

**CROSS BORDER COOPERATION AS AN
INSTRUMENT OF EU REGIONAL POLICY
CASE STUDY: CROATIA**



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Glossary of Acronyms and Abbreviations

AEBR	Association of European Border Regions
B&H	Bosnia & Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilization
CBC	Cross-border Cooperation
CADSES	Central Adriatic Danubian South Eastern Space
EGTC	European Groupings of Territorial Cooperation
ENPI	European Neighborhood Partnership Instrument
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
IPA	Instrument for Pre-accession Assistance
JTS	Joint Technical Secretariat
JMC	Joint Monitoring Committee
MED	Mediterranean
MS	Member State
MSOP	Member State Program
NMS	Non Member State
NMSOP	Non Member State Program
OP	Operational Program
PHARE	Pologne et Hongrie Aide a Reconstruction Economique
PRAG	Practical Guide to contract procedures for EU external action
RDA	Regional Development Agency
SEE	South-East Europe
SMART	Specific, Measurable, Available, Reasonable, Time-bound
SME	Small & Medium Enterprises
TA	Technical Assistance
USAID	United States Agency for International Development

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In the end I would like to thank my family and dedicate this thesis to my father who always believed in me. This thesis and my Master degree are a posthumous gift to him.

Introduction

This thesis explores the Cross-border Cooperation as an instrument of EU regional policy from its inception phase, development, changes and present situation as a part of one of the three Cohesion objectives in the last financial perspective – European Territorial Cooperation. It will explore the reasons of creating such a way of cooperation and its importance for the EU from many aspects.

The study will focus on Croatia's position regarding CBC supported through EU programs which will be analyzed through past experiences and scrutinized through present available programs within IPA. It will try to answer the question how to use the available funds for CBC in the best way; with a focus on how can a better organized implementation process of the 8 available programs contribute to an overall success of the programs. The research done within this thesis can be used as a valuable source of ideas that overcome problems in connecting program and project level in managing CBC OPs, national and regional level and their interdependence. The most valuable inputs are the innovative ideas on facilitating some of the crucial and problematic phases of project development for potential beneficiaries. Although the ideas are made for the case of Croatia, they can be applicable to other Countries.

If we look at CBC from its beginnings, we can conclude that it has a rather recent past which proves that this phenomenon is still in its process of development and adaptation. 20 years have passed since the creation of INTERREG – EU's community initiative and an innovative approach to reduce the negative impacts of borders and promote a greater understanding and cooperation among member states. INTERREG can be criticized by the lack of impact but it paved the way for a new approach and has come a long way to secure the place of CBC as an important EU instrument.

In the present financial period, CBC is a part of European Territorial cooperation objective, together with transnational cooperation and interregional

cooperation.¹ In the current financial perspective there are 52 CBC programs along internal EU borders, financed by 5.6 billion € of ERDF contribution. The total budget of the ETC objective equals only 2.5 % of the total 2007-2013 allocation for the cohesion policy, which explains that it does not have that big financial impacts, but is more oriented on bringing the regions and countries closer together through cooperation. MS can also participate in EU external border cooperation programs which are supported by instruments like ENPI and IPA.

As an EU candidate country, Croatia is eligible to participate in all 5 IPA components. The second IPA component is focused on the CBC. Through this component, Croatia will be involved in 6 CBC programs and participate in 2 Transnational Cooperation Programs. If we put Croatia in the context of CBC from European perspective, we can say that Croatia is somewhere between the learning from short experiences from CBC programs financed through CARDS and PHARE, trying to apply that knowledge to IPA CBC and already dreaming about the big money that will come from the Structural funds in the future. Undoubtedly, with the 8 available CBC programs, Croatia's future regarding CBC is on a crossroads and it needs to consolidate its structures both on National and regional level. This thesis will give some recommendations on how could that be done.

The thesis consists of the following chapters:

The first chapter deals with the historical background and the evolution of CBC, explaining the problems that European countries faced through history concerning borders, the importance of borders and different meanings of borders throughout European history. CBC will be tackled and explained through historic approach, from its inception through INTERREG, mentioning important developments in EU regional policy and the legal obstacles that it faced through its development until today.

The second chapter deals with IPA program, focusing on its second component – CBC. IPA will be described through its rationale, provisions,

¹ Online reference : http://ec.europa.eu/regional_policy/cooperation/index_en.htm, source used on 25th May 2010.

structure, organization and the importance of the whole program for Croatia. CBC in Croatia will be first described through past experiences from EU pre-accession funds and then scrutinized through an in depth analysis of the 8 CBC operational programs within IPA. The operational programs will be divided by programs with member states, non member states and transnational programs. Each program will be analyzed on the basis of former cooperation if it existed, eligible areas, priorities and measures and present and future calls for proposals. In the end of the second chapter, the programs will be subject to a comparative analysis in order to recognize their differences and implications they can have on implementation.

The third chapter will be focused on the facilitation of CBC with an accent on the phase of implementation. The main features of implementation like PCM, logframe, PRAG will be described and analyzed. Some of my ideas on innovative approaches for facilitation and mediation of implementation and project development will be given in the end of the third chapter.

The last chapter which is at the same time the conclusion summarizes the research and gives a critical overview of program and project level. It highlights some of the points which will be important for successful implementation of the 8 available programs as well as for the future opportunities regarding CBC upon Croatia's accession to EU.

Chapter I:

Cross-border cooperation –Rationale and Evolution

1.1. HISTORICAL OVERVIEW AND THE BORDERS OF EUROPE

Europe is characterized by many borders, which have its roots in diverse culture and history. The European states as we know them today went through a long process of development during the 19th and 20th century. The creation of state borders was influenced by many aspects during this period. Every European state had its own difficulties and individual development throughout history. The result of geography has been repeatedly governed by aggressive politics, economic interests and distorted national prestige.

The creation of states and nation states is a process which can be seen divided into two stages. The first one is the “ex ante” stage, which has an objective and subjective dimension. The objective dimension is explained by the case where nation states were created by people sharing the same language, history and culture and sharing the “we are the Nation” feeling. The subjective dimension is when people are sharing the feeling of “having done great things together and wishing to do more”. “Ex post” stage is where the nation defines the administrative borders. Nevertheless, today in Europe, these state borders often separate ethnic groups and regions which actually belong together.

The image of neighboring countries as enemies and the thinking “my neighbor is my enemy, but the neighbor of my neighbor is my friend” was long present in Europe. The historical relations between Germany and France justify this kind of thinking. However, after the 2nd world war, the German lion laid down with the French lamb². From worst enemies and belligerents in many wars, these two countries put down their weapons and together paved the road of not only the beginning of the European Integration, but also cross-border cooperation. The end of 2nd world war was not the definite answer to bringing closer the European

² KAGAN, Robert, Power and Weakness: Why the United States and Europe see the world differently; Policy Review No. 113, June & July 2002.

countries and bordering regions, since shortly after the war a new philosophy of two world blocks evolved. As a consequence to political ideologies and the ambitions of individual military blocks, state borders were turned into unbridgeable borders divided by the iron curtain. The border regions and of course the people living there were most affected by the consequences of historical conflicts, which led to unwillingness to cooperation and closer contacts to bordering region. In some cases it even led to development of mutual fears and animosities.

The fear of military aggression in the border regions was one of the reasons why the bordering regions in Europe were less populated. This example is clearly visible in the Western Balkans area, where the state borders have been significantly changing during the last decade. Due to limited transport links, European border areas developed into peripheral and often structurally weak areas.³

These “scars of history” that Europe bears became the first reason which justifies the development of Cross-border cooperation. The second reason is the fact that the importance and permeability of European borders are evolving more and more. From the beginning of the process of European integration, one of the primal focuses has been to significantly reduce the relevance of national borders for European economic players, in order to create a large market whereby the national borders would no longer stand in the way of the free movement of persons, goods, services and capital.⁴

The great success of this phenomenon has been strengthened by the achievement of economic and monetary union and the abolition of border controls (Shengen area), which was achieved by the agreement signed in Shengen on 14 June 1985.⁵ The Shengen area resulted in twofold nature of European borders. On the one hand, external borders have been tightened up; meaning that access to the unfenced area of the EU required stricter controls than access to only national

³ Practical Guide to Cross-border Cooperation, Third Edition 2000, prepared by Association of European Border Regions (AEBR), P. 5.

⁴ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 16

⁵ EUROPEAN COMMISSION, DG for Education and Culture, Institutions, policies and enlargement of the European Union, European Communities 2000, p. 59

territory. On the other side, internal borders have become less important since the freedom of movement was enabled for all individuals who were nationals of the signatory Member states.⁶

1.2. ORIGINS OF CROSS-BORDER COOPERATION IN THE EU

Concerning its nature, cross-border cooperation is a complex phenomenon. It comprises many levels of cooperation between regions of two bordering states. CBC has its roots in a number of specific factors and circumstances that encompass it. The objective of those involved in this specific kind of cooperation is to overcome the structural disadvantages which were imposed mostly by their location on the edge of their country, but also by other factors. As a result of proximity to an international border, CBC is often confined by the limits placed on the system. The limits can have various reasons, e.g. legal, economic, administrative, cultural, social, linguistic, religious etc.⁷

The local players on either side of certain European borders quickly realized that they are dependent on different systems but nevertheless, share common problems and interests. Those joint problems and interest can vary depending on the regions and countries, but they are mostly connected to border workers, cross-border pollution, land-use, planning, transport, tourism, security issues, etc.

In order to overcome those problems, border regions have tried to join forces and find practical and fast solutions to their requirements, without having to go via the traditional channels of inter-State relations. These joint efforts have the aim to resolve the problems that are both cross-border and local in nature, without making it an international affair. By working together in this kind of cooperation, the local players are trying to avoid the painful and time-consuming process of addressing their capital cities in the hope that the Ministry of foreign affairs would take into account the specific local issue they are trying to solve.⁸

These efforts can already be found shortly after the 2nd World war, when representatives of numerous border areas started to get together in order to discuss

⁶ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 16

⁷ Ibidem

⁸ Ibidem

the possibilities of CBC. The main motivation for this was desire to raise prosperity and living standard, overcoming separation, as well as to insure peace. The overcoming of natural borders was mostly done by building bridges and tunnels which are by its nature pure symbols of cross-border cooperation of regions and countries.

In the border regions of Germany/France and Germany/Netherlands, the local representatives realized that if they wish to come to level of development of regions in the heartland, they have to eliminate as much as possible the negative effects caused by borders.⁹ They began to establish joint communal and regional associations on both sides of the borders. These associations were often the umbrella associations such as “euro regions” or similar structures. Very soon, the people living in the border regions started to expect solutions from these associations to problems which were by its definition likely in the scope of the national level such as planning and organization, taxation, social security, acceptance of qualifications, road construction, infrastructure and environment etc. Clearly, this could not be done in the scope of CBC and requires involvement of national level.

However, national levels are responsible for the entire territory of the state, meaning the border regions too, although states often neglect or do not pay enough attention for the specificities of border regions. The problems in cross-border areas very often were a direct consequence of misguided investment and planning in both border regions.¹⁰ This became a vital reason for closer cooperation.

1.2.1. Association of European Border Regions as a facilitator of CBC

One of the most important associations that helped border regions too pursue with their policies was the Association of European Border Regions (AEBR) which was founded in 1971. , The association is still active and running today. It represents the interests of border and cross-border regions at European and National level. By keeping its close contact with European institutions, the

⁹ Practical Guide to Cross-border Cooperation, Third Edition 2000, prepared by Association of European Border Regions (AEBR), P. 6

¹⁰ Ibidem

Council of Europe and national governments, it remains one of the key associations for CBC in EU. It is also very active in cooperation with regional associations.

