management, Vlaška 106, 10 000 Zagreb | Mr. Sjaak Boeckhout, TA Team Leader | 11/09/2008 |
| Ministry of Economy, Labour and Entrepreneurship, Ilica grada Vukovara 78, 10 000 Zagreb | Ms. Vera Babić, State Secretary | 12/09/2008 |
| Ministry of Economy, Labour and Entrepreneurship, Ulica grada Vukovara 78, 10 000 Zagreb | Ms. Katarina Ivanković Knežević, Head of PIU | 12/09/2008 |
| EU, Directorate-General, Charlemagne, 1049 Brussels –Belgium | Mr. Jean-Marie Moreau, Desk Officer – Croatia | 24/09/2008 |
| EU, Directorate-General for Regional Policy, Avenue de Tervueren 41, 1049 Brussels –Belgium | Mr. Adam Kaznowski, Desk Officer – Croatia, IPA/ISPA | 25/09/2008 |
| EU, Directorate-General for Employment, Rue de Spa 3, 1049 Brussels –Belgium | Ms. Jelena Jakuly, Desk Officer – Croatia | 25/09/2008 |
| Ministry of Finance Croatia, National Fund, Katančićeva 5, 10 000 Zagreb | Mojca Grošelj, TA Team Leader | 06/10/2008 |
| Regional Development Agency PORIN Ltd., M. Barača 19, 51 000 Rijeka | Mr. Darko Jardas, Member of the Board | 29/10/2008 |
| Regional Development Agency PORIN Ltd., M. Barača 19, 51 000 Rijeka | Doris Sošić, President of the Board | 29/10/2008 |
| Delegation of European Commission, Trg žrtava fašizma 6, Zagreb | Mr. Oskar Benedikt, Head of Section | 30/10/2008 |

ANNEX 6: LIST OF DOCUMENTS REFERRED TO IN THE INTERIM EVALUATION

| Name of Originator | Date | Title of Document |
|--|------------------|---|
| European Commission | 6 November 2007 | Croatia 2007 Progress Report |
| European Commission | 5 November 2008 | Croatia 2008 Progress Report |
| Malhasian Daniela, Marinov Vasil, McClements Colm | 14 April 2007 | Can the OPRD absorb Structural Funds and on what Conditions? An Analysis of Project Demand Relative to Proposed OPRD Operations |
| MWH Consortium | 10 January 2006 | Thematic Evaluation - Phare Cross-Border Cooperation Programmes 1999-2003 |
| MWH Consortium | 3 July 2008 | Sectoral Interim Evaluation of the European Union Pre-Accession Assistance for the sector Economic and Social Cohesion (ESC) |
| ECOTEC | 17 July 2006 | Thematic Background Report of the European Union Phare Programme; Phare support to Economic and Social Cohesion (ESC) in Bulgaria and Romania |
| MWH Consortium | 1 September 2006 | Thematic Review; Economic and Social Cohesion 1998-2003 |
| EU RDIB | January 2007 | Moldova National Strategy for Regional Development |
| ADEPT Training - Ecorys | 2006 | The Irish Experience in Structural Funds |
| ECOTEC Phare Central Office | July 2006 | Thematic Report of the European Union Phare Programme; Sector: Phare Support to Economic & Social Cohesion |
| Ministry of Economy, Labour and Entrepreneurship | 2004 | Project Fiche - Phare 2005 Business Related Infrastructure Grant Scheme under ESC 2005 |
| Croatian Employment Service | 2004 | Project Fiche - Phare 2005 Active Employment Measures for Groups Threatened by Social Exclusion |
| Ministry of Economy, Labour and Entrepreneurship | 2004 | Project Fiche - Phare 2005 Capacity Building of the SME Support Structure and Alignment of Policy and Actions to the SME Charter and to the Chapter of <i>Acquis Communautaire</i> on SME |
| The Ministry of Foreign Affairs and European Integration | 2004 | Project Fiche - Phare 2005 CBC/INTERREG III A: Adriatic Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) |
| The Ministry of Foreign Affairs and European Integration | 2005 | Project Fiche - Phare 2005 CBC/INTERREG III A: Cross-Border Cooperation Between Croatia, Slovenia and Hungary (Neighbourhood Programme) |
| The Ministry of Foreign Affairs and European Integration | 2005 | Project Fiche - Phare 2006 CBC/INTERREG III A: Cross-Border Cooperation between Croatia, Slovenia and Hungary (Neighbourhood Programme) |
| The Ministry of Foreign Affairs and European Integration | 2005 | Project Fiche - Phare 2006 CBC/INTERREG III A: Adriatic Project Fiche - Cross-Border Cooperation between Croatia and Italy (Adriatic New Neighbourhood Programme) |
| Ministry of Economy, Labour and Entrepreneurship | 2005 | Project Fiche - Phare 2006 Support for Increasing the Competitiveness and Exports of Croatian SMEs |