The aims of AEBC are : to make particular problems, opportunities, tasks and projects of the regions intelligible; to represent their overall interests to national and international parliaments, organs, authorities and institutions; to initiate, support and co-ordinate their co-operation throughout Europe (creation of a network); and to exchange know-how and information in order to formulate and co-ordinate common interests on the basis of the various cross-border problems and opportunities, and to offer adequate solutions.¹¹

AEBC also developed 4 main principles which are generally recognized as the basic requirements for the EU assistance programs:¹²

- 1) Partnership
- 2) Subsidiary
- 3) The existence of common cross-border development concept or program
- 4) Joint structures on regional/local level and independent source of financing

Partnership is a principle which can be seen through two dimensions; Vertical and horizontal. Vertical partnership is the one which should be organized between EU-National level-regional level and local level. Horizontal partnerships are ones between the same levels of organizations in the vertical partnerships. The basic idea is that both partnerships complement each other and work parallel in managing the programs and projects and that both partners are equal, regardless of the size of the country.

The principle of subsidiarity stems from the necessity to strengthen the regional and local bodies as the most appropriate level for CBC. Partnership and subsidiarity are the preconditions for the remaining two principles. In developing joint concepts and programs, the partner countries take into account the relevant national and European programs and plans and create an environment where

¹¹ Online reference: www.aebr.net, source used on 26th of April 2010.

¹² Practical Guide to Cross-border Cooperation, Third Edition 2000, prepared by Association of European Border Regions (AEBC), P. 13

potential applicants from both side of the border can apply projects in order to solve a common problem.

In the case of CBC programs are usually based on SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of the programming area. By identifying those aspects, the countries agree on setting different priorities and measures in terms of quality, financial means, time span, eligibility and fields of activity.

A significant contribution to CBC facilitation in Europe by AEBR was given with the project LACE (Linkage Assistance and Cooperation for the European Border Regions). The project was launched in 1990 parallel with INTERREG, with its objective to act as a European Observatory for CBC.¹³

With almost 40 years of successful and efficient work, AEBR managed to create a viable network of border regions which have become a powerful force in the development of European borders, and one of the true engines of European integration.

1.3. DEVELOPMENT OF REGIONAL POLICY IN THE EU

The EU's policy the mid-1970s was mainly focused on shifting emphasis of European redistribution policies from sectoral supports (e.g. agriculture) to geographical supports (e.g. regional policy). This shift actually marked the beginnings of the widespread cross-border arrangements which would follow in the future. In the 1980s, the goal of regional redistribution became an even higher priority, due to the single market. It gave rise to concerns that lower trade barriers could result in even larger geographical disparities.¹⁴

In 1988, Jacques Delors - Commission President, proposed doubling funds for structural supports, which is known as the 'Delors Package'. With this package, the European Community established a comprehensive regional policy according to three regional 'objectives'. These included regions where the GDP was 75

¹³ Ibidem, p. 47

¹⁴ JOHNSON Corey M., Cross-Border Regions and Territorial Restructuring in Central Europe: Room for More transboundary Space, *European Urban and Regional Studies* 2009, p. 182

percent or less of the EC average, industrial restructuring regions and rural areas¹⁵.

In their process of development, the regions of Europe became key sites for rescaling governance and constructing territorial entities for economic development purposes. Regions are seen as sites for new spaces of economic competitiveness, which in the process become involved in 'winners' or 'losers' dynamic with respect to regional development.¹⁶ Nowadays, regions are more and more operating as entities of territorial marketing, trying to develop specific images and 'profiles' in order to attract potential western investors.

From this it is clear that the European national governments in fact depend on regional policy as a tool to achieve development-related outcomes. Within national strategies for regional development in many EU countries, regions are becoming paramount driving forces for economic development. Nevertheless, different EU member states practice various approaches depending on their political systems and level of development.

Often it is the case that the transboundary space is artificially mobilized by local and regional elites, in order to pursue their own specific purpose. According to that, some regions are created artificially by economic activities.

1.4. FROM BORDER TO CROSS-BORDER AND CREATION OF INTERREG

The European Commission very early became aware of the transnational nature of different players. From 1975, mainly through the commitment of the budgetary resources, the support for CBC initiatives has been growing quantitatively as well as qualitatively. The qualitative aspect can be seen through the establishment of conditionality requirements which showed the willingness of the European Commission to promote development of cross border areas. In this way EC set the pace of local scale European integration.

After the accession of UK, Ireland and Denmark in 1973, the first possibility for direct action by the community to promote cross border projects

¹⁵ Ibidem, p. 183

¹⁶ Ibidem

emerged. As a response to the demands of these new accession countries, a new European fund was set up to support regional development policies. The name of the fund is European Regional Development Fund (ERDF). The French acronym for ERDF (FEDER) in a way explains its nature¹⁷ which indeed could be considered as federal, as it aims to promote economic and social cohesion by correcting the main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from the other EU Funds.¹⁸

At the beginning of creation of ERDF, The community action consisted essentially in allocating funds to Member States, which are to be used for financing regional development projects. Still, the regional policy and the usage of these funds remained under national control of the Member States. In the article 5 of the regulation of these funds it was stated that the Commission is allowed to use a small portion (less than 5%) to finance innovative actions. Also, one of the criteria established in the Article 5 was that the Commission should, in particular take into account whether the investments falls within the frontier area, within adjacent regions of separate member states. That meant that a consideration was given to border areas i.e. limits of national territory of the states. Having this system in place, cross-border cooperation seemed ever closer. Finally it was achieved when INTERREG program was set up.¹⁹

INTERREG was a Community Initiative Program and was set up in 1990. The aim was to help overcome specific development problems of Community's internal and external border regions. European Commission recognized that such areas trade was often distorted, services often wastefully duplicated and mobility hampered by differences in languages, taxation etc.²⁰ These problems were mainly resulting from the relative isolation of these areas within national economies. The establishment of INTERREG was made via the Regulation on the

¹⁷ Although this is just a coincidence and the Akronym was not made for this purpose.

¹⁸ Online

reference http://europa.eu/legislation_summaries/employment_and_social_policy/job_creation_measures/l60015_en.htm, source used on 29th of April 2010.

¹⁹ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 19

²⁰ TURNOCK David, Cross-border cooperation: A major element in Regional Policy in East Central Europe, Geography Department, The University Leicester

coordination of the Structural funds and the Communication from the European Commission²¹. A new title on economic and social cohesion was added up to the Treaty establishing the European Community by means of Single European Act. The new articles 130a to 130e gave opportunities to develop coherence of structural initiatives and create a true and sound Community regional policy.

As mentioned before, local authorities had a lot of obstacles which prevented them from initiating cross-border cooperation with other states. INTERREG was the perfect answer to that. The objective was to be achieved with 3 types of actions²²:

1. Programming and joint implementation of cross-border programs and projects
2. Improving of information flow across borders
3. Establishing of common institutional and administrative structures to support and encourage cooperation

The second incarnation of INTERREG was INTERREG II, 1994- 1999. INTERREG II had 3 strands, A, B and C. Under INTERREG II A, 59 operational programs were approved which were funded by 2.6 billion €. Within INTERREG II A, all borders regions along EU internal and external regions were incorporated. In 1995, Austria, Finland and Sweden entered EU, which increased significantly the scope of EU borders.²³ In comparison to INTERREG I, bigger emphasis was put on CBC across maritime borders, with 16 OPs supported. (INTERREG I supported only 4).

With strands B and C, the scope was extended beyond the strict neighborhood dimension. Strand B related to the completion of energy networks. The extending to INTERREG II C was proposed by the Commission in 1996. The extension (C) was focused on transnational

²¹ Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments , *Official Journal L 185 , 15/07/1988*

²² LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 19

²³ EUROPEAN COMMISSION, DG for Education and Culture, Institutions, policies and enlargement of the European Union, European Communities 2000, p. 30

cooperation and spatial planning. The main objectives of this extended version were:

1. Helping to restore the balance between different areas of the EU through structuring measures that serve Community interests by contributing to the promotion of economic and social cohesion
2. Fostering transnational cooperation initiated in this field by MS and other authorities
3. Improvement of the impact of Community policies on spatial development²⁴

With these objectives, the cooperation actually went beyond the cross border dimension, but the aim stayed the same, meaning to apply the same cooperation criteria in larger geographical areas. Within INTERREG II C the priority was given to proposals made in cooperation of local and regional authorities which include creation of joint, shared administrative or institutional structures.²⁵

INTERREG III (2000 -2006) had 3 strands; A, B and C. Strand A had objectives in promoting integrated regional development between neighboring border regions, including external borders and certain maritime borders. It was in a way continuation of the former INTERREG I and II A. The bulk of financial resources were devoted to this strand. Strand B had a focus on contribution to harmonious territorial integration across the Community and a way a continuation of INTERREG IIC. Strand C was focused on improving regional development and cohesion policies and techniques through transnational/interregional cooperation. Strand C also intended to improve the effectiveness of policies through networking, particularly for lagging behind regions and regions undergoing development.²⁶

According to this there are 3 types of possible cooperation beyond borders which are shown and compared in the Table 1.

²⁴ OJ C 200, 10.07.1996, p. 23

²⁵ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 20

²⁶ OJ C143, 23.5.2000, p.2.

Table 1. : 3 types of CBC²⁷

Cross-border Cooperation	Inter-regional Cooperation	Trans-national Cooperation
➤ Directly neighborly cooperation in all areas of life between regional and local authorities along the border and involving all actors	➤ Cooperation (between regional and local authorities) mostly in single sectors (not in areas of life) and with selected actors	➤ Cooperation between countries (sometimes allowing regions to participate) with regard to a special subject (for example regional development) related to large, connected areas

1.4.1. Other EU initiatives in CBC

PHARE CBC was a program which was established in 1994. It was created to promote CBC between Central European Countries and EU and in a way mirror the INTERREG program.²⁸ 1 billion € was allocated for this program in the period 1994-1999. However, there are differences between the two programs such as financial allocations which in the case of PHARE CBC require annual approval of the Commission, while INTERREG was a multiannual program. The program mainly supported projects in the area of infrastructure, transport, environment and economic development, but also small scale actions and people to people programs.

²⁷ Table taken from : Practical Guide to Cross-border Cooperation, Third Edition 2000, prepared by Association of European Border Regions (AEBR), P. 24

²⁸ Practical Guide to Cross-border Cooperation, Third Edition 2000, prepared by Association of European Border Regions (AEBR), P. 51

TACIS CBC was a program of EU which was launched in 1996 for funding cross border activities on the western borders of TACIS beneficiary countries (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan)²⁹ with EU as well as central eastern European Countries. The focus of TACIS CBC has been put on creating border networks, environment and crossing facilities. In comparison to INTERREG or PHARE CBC, TACIS CBC lacked specific institutional arrangement as well as systematic program approach. That was why it was hard to achieve smooth management and, establish coordination and follow implementation.

1.5. CBC AND THE LEGAL BASIS

Concerning the legal principles, CBC poses structural problems. The requirements of non-sovereign local and regional players are often very hard to incorporate in the legal systems. The national legal systems of bordering countries differ from one another in many areas. Therefore it is very hard to set up direct agreements between regional levels in order to form permanent cooperation instruments governed by public or private law.

Regarding the national public law, the decision of the state to authorize a regional authority to act beyond national borders can have double meaning. From one side it means that the state is losing control and accepting that the cross-border activities will be subject to the territorial sovereignty of the bordering state. On the other side it means that, it could try to extend the scope of State's own public laws to the territory of a neighboring state. By doing this, the state would disregard the territorial sovereignty of a bordering state, which if done unilaterally is prohibited by public international law.³⁰

If a state would accept that the local authorities should be responsible for managing relations governed by the public international law, it would mean that the state leaves the local authorities to their own devices and thus recognizes their

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http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/eastern_europe_and_central_asia/r17003_en.htm, source used on 2nd of May 2010.

³⁰ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 17

sovereignty. This for sure is not an acceptable solution for the state. Another possible solution is to authorize regional authorities to apply private international law mechanisms. This would mean to enable private players subject to different national jurisdictions and laws in order to find solutions binding them to some national –or even third party –legal system³¹. In this way, the state would again risk its control over its authorities, which could have legal consequences in foreign legal system.

From this it is clear that neither the national Law, public international law or the private international law could govern the relations between local and regional authorities located in different European states. To overcome this, it was necessary to come to ad hoc solutions. This was done within the framework of Council of Europe by means of specific bilateral agreements. Within this framework the following actions were agreed:

- 1) Prohibiting relations between a regional authority and a foreign state, so as to avoid any problem relating to State international liability in the international law
- 2) Leaving a certain degree of legal imprecision in the cross-border relationship
- 3) Ensuring that the implementation and legal effects of the rights and obligations resulting from the cross-border relation are subject to public and national law (chosen according to the place where the legal effects would apply, or according to the head office of the cross-border cooperation body).³²

Throughout Europe there are different variations of the participation of regional bodies. Their degree of centralization/decentralization in the management of cross-border programs affects the implementation and in the end the successfulness of joint projects.

³¹ Ibidem

³² Ibidem, p. 18

1.5.1. Multilateral agreements

Multilateral agreements are some of the most important and long standing instruments for CBC facilitation. They are aiming to provide a framework for CBC and especially transnational cooperation. One of the most important multilateral agreements in the area of CBC under the auspices of Council of Europe is the Madrid Outline Convention on Transfrontier Cooperation, which opened the path for more organized CBC and creation of innovative structures.³³

It stipulates the cooperation between Territorial Communities or authorities, which was signed by 33 countries at the end of 1999. These instruments represent a number of interstate agreements or contracts between local and regional authorities. However, they are limited, because they do not themselves provide a treaty for CBC, but merely a framework which needs to be transferred into a national law. Examples of such agreements are Anholt Agreement signed in 1991 between Germany and Netherlands. And Agreement of Karlsruhe signed in 1996.

1.5.2. Bilateral and trilateral agreements

These types of agreements include cooperation exclusively between two or three states i.e. national authorities through various protocols and agreements. The cooperation is done by the inter-state commissions over various plans of activities, like spatial planning, or other specific areas of cooperation. Inter-state agreements for CBC facilitation and promotion have already been signed in 1960. The areas of cooperation were mostly good neighborhood at the borders, strategies for cross-border regional development, etc.

Some states also signed bilateral agreements on the implementation of the afore mentioned Madrid Outline Convention, permitting general CBC between regional authorities on a public law basis. The countries of Western Europe established government commissions for the enhancement of CBC which were dealing with a large extent of tasks. Some of examples of these agreements are:

³³ SPINACI, Gianluca and ARRIBAS Gracia-Varra; The European Groupings of Territorial Cooperation (EGTC); New Spaces and Contracts for European Integration? ; EIPASCOPE 2009/2

France-Switzerland (1973), France-Germany-Switzerland (1975), France - Germany -Luxembourg (1980) etc.

1.5.3. EGTC – European Groupings of Territorial Cooperation – a new legal framework

As territorial cohesion became a new objective according to the Lisbon treaty, cooperation between territories in the borderless Europe has become primordial to provide multi-level governance to new functional regions.³⁴ EGTC was established by Regulation 1082/2006³⁵ as a tool which will regulate and facilitate structured cooperation open to various levels of government and to different stakeholders in local and regional development.

Its creation was a response of EU in order to overcome the obstacles hindering territorial cooperation which includes cross-border, transnational and/or interregional cooperation. It was necessary to institute a cooperation instrument at Community level for the creation of cooperative groupings in Community territory, invested with legal personality.³⁶

In a way it is a completely innovative approach. EGTC will seek to standardize how territorial cooperation is carried out in practice, but it will seek to maintain the diversity of situations and achievements arising out of past experience, especially connected to CBC. This will allow to the more opportunities to the public bodies in countries with liberal approach.³⁷ The main tasks of EGTC will be: The managing of structural funds, carrying out strategic cooperation and if appropriate, acting as a vehicle for the implementation of cooperation project.³⁸

The main characteristics of EGTC are that the nature of Cross-border organization requires members in at least two Member States, whereas the

³⁴ SPINACI, Gianluca and ARRIBAS Gracia-Varra; The European Groupings of Territorial Cooperation (EGTC); New Spaces and Contracts for European Integration? ; EIPASCOPE 2009/2

³⁵ Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European Grouping of Territorial Cooperation (EGTC) OJ L 210, 31 July 2006

³⁶ Regulation (EC) No. 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European Grouping of Territorial Cooperation (EGTC) OJ L 210, 31 July 2006

³⁷ LEVRAT Nicholas, European Grouping of Territorial Cooperation, study carried out by GEPE in the context of Committee of the Regions research program, Committee of the Regions, 2007. P. 3

³⁸ Ibidem, p. 4

Members can be EU Member States, local or regional authorities of MS and other bodies whose funds are considered as mainly public. Also, EGTC has a legal personality under Community law and may, on a case by case basis, be given a legal personality under public or private national law. It enjoys the most extensive legal capacity accorded to legal persons under national law, but its capacity is in particular limited to carrying out the tasks that are assigned to it by its statutes. It is governed by a convention and statutes and will have a single registered office. The regulation also requires the existence of assembly and a director.³⁹

EGTC is still in its early stage of implementation, so its achievements still can not be measured. However, creation of such framework will be beneficial both for territorial cooperation and European integration. There is already a significant number of established EGTCs, and also there are ones who are expected to be established soon. Many of them are still under consideration. With creation of more and more EGTCs, the political landscape of regional and local development will increase its significance and the new generation of politicians will share the challenge of jointly projecting their borderless territory.⁴⁰

³⁹ Ibidem

⁴⁰ SPINACI, Gianluca and ARRIBAS Gracia-Varra; The European Groupings of Territorial Cooperation (EGTC); New Spaces and Contracts for European Integration? ; EIPASCOPE 2009/2

Chapter II:

Croatia and CBC within IPA 2007-2013

2.1. IPA – INSTRUMENT FOR PRE-ACCESSION ASSISTANCE

IPA is a single integrated instrument for pre-accession assistance which replaces the former pre-accession instruments like PHARE, CARDS and ISPA.⁴¹ The IPA program was established by the EU Council Regulation 1085/2006 and its financial value for the period of seven years amounts to 11.468 billion €. IPA program includes assistance in harmonization and implementation of the *acquis communautaire* as well as in preparing countries for the use of the Structural Funds.⁴²

IPA funds are available to candidate countries: Croatia, The former Yugoslav Republic of Macedonia, Turkey; and potential candidate countries: Albania, Serbia (including Kosovo under the UNSCR 1244), Montenegro and Bosnia and Herzegovina. IPA funds should support those countries in their efforts of strengthening democratic institutions and rule of law, enhancement of the quality and reform in their public administration, support the development of civil society, advancement of regional cooperation and contribution to sustainable development and poverty reduction.⁴³ All this support is envisaged through five components of IPA:⁴⁴

- 1) Transition Assistance and Institution Building
- 2) Cross-border cooperation
- 3) Regional development
- 4) Human resources development
- 5) Rural development

⁴¹ Manual about EU for civil servants in the Republic of Croatia (croatian version), published by the Ministry of Foreign Affairs and European Integration of the Republic of Croatia 2006; p. 86

⁴² Online reference: <http://www.strategija.hr/en/funds/ipa-programme>, surce used on 22nd May 2010.

⁴³ CBIB –Cross Border Institution Building, CARDS Regional Service Contract 2006/120966, Inception report of 30th September 2006, p. 14.

⁴⁴ COUNCIL REGULATION (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), Article 3

Not all components are available for all beneficiary countries. Components 1 and 2 are open to all beneficiary countries, while components 3, 4 and 5 are open only to candidate countries. Component one is under responsibility of Commission's DG for enlargement, which is at the same time responsible for the overall coordination of the EU pre-accession assistance. Component one is focused on institution building as well as transition and stabilization measures still necessary in some Western Balkan states. Component 2 supports CBC between Candidate countries/potential candidate countries and EU countries which have borders with them. It may also fund participation of beneficiary countries in Structural Funds trans-national co-operation programs and Sea Basins programs under the European Neighborhood and Partnership Instrument (ENPI), as appropriate. DG Regional Development and DG Enlargement are jointly responsible for the implementation of this component.⁴⁵

Components 3, 4 and 5 are focused on preparing the candidate countries for the Structural funds which they will be able to participate in upon accession. For successful management of these funds it is crucial that management structures in different levels are in place and people who will work on these funds well trained and educated.

2.1.1. IPA in Croatia

As others EU programs, IPA program consists of different stages which make it operational. EU financial instruments go through a complex process of setting the appropriate structures. The process of programming is the first step. IPA is determined by multiannual strategic documents which establish the priorities to be achieved. One of the main differences between IPA and previous pre-accession programs is the programming approach which delivers multiannual programs which are called Operational Programs (OP). This approach is very similar to financial instruments which will be on disposal to Croatia after accession, so IPA is a very good preparation for all the actors involved to set up efficient structures which will be able to deal with these instruments upon Croatia's entry to EU.

⁴⁵ Online reference http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/instrument-pre-accession_en.htm, source used on 4th of May 2010.

The Operational Programs are legally binding documents which are adopted by European commission decision. There are 3 main phases that can be distinguished in the IPA Programming process: Formulating Strategic Framework, operationalising strategy, announcing tenders and calls for project proposals.⁴⁶

1. Formulating Strategic Framework

This phase comprises development of framework of strategic documents which formulate, elaborate and specify the identified national priority sectors and actions which are in need of funding. These the actions stem from priorities identified in the accession partnership document, the enlargement strategy document and progress document, which together form the so called enlargement package. Due to that, the IPA financial assistance for Croatia is accession driven.

Other documents which are produced are Strategic Development Framework for Croatia 2006 – 2013, different sectoral strategies on National level e.g. National Strategy for Regional Development. Croatia's priorities are completely in line with the strategic policy priorities of EU like Social and Economic cohesion, sustainable development, research and innovation, rural development etc. Based on these fundamental EU and National strategies, further specific planning and programming documents related to IPA are elaborated in order to facilitate its management and practical implementation.