| Name of Originator | Date | Title of Document |
|---|-----------------|---|
| CODEF | 2005 | Project Fiche - Phare 2006 Development of Institutional Capacity and Project Pipeline for EU Structural Funds, post-accession |
| Ministry of Economy, Labour and Entrepreneurship | 2004 | Project Fiche - Phare 2005 Support to Ministry of Economy, Labour and Entrepreneurship in the Implementation of the SME Pilot Grant Scheme |
| Ministry of Economy, Labour and Entrepreneurship | 2005 | Project Fiche - Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) - Strengthening the administrative capacity for management and implementation of IPA/ESF |
| Ministry of Economy, Labour and Entrepreneurship | 2005 | Project Fiche - Phare 2006 Project Preparation Facility and Unallocated Institution Building Envelope - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship (MELE) – Head of Operating Structure for Regional Competitiveness OP (RCOP) – to assist in the preparation for the delivery of the OP |
| Ministry of Economy, Labour and Entrepreneurship | 31 January 2008 | Capacity building of the SME Support Structure and Alignment of Policy and Actions to the SME Charter and Acquis Communautaire, Croatia |
| Central Finance and Contracting Agency | 2007 | LOT N° 11: Macro economy, Public finances and Regulatory aspects Specific ToR - Support for establishment and accreditation of future implementing bodies for the Regional Competitiveness OP (IPA IIIc) |
| Central Finance and Contracting Agency | 2007 | LOT N°: 11: Specific ToR - Building Capacity in the Ministry of Economy, Labour and Entrepreneurship - Head of Operating structure/ Body responsible for the Regional Competitiveness OP to assist in the preparation for the delivery of OP |
| Sanja Maleković, Institute for International Relations Zlatan Fröhlich, Zagreb Chamber of Economy | October 2004 | Recommendation for the Croatian Regional Policy with the Aim of Fostering Competitiveness, Transition Study |
| Ministry of the Sea, Tourism, Transport and Development | March 2006 | Croatian National Strategy for Regional Development, Draft version |
| Sanja Maleković, Mario Polić and Jakša Puljiz - Institute for International Relations | 13 March 2007 | Introducing Evaluation of Development Programmes in Croatia – an Option, Obligation or Necessity?, Research paper |
| Jakša Puljiz and Sanja Maleković - Institute for International Relations | 11 June 2007 | Current Situation and Future Perspectives of Regional Policy in Croatia, Research paper |
| Ministry of Regional Development, Forestry and Water Management | 10 March 2008 | MONITORING REPORT- Phare 2006 CBC/INTERREG IIIA: Cross – border Cooperation between Croatia, Slovenia and Hungary (Neighbourhood Programme) |
| Ministry of Regional Development, Forestry and Water Management | 31 March 2008 | Monitoring Report – Grant Schemes/ Cross-Border Cooperation Projects Phare 2005 CBC/ Interreg III A: Cross-Border Cooperation between Slovenia, Hungary and Croatia – Neighbourhood Programme |

| Name of Originator | Date | Title of Document |
|--|-------------------|--|
| Ministry of Regional Development, Forestry and Water Management | 31 March 2008 | Monitoring Report PHARE/2005/ CBC Interreg IIIA Adriatic Cross-Border Cooperation between Croatia and Italy |
| Ministry of Regional Development, Forestry and Water Management | 31 March 2008 | Monitoring Report Phare 2006 Adriatic Cross-Border Cooperation between Croatia and Italy, Phare CBC, Interreg IIIA, Adriatic New neighbourhood Programme (ANNP) |
| Rolf Bergs | 30 September 2002 | Interim Evaluation – STTP Report on Economic & Social Cohesion for Interim Evaluation R/SI/REG/02.136, Slovenia |
| CODEF | 8 May 2008 | SMSC: Internal Market, Competition and Agriculture |
| CODEF | 7 May 2008 | SMSC: Energy and Environment |
| CODEF | 9 May 2008 | SMSC: Social Sector |
| CODEF | 5 May 2008 | SMSC: Economic and Social Cohesion |
| CODEF | 9 May 2008 | SMSC: Justice and Home Affairs |
| CODEF | 6 May 2008 | SMSC: Public Finance, Public Administration Reform and Statistics |
| Central State Office for Development Strategy and Coordination of EU Funds | 16 December 2002 | CARDS National Action Programme Croatia 2003 |
| CODEF | December 2007 | 2003 CARDS Project: Support to National Development Planning, Final Report |
| CODEF | November 2007 | Terms of Reference - 2003 CARDS Project: Support to National Development Planning |
| CODEF | January 2004 | Cards National Action Programme for Croatia 2004, Capacity Building and Project Preparation Facility |
| CODEF | December 2003 | Terms of Reference - Cards National Action Programme for Croatia 2004, Capacity Building and Project Preparation Facility |
| Consortium of East West Consulting and B&S Europe | July 2008 | The European Union's CARDS Programme for Croatia, Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Assistance, Croatia, Fifth Interim Report |
| Consortium of East West Consulting and B&S Europe | January 2008 | The European Union's CARDS Programme for Croatia, Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Assistance, Croatia, Fourth Interim Report |
| Consortium of East West Consulting and B&S Europe | May 2007 | The European Union's CARDS Programme for Croatia, Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Assistance, Croatia, Third Interim Report |
| Consortium of East West Consulting and B&S Europe | January 2008 | The European Union's CARDS Programme for Croatia, Support to the National Authorising Officer and National Co-ordinators in Decentralised Implementation and Management of EU Assistance, Croatia, Fourth Interim Report |

Documents requested but not made available (with reasons): none