The main documents for different IPA components include:

- An annual program for component one, and multiannual programs for other components. The programs are jointly designed by the European Commission and Croatian authorities. These programs outline IPA structures, define thematic components, OPs , and detailed thematic priorities.
- Strategic Coherence Framework – an umbrella strategic document which gives the framework for implementation of 3rd and 4th component of IPA. Priorities that are developed within these components are in line with the general guidelines of the Lisbon strategy. The 5th IPA component is regulated by a special document

⁴⁶ Online reference: www.strategija.hr , source used on 7th of May 2010.

which is called IPARD program 2007- 2013: Agriculture and rural development program. This program was elaborated by Croatian authorities and European Commission Sectoral services. In the 2nd component of IPA, different OPs are developed with other MS or NMS

2. Operationalising strategy

This phase is based on project identification and preparation actions. Basically it includes all operations which are necessary to identify operations from strategic to operational level. Through this phase project ideas are put into concrete frameworks and developed into projects. This is done by creating the so called project fiches. Project fiches are short descriptions of projects which describe the main elements like the objectives of the project, expected results, impact, planned resources, implementation structures, institutions involved, project duration etc. In the case of Operational programs, operationalisation means developing individual measures.⁴⁷

3. Announcing tenders and calls for project proposals

Depending on eligibility of a specific program, IPA funding is available for different organizations such as regional authorities (Counties), local authorities (municipalities, towns), regional development organizations, academic institutions, NGOs, private organizations etc. Regarding geographical eligibility, only the CBC programs allow participation of organizations from other European countries. In CBC, participation of a partner from other Country, depending on a program is *sine qua non*.

Announcing tenders and calls for proposals is usually done through the sectoral ministry responsible for the program. Sometimes this task can be delegated or shared with implementing agencies. Before the call for proposal is announced, the potential beneficiaries need to be informed. This is done through the so called “info days” which are organized in the eligible areas in order to prepare the beneficiaries and give them as much information about the program.

⁴⁷ Online reference: www.strategija.hr , source used on 7th of May 2010.

In the case of CBC – the 2nd component of IPA, this is done by JTS – Joint Technical Secretariat. The announcement of calls for proposals is also published in the biggest national newspapers and on the web pages of the sectoral ministry, delegation of the EU to Croatia, CODEF – Central State Office for Development Strategy and Coordination of EU funds and depending on the program, other involved institutions.

However, this over abundance of documents and institutions involved has often a contra effect in the implementation, where different stakeholders and especially potential beneficiaries often get confused of the complex system. The responsibilities sometimes overlap, documents are unclear and sometimes ambiguous and contradictory, which results in misunderstandings of the scope of work of the institutions involved. Constant changes in the systems also contribute to that.

2.1.2. CBC within IPA 2007-2013.

As mentioned earlier, the 2nd component of IPA will be focused on cross-border cooperation. While other components are providing support inside of beneficiary countries, the 2nd IPA component has a broader character. Through the 2nd IPA component support will be provided through cross-border initiatives designed to deliver focused support to cross-border cooperation between EU Member States and Candidate and Potential Candidate Countries as well as between IPA beneficiary countries themselves. The participation of beneficiary countries in ERDF transnational cooperation programmes may also be partly financed ⁴⁸.

The new approach is that IPA CBC will be jointly financed by external relation as well as cohesion funds from the new “European Territorial Cooperation” objective (former INTERREG), but the programs will be managed through joint management structures.⁴⁹ The basic idea is that partner countries develop joint multi-annual CBC program by which they together define the

⁴⁸ **INTERACT Point Vienna** Public procurement in IPA cross-border cooperation programs with EU Member States in shared management Manual, version April 2010, p. 12

⁴⁹ Cross-Border Cooperation within IPA 2007-13, INTERACT Conference, 9-10 March 2006, Rome , Conference Report

priorities for cooperation. The priorities will be implemented through joint projects. There are 3 types of projects that can be developed:⁵⁰

- **Integrated projects:** where partners on either side of the border contribute different elements; this is the most suitable type of projects
- **Symmetrical projects:** where an activity on one side is coordinated with a similar activity on the other side, with benefits on both sides
- **Simple projects:** taking place mostly on one side of the border with benefits on both sides.

Under IPA CBC there will be 12 OPs between MS and IPA Countries, whereas one program is multilateral (ADRIATIC) and 11 are bilateral:⁵¹

- Italy/Adriatic (with Italy on one side and the maritime regions of Croatia, Bosnia and Herzegovina, Serbia & Montenegro, and Albania on the other side)
- Slovenia - Croatia
- Hungary - Croatia
- Hungary - Serbia & Montenegro
- Romania - Serbia & Montenegro
- Bulgaria - Serbia & Montenegro
- Bulgaria - former Yugoslav Republic of Macedonia;
- Bulgaria - Turkey
- Greece - Turkey
- Greece - Albania
- Greece - former Yugoslav Republic of Macedonia;
- Cyprus - Turkey

In addition to that, there will be 8 CBC OPs between IPA Countries themselves:⁵²

- Albania - Montenegro
- Bosnia and Herzegovina –Montenegro

⁵⁰ Ibidem

⁵¹ Online reference: http://www.cbib-eu.org/en/programmes/transnational_and_with_MS/index.html, source used on 20th May 2010.

⁵² Ibidem

- Croatia- Bosnia and Herzegovina
- Croatia-Montenegro
- Croatia-Serbia
- The Former Yugoslav Republic of Macedonia – Albania
- Serbia- Bosnia and Herzegovina
- Serbia -Montenegro

CBC between western Balkan countries (so called IPA- IPA countries) is taking place for the first time under IPA. This will contribute to cohesion of the countries whose cooperation was very poor in the last decade due to wars that escalated in the beginning of 90's. IPA CBC will give opportunities to these countries to work together and re-establish their trust and connections.

2.2. HISTORY OF CBC IN CROATIA

Croatia has already been participating in CBC through CARDS and PHARE programs. Through these programs, Croatia has cooperated with Italy, Slovenia and Hungary. Croatia has also been involved in CADSES (Central European Adriatic Danubian South Eastern Space) program. CADSES was a part of INTERREG III B program, oriented on achieving greater territorial economic integration and promotion of a more balanced and harmonious development of the European space. The priority areas of CADSES were: social and economic development, transport, culture and heritage and environment. CADSES involved 18 countries out of which 9 member states. The new OP SEE, which will be explained later, is in a way a continuation of CADSES.

However, experience with potential candidate countries that are neighboring Croatia has been rather modest under CARDS and PHARE. There was only one pilot call for proposals with Bosnia and Herzegovina, Serbia and Montenegro which was launched in 2007. The pilot scheme was very successful and made good corner stone for future cooperation under IPA for the countries involved. Under CARDS and PHARE, 136 CBC projects were financed, with a total of 18.7 million €. Table 2. Shows the overview of financed projects through grant schemes:

Table 2: CBC projects in Croatia financed under CARDS and PHARE⁵³

Grant schemes	CARDS 2004	CARDS Regional 2004	PHARE 2005	PHARE 2006	Grand total
NP SLO-HU-CRO		15	25	21	61
NP ADRIATIC		7	35	17	59
CADSES		9			9
CBC with Serbia, Montenegro, Bosnia and herzegovina (eastern borders)	8				8
Grand total	8	31	60	38	136

2.3. CBC PROGRAMS IN IPA (2007-2013) FRAMEWORK AVAILABLE TO CROATIA

There are 8 CBC programs available to Croatia within IPA 2nd component. They can be separated as CBC programs with Member states, with non member states and transnational programs. The division of programs into MSP and NMSP is also defined as IPA II a component for MSP and IPA II b component for NMSP. Transnational programs are put separately. In the next subchapters, the

⁵³ EuropaId/121459/C/SV/HR Institution and Capacity Building for Cross-Border Cooperation Croatia , FINAL REPORT, August 21st 2008 – May 31st 2009, project implemented by WM enterprise Ltd

programs will be divided and analyzed on the basis of history, eligible areas, priorities and measures, present and future calls for proposals, and Croatia's opportunities for participation.

2.4. OPERATIONAL PROGRAMS WITH MEMBER STATES

With all the countries that Croatia has land borders, Hungary and Slovenia are the states that are already Member states. Therefore Operational programs Hungary-Croatia and Slovenia-Croatia were developed. Additional to these two programs, ADRIATIC program was developed, as a form of CBC with Italy, due to the maritime border in the Adriatic Sea.

2.4.1. IPA Operational program Hungary – Croatia



The OP Hungary – Croatia is a joint developed program from Croatian and Hungarian authorities. The program was approved by the European Commission on 13th of March 2008. Within the first three years, the program allocates the amount of 19.3 million €.

Throughout history, the Croatian-Hungarian border as we know it today underwent intensive changes. During the 2nd WW the border was actually the border of the iron curtain, which led to isolation and neglect of the border strip. That resulted in severing and cutting of road and train connections. After the homeland war (1991-1995), Croatia opened its borders, new border crossings were established and transport was eased. Croatia's economy as well as agriculture suffered severely during and after the war, especially the region of Slavonia, which borders Hungary on the north. That led to huge regional disparities and isolation of border area from the Croatian side. After Hungary's accession to EU, the border with the two countries became the Schengen border.⁵⁴

⁵⁴ Hungary-Croatia IPA Cross-border Cooperation programme (Programming document for the programming period 2007-2013), CCI NUMBER : 2007 CB16 IPO 003

The two countries participated in a trilateral Neighborhood Program Slovenia-Hungary Croatia 2004-2006, which was prepared by joint structures of all the countries involved. This approach incorporated external (CARDS and PHARE) sources and internal (ERDF) sources together. Participation in this program was a valuable experience for all three countries, especially Croatia. Through 2 calls for proposals, 28 projects have been implemented which involved partners from Hungary and Croatia, and 2 projects who established partnership of all 3 countries involved. The allocation of funds for all the projects equaled 5.8 Millions €. ⁵⁵ Table 3 shows some of the projects that were financed through this program.

Table 3: Examples of projects selected and implemented in the first calls for proposals through Slovenia-Hungary-Croatia Neighborhood program 2004-2006⁵⁶

Project title and objective	Amount of subsidy in EUR	Applicant from Hungary	Applicant from Croatia
<p>‘CB-RIS’</p> <p>The project aims to enable improved access to and the use of new information and Communication technology thus providing local authorities in the border regions with a state-of-the-art water traffic and transport monitoring system.</p>	<p>HU – 237.674</p> <p>CRO– 170.013</p>	<p>National Association of Radio Distress-Signalling and Info Communications, Baranya County Member Organization</p>	<p>Inland Navigation Development Centre LTD.</p>
<p>‘CoCuCo OBP’</p> <p>The project supports the</p>	<p>HU - 200.873</p>	<p>General Assembly</p>	<p>Osijek-Baranja County</p>

⁵⁵ Ibidem

⁵⁶ Hungary-Croatia IPA Cross-border Cooperation programme (Programming document for the programming period 2007-2013), CCI NUMBER : 2007 CB16 IPO 003

<p>preparation of the UNESCO World Heritage application of Osijek and presents an interregional extension of the project 'European Capital of Culture 2010' of the City of Pecs</p> <p>'CrossboR&D'</p> <p>The objective of the project is to improve the transfer of technology, innovation and research results from the academic environment to SME-s and to enhance the innovative level of SME-s, strengthening the competitiveness of the whole cross-border region .</p>	<p>CRO– 149.101 of Baranya County</p>
	<p>HU - 141.470 University of Pécs Center For Entrepreneurship Osijek</p> <p>CRO– 119.059</p>

2.4.1.1. Eligible Areas

The term of eligible areas means the area from which the potential beneficiaries can apply and reside, as well as the area where the projects have to be implemented. The eligible area for IPA CRO-HUN program lies on the South-West border of Hungary and North-East border of Croatia. The equivalent of a NUTS III region in Croatia is County. Croatia has 21 Counties (20 Counties + the city of Zagreb as a special County.) Image 1 shows the Eligible areas in Hungary and Croatia.

Image 1: Eligible areas of IPA HUN-CRO Program⁵⁷



On the Croatian side, there are 4 bordering Counties which are eligible: Međimurska, Koprivničko-Križevačka, Virovitičko-Podravska and Osječko-Baranjska. There are also the adjacent⁵⁸ eligible counties: Varaždinska, Bjelovarsko-Bilogorska, Požeško-Slavonska, Vukovarsko-Srijemska. The adjacent regions were incorporated to cover approximately the same size of the eligible territory as in Hungary. The eligible areas on the Hungarian side are the 3 Counties⁵⁹ of Zala (part of Western Transdanubian Region), Smogy and Baranya (part of Southern Transdanubian Region). The eligible areas in Hungary and Croatia equals 31 028 km².

2.4.1.2. Priorities and areas of intervention in the IPA Hungary - Croatia CBC program

Before mentioning the priorities of the program, it is important to highlight the vision of the program, which is: “Successful cooperation region of Joint

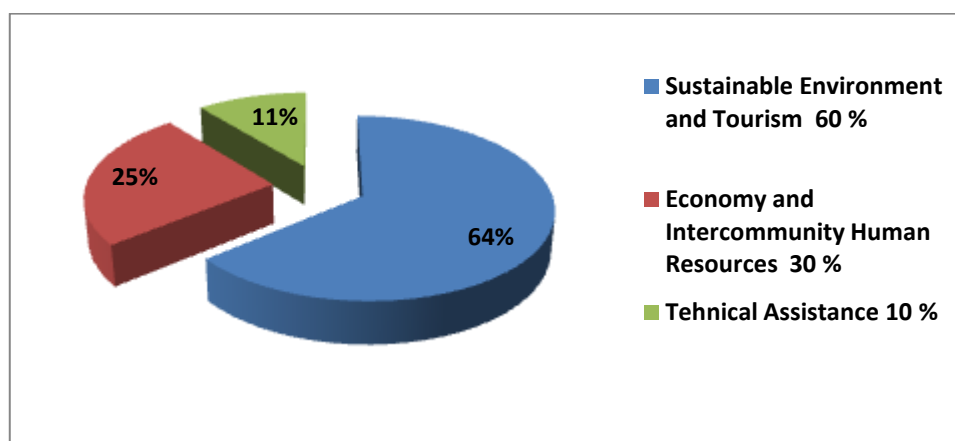
⁵⁷ Ibidem

⁵⁸ As explained in Article 97 of IPA Implementing Regulation, COMMISSION REGULATION (EC) No 718/2007 of 12 June 2007 (In duly justified cases, Community funding may finance expenditure incurred in implementing operations or parts of operations up to a limit of 20 % of the amount of the Community contribution to the cross-border program in NUTS level 3 regions or, in the absence of NUTS classification, equivalent areas, adjacent to the eligible areas for that program)

⁵⁹ NUTS III equivalent

Heritage”. The vision is very clear and ambitious. One of the slogans or the guiding line of the program is also “A cross border region where rivers connect, not divide.”⁶⁰ The long term overall objective of this program which is actually the mission of the program is “Culture and knowledge based development on the basis of successful management of natural and cultural heritage and intense socio-economic interactions. There are 3 priorities in IPA HUN-CRO (2007-2013) program. The Image 2 shows the funding per priorities.

Image 2: Funding per priorities in the Hungary-Croatia OP⁶¹



The first two priorities are divided into 2 areas of intervention which develop more specifically the scope and the description intended actions. The 3 priorities are the following:

1. Sustainable Environment And Tourism:

This priority has the aim of to foster environmental sustainability and safety in the border region. The Mura-Drava-Danube river region has the potential for ecotourism development. On the basis or rich natural and cultural heritage of the both regions, countries will have the opportunity to create a diverse tourist product which will mostly be focused on ecology and nature. All actions that will be taken within this priority have to emphasize the awareness of minimization of global climate change effects (be focused on reduction of greenhouse gas emission) which will have to be made evident through special and specific

⁶⁰ Online reference: <http://www.hu-hr-ipa.com/>, source used on 13th of May 2010.

⁶¹ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

indicators defined by beneficiaries.⁶² The environmental intervention will have to be closely related to cross-border ecological systems. Prevention and mitigation of the cross-border pollution and damage will be the areas which will be paramount.

The idea is that with the environmental intervention actions, the knowledge about eco-systems as well as their importance will be raised among people living in bordering areas. Special attention will be paid to projects and actions with focus on renewable energies, energy efficiency measures, sustainable and carbon proof transport development etc. There are 2 areas of intervention which are also called measures:

1.1. Area of intervention : Sustainable and attractive environment

The main aim of this area of intervention is to preserve the natural heritage of the border region. This is to be done by rehabilitation of the landscape, development of grounds for eco tourism, environmental planning activities etc.

1.2. Area of intervention: Sustainable tourism in the Mura-Drava-Danube river area

The aim is to develop different kinds of environmentally oriented tourism in the area. The projects should be focused on infrastructural development (such as bicycle roads, river ports, boat docks)

2. Co-operative Economy and Intercommunity Human Resource Development

The aim of this priority is to facilitate economic ties, cross-border employment opportunities, and business contacts in the region. The priority will also promote the establishment of cultural and educational connections, especially through promotion of bilingualism in the regions. Each border region has a significant minority living in the other country. In this priority there are 2 areas of intervention:

2.1. Area of intervention : Cooperative economy

Within this area, the main aim is to enhance economic cooperation, boost economic activities and improve the competitiveness of the region⁶³ The activities

⁶² Ibidem

⁶³ Hungary-Croatia IPA Cross-border Cooperation programme (Programming document for the programming period 2007-2013), CCI NUMBER : 2007 CB16 IPO 003

which will be supported are the ones which are focused on transfer of organizational knowledge. The aim is that SMEs learn from each other. Special attention will be given to cross-border business partner finding, labour market mobility promotion services, joint research, development and innovation.

2.2. Area of intervention: Intercommunity Human Resource Development

This area has the aim to enhance the interactions between citizens on both side of the borders in order to create long lasting synergetic effects. This will be done through people to people actions, joint training projects. Bilingualism will be promoted through organization of festivals and touristic events.

3. Technical assistance

As in every other operational program, technical assistance is included to ensure smooth and successful operation of the whole program.⁶⁴ This is done through preparation, management, implementation, monitoring, control and evaluation. Joint Technical Secretarial (JTS) is responsible for the PR of the whole program as well as for the increasing the overall quality of the funded projects.

2.4.1.3. Present and future calls for proposals within the program

The first call for proposals within this program was closed on the 24th of June 2009. 67 projects were submitted. Cross-border educational, training and exchange programs have been the areas which were mostly addressed in the received applications. These were followed by People to people connections, environmental planning activities and joint research, development and innovation. Out of 67 applications, 49 have been initiated by Hungarian lead beneficiaries. This shows that the Croatian side is still not enough experienced and beneficiaries tend to play the partner role. The next call has not been launched yet. It will be launched by the end of June 2010.

⁶⁴ That is why it will only be mentioned and not described anymore in the following Operational Programs.

2.4.2. IPA Operational program Slovenia – Croatia



The OP Slovenia-Croatia was jointly designed by Slovenian and Croatian authorities in order to solve problems which touch upon the bordering regions of two countries. In financial terms, this OP will combine two sources of financing, one being IPA –from the Croatian side, and one being ERDF – from the Slovenian side. For the first three years, the envisaged amount equaled 15.7 million €, by which EU co-financing rate equals 85%.⁶⁵

As already mentioned, Croatia and Slovenia have joint experience in the SLO-HU-CRO trilateral Neighborhood program (2004-2006). Apart from that, the two countries share experience from CARDS 2003 “Local development of border regions”, and PHARE program in Slovenia.

2.4.2.1. Eligible areas of IPA Slovenia-Croatia CBC OP

The eligible areas of the program on the Croatian side are The NUTS III level Counties of: Međimurje, Varaždin, Krapina-Zagorje, Zagreb, Karlovac, Primorje-Gorski Kotar, Istria and the adjacent region which is the city of Zagreb. On the Slovenian side the eligible regions are: Pomurska, Podravska, Savinjska, Spodnjeposavska, Jugovzhodna Slovenija, Notranjsko-kraška, Obalno-kraška and the adjacent region of Osrednjaslovenska. The Image 3 shows the Graphic overview of the eligible regions.

⁶⁵ IPA Operational Program Slovenia-Croatia 2007-2013.

Image 3: Eligible regions in the Slovenia –Croatia OP⁶⁶



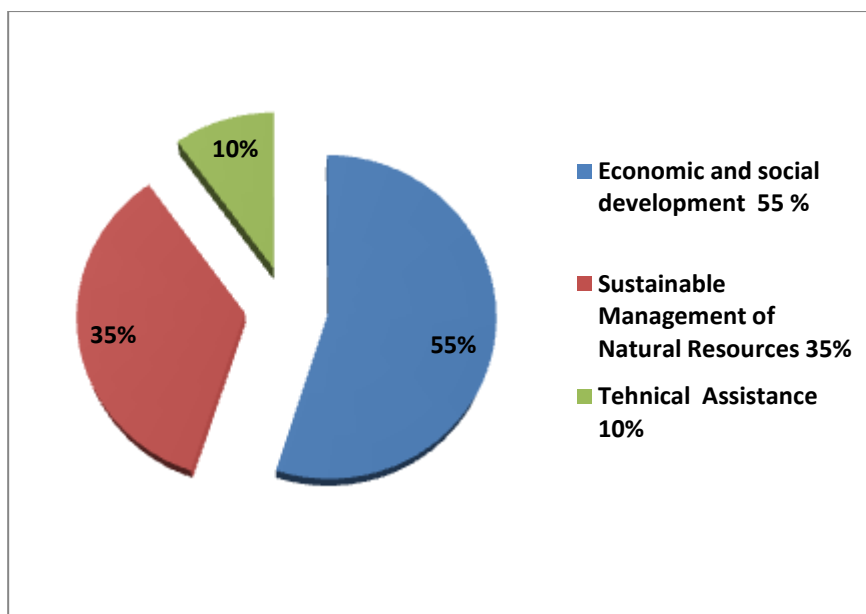
2.4.2.2. Priorities and measures

The vision of Slovenia-Croatia OP is: “To make Cross border area between Croatia and Slovenia highly competitive, and to create sustainable living conditions and wellbeing for inhabitants by exploiting development opportunities arising from joint cross border actions”.⁶⁷ To follow this vision, within the OP, 2 priorities have been developed (+ TA) whereas one of them has 2 and one 3 measures. The Image 4 shows the funding per priorities.

⁶⁶ http://www.si-hr.eu/images/uploads/OP%20IPA%20SI-HR%202007-2013_EN.pdf, source used on the 14th of May 2010.

⁶⁷ IPA Operational Program Slovenia-Croatia 2007-2013.

Image 4: Funding per priorities in Slovenia-Croatia OP⁶⁸



PRIORITY 1: Economic and social development

Under this priority the main focus is on support to entrepreneurship. The main strategic objectives are improvement of economic growth and competitiveness of SMEs by which the brain drain from border regions will be reduced. This priority comprises 3 measures:

1. *Tourism and rural development:* Aimed at creating cross-border tourist destinations which will be based on natural and cultural assets of the programming area. By connecting the tourism and agriculture products, cross-border destinations can become attractive destination for specific kind of tourists.
2. *Development of Entrepreneurship:* Aimed at SMEs support services, joint marketing and improving cooperation. Also focused on cooperation in the fields of education, research and development, transfer of know-how, creation of networks of employment services as a basic ground for further cooperation.⁶⁹

⁶⁸ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

⁶⁹ http://www.si-hr.eu/images/uploads/OP%20IPA%20SI-HR%202007-2013_EN.pdf, source used on the 15 th of May 2010.

3. *Social integration*: Aimed at rebuilding cultural and social ties in the bordering region through cooperation of civil and educational organizations. Strong support will be given to cultural exchanges and events, mobility of artists and cultural cooperation, cooperation between institutions (fire brigades, health and protection services etc.)

PRIORITY 2: Sustainable management of natural resources

The main focus of this priority is preservation of environment and safeguarding of natural resources and assets in the cross border area. Special attention will be given to conservation of biodiversity, improving quality of life through reduction of ecological risks, air pollution, waste and water management and reduction of soil, forest and other pollution. This priority has 2 measures:

1. *Environmental protection*: Based on richness of natural resources and aimed at raising awareness about environment of local population living in the bordering regions. The supported activities will be the ones focused on preparation of joint feasibility studies to improve and monitor air, water and waste management systems, identification and sanitation of uncontrolled waste disposal and development of measures for its prevention.
2. *Preservation of protected areas*: Due to rich water sources and high density of biodiversity, this measure is extremely important. The activities supported will be the ones focused on preparation of technical documentation for natural resource protection and sustainable development.

2.4.2.3. Present and future calls for proposals within the program

The first call for proposals was published on 20th of June 2008. 18 projects were selected are currently under implementation. Second call for proposals is currently under preparation and was published on 16th of April 2010 and will be opened until 30th of June 2010.

2.4.3. IPA Operational program ADRIATIC



From all 8 IPA CBC programs that Croatia is participating in, IPA Adriatic Program is the largest in financial terms. Its allocation for the first 3 years equals 90.5 million €. There are 8 participating Countries from the Adriatic area: 3 EU Member states (Italy, Slovenia, Greece), 1 candidate country (Croatia), 3 potential candidate countries (Albania, Bosnia & Herzegovina, Montenegro). Participation of Serbia is envisaged as phasing out, for joint projects in the area of institutional cooperation. Due to the size and complexity of the program, the preparation stage required long and very close cooperation and communication of all the countries involved.⁷⁰

In its nature, ADRIATIC program is a multilateral program, but it does not fall in to the category of transnational programs. Cooperation in the Adriatic region is important due to both economic and political reasons. This program opens possibilities for more intense relationships among Adriatic coastal regions, in order to support economic growth, sustainable development and long lasting unity of the people.

Regarding the CBC with the involved countries, Croatia gained experience through participation in the programs: Adriatic CBC Croatia – Italy, Transnational cooperation CADSES, CRO-HU-SLO program, and Pilot Grant scheme Croatia/Serbia/Bosnia & Herzegovina/Montenegro.

2.4.3.1. Eligible areas of IPA ADRIATIC CBC OP

The eligible areas will be presented by each country involved.

ITALY

Eligible areas in Italy are the NUTS III level equivalent provinces of Pescara, Teramo, Chieti (Abruzzo), Ferrara, Forlì-Cesena, Rimini, Ravenna (Emilia Romagna), Trieste, Gorizia, Udine (Friuli Venezia Giulia), Pesaro-Urbino, Ancona, Macerata, Ascoli Piceno (Marche), Campobasso (Molise),

⁷⁰ ADRIATIC Operational Programme 2007-2013

Foggia, Bari, Brindisi, Lecce (Puglia), Venezia, Rovigo, Padova (Veneto).⁷¹
Additional to these eligible regions, territorial derogation applies in Italy to the provinces of L'Aquila, Pordenone, Isernia and Taranto.⁷²

SLOVENIA

Slovenia's eligible region is the Obalno-kraška. In addition to that, Territorial derogation applies to the regions of Notranjsko-Kraška and Goriška.

GREECE

Eligible areas of Greece are the Prefectures of Kerkyra and Thesprotia.

CROATIA

Croatia's eligible regions are the NUTS III equivalent Counties of Dubrovnik-Neretva, Istra, Lika-Senj, Primorje-Gorski Kotar, Šibenik-Knin, Split-Dalmatia and Zadar. In Croatia's case, territorial derogation applies to the County of Karlovac.

BOSNIA & HERZEGOVINA

The eligible territory of B&H includes 3 cantons from the Federation of B&H and Southern part of Republika Srpska with 23 Municipalities of Bileća, Čapljina, Čitluk, Gacko, Grude, Jablanica, Konjic, Kupres, Livno, Ljubinje, Ljubuški, Mostar, Neum, Nevesinje, Posušje, Prozor/Rama, Ravno, Široki Brijeg, Stolac, Berkovići, Tomislavgrad, Trebinje and Istočni Mostar.

MONTENEGRO

Montenegro's eligible territory includes 10 Municipalities of : Bar, Budva, Cetinje, Danilovgrad, Herceg Novi, Kotor, Nikšić, Podgorica, Tivat and Ulcinj. Territorial derogations apply to Municipalities of Pljevlja, Bijelo polje, Berane, Rožaje, Plav, Andrijevica, Kolašin, Mojkovac, Šavnik, Žabljak and Plužine.

ALBANIA

Eligible areas of Albania is the 6 Prefectures: Fier, Durrës, Lezhë, Shkoder, Tirane and Vlore.

SERBIA

Even though Serbia was not territorially eligible for the ADRIATIC program due

⁷¹ IPA ADRIATIC CBC OP, p. 9

⁷² In accordance with article 97 of IPA Implementing Regulation Commission Regulation (EC) No 718/2007 of 12/06/2007

to lack of coastal area, she has been granted a phasing out participation until 2012. This will allow Serbia to participate in institutional cooperation with research institutes, cultural institutions and Universities.⁷³

The image 5 shows the whole geographical area of the eligible regions of all countries.

Image 5: Eligible regions within the IPA CBC ADRIATIC OP⁷⁴



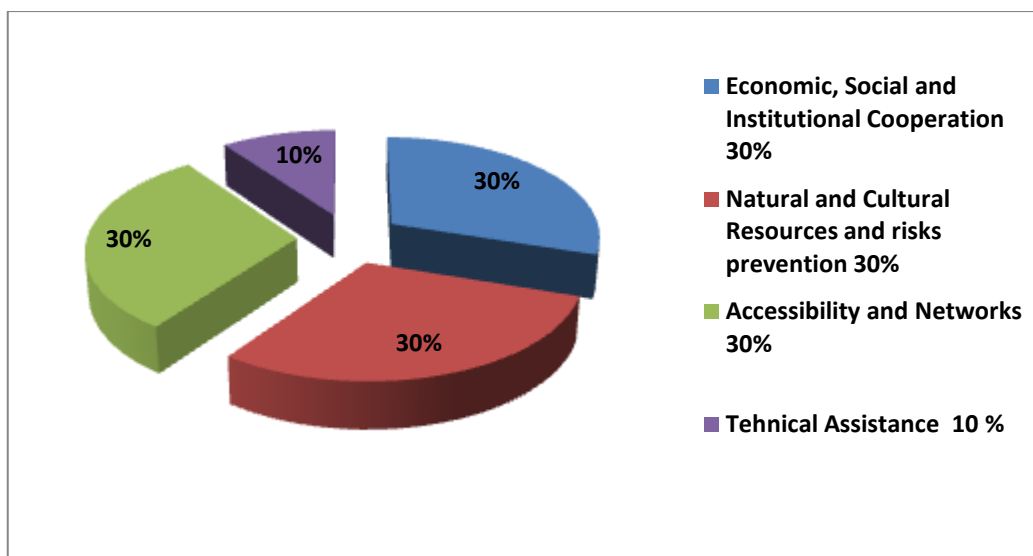
2.4.3.2. Priorities and Measures

IPA ADRIATIC program has 3 priorities (+ TA) whereas the first 2 priorities have been divided into 4 measures and the 3rd priority into 3 measures. The image 6 shows the funding per priorities.

⁷³ Online reference: <http://www.adriaticpacbc.org/index.asp?page=interna&level=documents>, source used on 15th of May 2010.

⁷⁴ IPA ADRIATIC CBC OP, p. 11

Image 6: Funding per priorities in IPA ADRIATIC OP⁷⁵



PRIORITY 1: Economic, Social & Institutional Cooperation

Priority focused on increasing the competitiveness of Adriatic area through economic, social and institutional cooperation. Strong support will be given to development of research and innovative capacity. This can be accomplished through joint public-private research activities. Priority 1 involves the following 4 measures:

1. Research and innovation:
2. Financial support for innovative SMEs
3. Social, labour and health networks
4. Institutional cooperation

PRIORITY 2: Natural and cultural Resources & Risk Prevention

Priority focused on promotion, improvement and protection of natural and cultural resources through joint management of joint and natural risks⁷⁶ The priority is made of the following 4 measures:

1. Protection and enhancement of the marine and coastal environment

⁷⁵ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

⁷⁶ <http://www.adriaticipacbc.org/index.asp?page=interna&level=documents>, source used on 16th of May 2010.

2. Natural and cultural resource management and prevention of natural and technological risks
3. Energy saving and Renewable Energy resources
4. Sustainable tourism

PRIORITY 3: Accessibility of networks

Priority focus on strengthening existing infrastructure networks as well as supporting their integration and promotion. Special attention will be given to activities focused on developing transportation, information and communication services. There are 3 measures by which the priority will be achieved:

1. Physical Infrastructure
2. Sustainable Mobility Systems
3. Communication Networks

2.4.3.3. Present and future calls for proposals

So Far IPA Adriatic OP had one call for proposals. On 12th of May, Joint Monitoring Committee approved projects according to Priorities. Within priority one, 58 projects were selected, out of which 4 were with Croatian lead applicant. Within priority 2, 55 projects were selected, out of which 4 with Croatian lead applicant. Under priority 3, 20 projects were financed, out of which 1 was with Croatian lead applicant. The second call for proposals is under preparation.

Concerning the financial allocation, priorities and the experience of eligible regions ADRIATIC program could be the biggest opportunity for Croatia.

2. 5. OPERATIONAL PROGRAMS WITH NON-MEMBER STATES

The Republic of Croatia shares borders with 3 countries that have the status of non member countries. Therefore there are 3 operational programs which were developed; with Serbia, Bosnia and Montenegro. The programs with Croatia and non – member states are also often called the IPA-IPA programs, because the funding for CBC comes from both sides from IPA, unlike from ERDF with the member states.

2.5.1. IPA Operational Program Croatia-Serbia



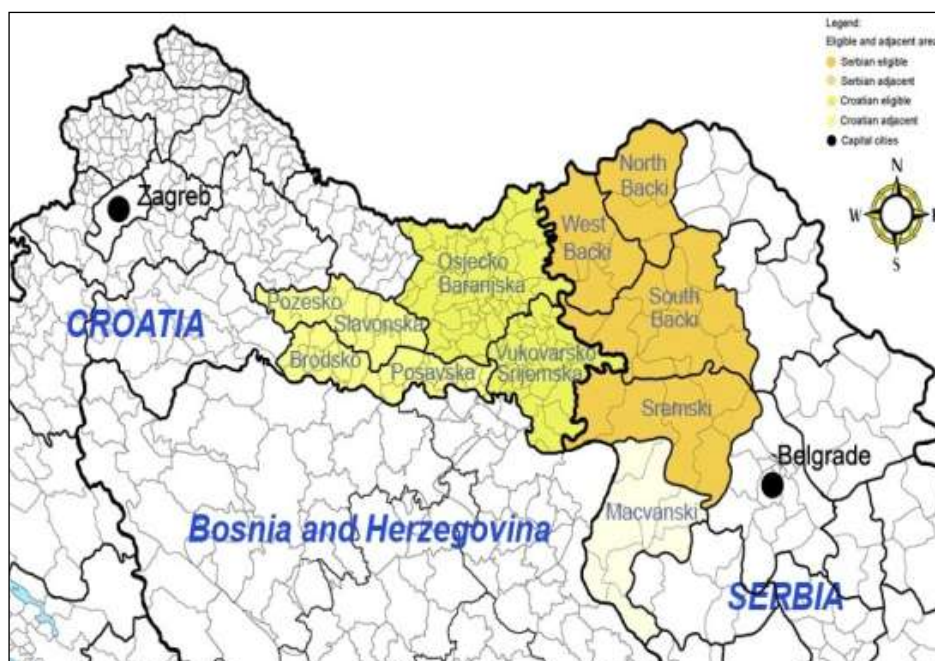
Serbia and Croatia jointly developed the program in order to tackle the problems which encompass both sides of the borders. The bordering regions of two countries have long history of ethnically diverse population, which is one of the most unique cases in Europe. The war which two countries led in the 90's had enormously deteriorated the relations with the two countries including cultural, social and economic links. In the first 3 years, IPA contribution for the program is 5.4 million €.

2.5.1.1. Eligible areas

The eligible area of the program includes NUTS III equivalent regions in both countries. On the Croatian side, the eligible counties are Osiječko-Baranjska and Vukovarsko-Srijemska County. The Counties of Požeško-Slavonska and Brodsko-Posavska are considered as adjacent regions. On the Serbian side, the eligible regions are the districts of West Bačka, North Bačka, and South Bačka. The adjacent is Mačvanski district. The Image 7 shows geographically the eligible regions.⁷⁷

⁷⁷ IPA Operational Program Croatia Serbia (2007 -2013)

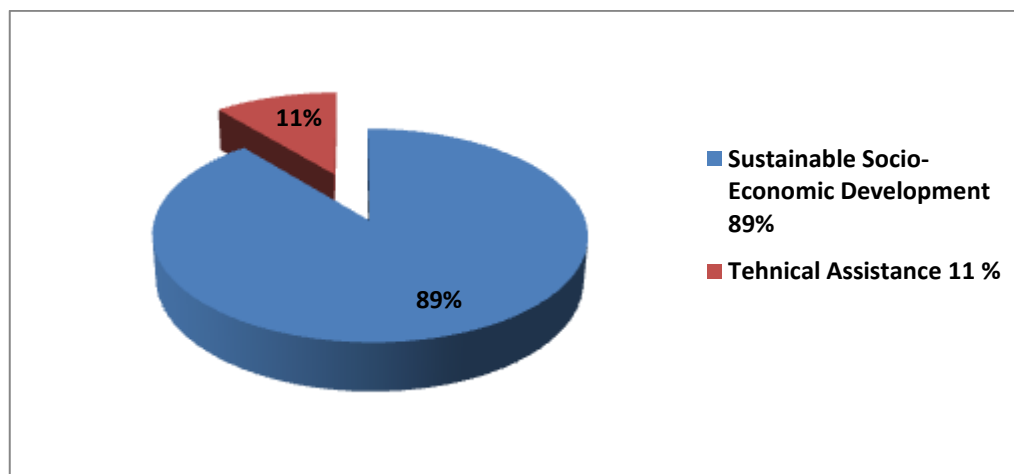
Image 7: The eligible areas of CBC OP Croatia-Serbia⁷⁸



2.5.1.2. Priorities and measures

Croatia-Serbia OP has actually only one priority (+ TA which is in this case 11 %) which comprises 3 measures. Image 8 shows the funding per priorities.

Image 8: Funding per priorities in CROATIA-SERBIA OP⁷⁹



⁷⁸ Online reference: http://www.croatia-serbia.com/index.php?option=com_content&view=article&id=43&Itemid=5&lang=en, source used on 15th of May 2010.

⁷⁹ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

PRIORITY 1: Sustainable Socio-Economic development

The priority is focused on improvement and diversification of the regional economy within the eligible area. This region is the one that needs more than any other good neighborhood relations which are still heavily under the influence of the war in the 90s. Since the CBC of these countries regarding the EU financial help has been very poor, the program will also be an opportunity to build capacity of local and regional level. There are 3 measures within the program:

1. Economic development

Measure which will encourage re-establishment of cross-border economic links, joint business advisory services and promote cooperation between the enterprises of the regions.

2. Environmental protection

In the eligible regions, biodiversity is an asset which has the utmost importance. The biodiverse sites contain large number of unique species with even an international significance. These comparative advantages can be a great opportunity for development of eco-tourism. Support will be given to cooperation of environmental protection organizations and preparation of management plans for eco-tourism sites.⁸⁰ This measure will also promote joint management for shared natural assets like Danube River, and joint waste management strategies for tackling cross-border pollution. Support will also be given to development of more effective systems of flood prevention and control.

3. People to people

As mentioned before, the consequences of war are very hard to overcome, and are carved in people's minds on both sides. That is the reason why this measure has vital importance in rebuilding trust and establishing good and positive, healthy relations between people. Therefore, this measure will support cooperation between local communities and organizations in actions focused on marginalized groups, support of women, and development of civil society. Actions which will be supported are the ones oriented on inter-ethnic cooperation, awareness raising and combating social exclusion. It is important to highlight that Croatia and Serbia actually don't have language barriers as it often is the case in

⁸⁰ IPA CBC OP Croatia-Serbia 2007-2013, p. 34

CBC. Not only the Serbs and Croats, but also former Yugoslavs like Bosnians and Montenegrins speak the same language with minor variations⁸¹. This is for sure one of the things that should make the CBC easier.

2.5.1.3. Present and future calls for proposals

By now the program had one call for proposals, which was opened in the last quarter of 2009 and closed on the 16th of October 2009. The project selection process is still under way and therefore no grants have been awarded yet.

2.5.2. IPA Operational Program Croatia - Montenegro



OP Croatia – Montenegro was developed by joint effort of both countries through a strategic planning process. In the period of the first 3 years, the amount of 2.7 million € has been allocated for the program. Both countries agreed that the program will be based on the vision of a joint cross-border area as a region for high quality of life and one of the most successful European tourist destinations due to its unique and preserved natural resources, cultural and historical heritage and high quality of services. The areas are also intended to become a region in which socio-economic partners are empowered to achieve and manage the optimal development potential of the area.⁸²

Montenegro is very often seen as a country which has very much progressed during the 5 years in the way of European integrations, and in comparison to the other western Balkan states, made significant steps forward. Many experts even envisage that Montenegro could become the next EU member state after Croatia, although it still does not have the candidate country status.

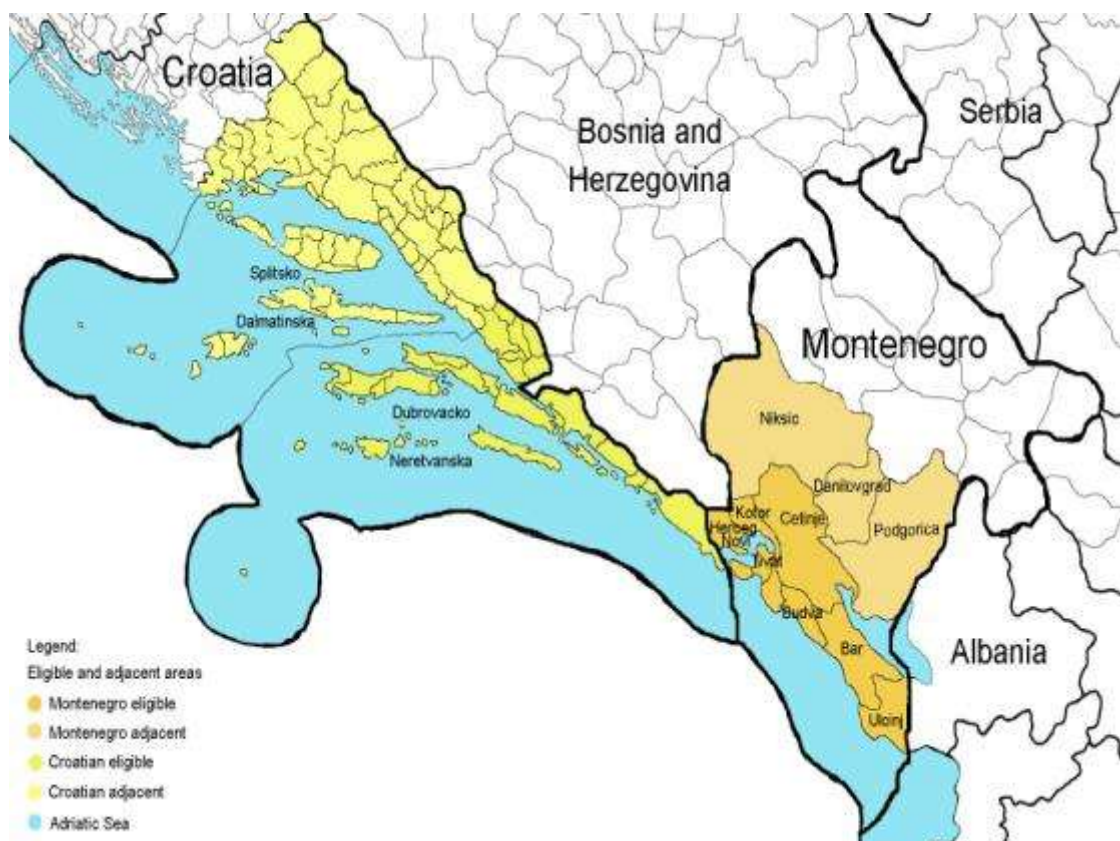
⁸¹ „Former Yugoslavia patches itself together - Entering the Yugosphere“ - The Economist, August 22nd 2009., p. 23

⁸² IPA OP Croatia-Montenegro 2007-2013, p. 11

2.5.2.1. Eligible Areas

The eligible area is actually very small in both countries, because the countries share a border on the very south of Croatia. In Croatia, there is only one County which is eligible, and one County which has the status of the adjacent region. The eligible region, is the County of Dubrovnik-Neretva. The adjacent region is the County of Split-Dalmatia. The eligible areas on the side of Montenegro are the 7 Municipalities + 3 Municipalities which are considered as adjacent region. The eligible municipalities are: Herceg Novi, Kotor, Tivat, Budva, Bar, Ulcinj and Cetinje. The adjacent regions are the Municipalities of Podgorica, Nikšić and Danilovgrad. The image 9 shows geographically the eligible regions.

Image 9: Eligible areas of IPA CBC OP Croatia-Montenegro⁸³

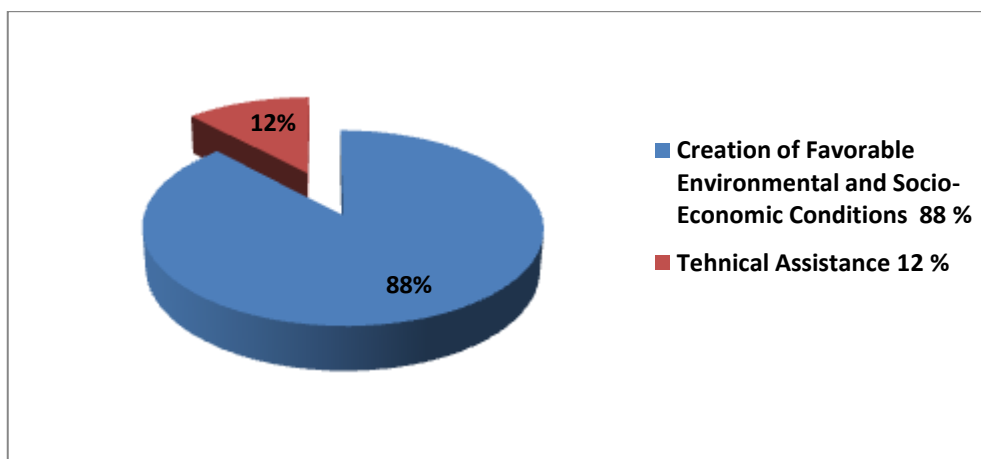


⁸³ Ibidem, p. 12

2.5.2.2. Priorities and measures

Croatia-Montenegro OP consists of only one priority (+ TA, which is in this case 12%). The image 10 shows the planned funding per priorities in percentage.

Image 10: Funding per priorities in Croatia-Montenegro OP⁸⁴



PRIORITY 1: Creation of favorable Environmental and Socio-Economic conditions

The priority is focused on establishment of cooperation between organizations which are active in environmental protection, but also cultural organizations aimed at heritage protection. This is to be done through awareness raising and transfer of know how. Support will be given to actions focused on creation of recognizable tourist products. One of the aims is to re-establish social connections which have also been as in the case of Serbia broken or deteriorated. The priority comprises 3 measures:⁸⁵

1. Joint actions for Environment, Nature and Cultural Heritage protection

Within this measure, concerning the specificity of the region, the following actions will be supported: improvement of the monitoring and reporting on the state of marine and coastal eco-systems, reduction and control of cross-border pollution, improvement of fire-protection systems and joint intervention systems in ecological prevention of ecological threats, both on land and sea.

⁸⁴ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

⁸⁵ IPA OP Croatia-Montenegro 2007-2013, p. 31

2. Joint Tourism and Cultural Space

This measure will support actions focused on diversification of the tourist offer in the region, prolongation of tourist season, and incorporation authentic local products, tradition and culture into a touristic product. Actions which will be supported are the ones aimed at: establishment of cross-border clusters in tourism, certification of local products, joint marketing initiatives and similar activities.

3. Small cross-border community development programs

The aim of this measure is to improve cooperation between civil society organizations by supporting people to people actions in different areas. Particular support will be given to actions with focus on marginalized groups and NGOs dealing with local democracy and development of civil society.

2.5.2.3. Present and future calls for proposals

Until now, the program had one open call for proposal, which was opened in October 2009 and closed on November 18th 2009. The project evaluation process is still under way. The second call for proposals is already in preparation and partner search forums are currently being organized in order to establish direct communication between future partners/applicants.⁸⁶

2.5.3. IPA Operational Program Croatia – Bosnia and Herzegovina



The OP Croatia –Bosnia and Herzegovina was jointly developed by Croatian and B&H authorities. The programming area of this program is very vast, spreading along the whole south-east border of Croatia. All together it extends to almost over 1000 km. Bosnia & Herzegovina was heavily ruined during the war and ties with Croatia have been heavily deteriorated. Even in the

⁸⁶ Online reference <http://www.cbccro-mne.org/en/home.html>, source used on 17th of May 2010.

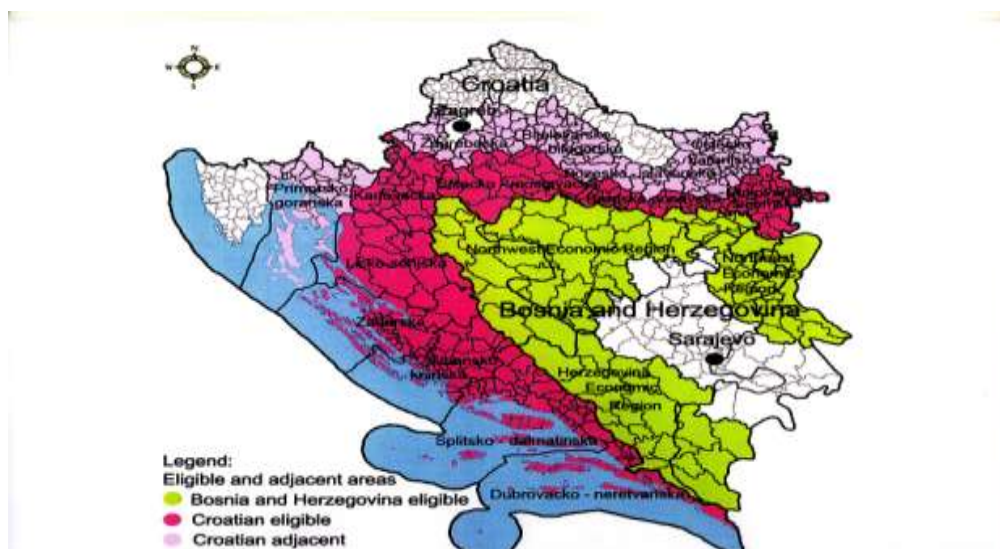
aftermath of war and in the next ten years, relations with the countries have not been ameliorated. Therefore this program tries to amend the situation through CBC of bordering regions by putting the socio-economic and environmental issues as areas of cooperation. In the period of first 3 years, IPA contribution equals 6 million €. ⁸⁷

2.5.3.1. Eligible area

The eligible areas in the Republic of Croatia are 9 Counties (+ 5 Counties designated as adjacent regions). The Eligible areas on the Croatian side are the Counties of: Vukovarsko-Srijemska, Brodsko-Posavska, Sisačko-Moslavačka, Karlovačka, Ličko-Senjska, Zadarska, Šibensko-Kninska, Splitsko-Dalmatinska and Dubrovačko-Neretvanska. The adjacent regions are the Counties of: Osiječko-Baranjska, Požeško-Slavonska, Zagrebačka (with excluding of the city of Zagreb), Bjelovarsko-Bilogorska and Primorsko-Goranska.

On the territory of Bosnia and Herzegovina there are 95 municipalities that are eligible, but can be classified in 3 economic regions equivalent to NUTS III (Northwest economic region, Northeast economic region and Herzegovina economic region). Image 11 geographically shows the eligible area of the program.

Image 11: Eligible areas of IPA CBC OP Croatia-Bosnia and Herzegovina ⁸⁸



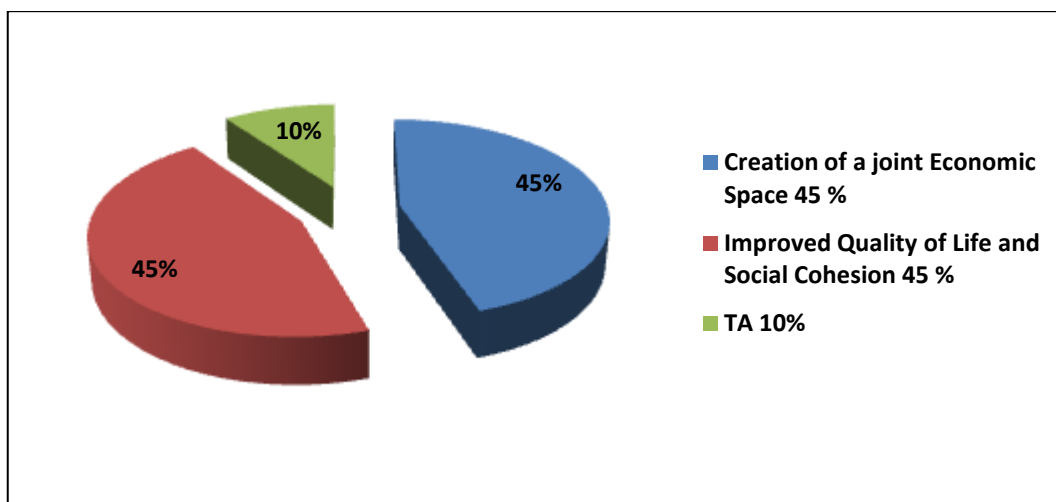
⁸⁷ IPA CBC OP Croatia-Bosnia and Herzegovina 2007-2013, p. 5

⁸⁸ IPA CBC OP Croatia-Bosnia and Herzegovina , Annex 4, p. 69

2.5.3.2. Priorities and measures

The program consists of 2 priorities (+ TA), whereas each priority consists of 2 measures. Image 12 shows the how the priorities are split in accordance to percentage of funding.

Image 12: Funding per priorities in Croatia – Bosnia and Herzegovina OP⁸⁹



PRIORITY 1: Creation of Joint Economic Space

Although the eligible area is very big and diverse, because it spreads to more than 50 % of both countries, the problems which both regions are facing are similar. Economic activities in the region are suffering due to decline of population and dependence on agricultural and SME sector which are not enough developed due to either lack of access to credit or lack of expertise.⁹⁰ Therefore, this priority aims to contribute to the integration of economy of the bordering regions and encouraging cooperation in the areas of tourism, support to SMEs and entrepreneurship promotion by setting new companies. There are two measures through which this priority will be accomplished:

1. Development of joint tourist offers

This measure will encourage the diversification and improvement of tourist offers in the regions by incorporating local culture, heritage as well as environment into a unique tourist product. Actions which are focused on capacity

⁸⁹ Data taken and adjusted from official promotional material issued within the project „CBIB – Cross Border Institution Building, CARDS Regional Service Contract 2006/120966“

⁹⁰ Ibidem , p. 30

building for tourism offer and trainings for people working in tourism will also be supported. Development of new tourist products such as wellness paths, hiking and trekking paths, cycling trails and all sorts of innovative tourism offers will be supported.

2. Promotion of Entrepreneurship

This measure is aimed at strengthening the cooperation and connections between Croatian and Bosnian enterprises. It also aims at stronger involvement of regional development agencies and business support organizations in SME development. The support will be given to business to business activities, developing networks and clusters, joint marketing promotion for companies on foreign markets, development of business incubators etc.

PRIORITY 2: Improved quality of life and Social Cohesion

This priority is mainly a response to the social problems the people are facing in the eligible regions. It is aimed to enhancement of the quality of life in the bordering regions and increasing social cohesion among people. Priority has 2 measures:

1. Environmental protection

Measure aimed at preservation of natural diversity of the bordering regions. Promotion of renewable energies and sustainable use of natural resources are the areas in which the actions will be supported. This measure will also support preparation of documentation and studies for environmental impacts of human activities, documentation for water supply and waste water systems which have cross-border impacts.

2. Improved accessibility to community based services

This measure will support actions based on people to people principle and needs of municipalities and local communities in fields of education, labour, social and health care, culture and sports.⁹¹ The measure will also support action like joint youth initiatives and networks, easier access to education and health services.

⁹¹ IPA CBC OP Croatia-Bosnia and Herzegovina, p. 37

2.5.3.3. Present and future calls for proposals

Until now the program had one opened call for proposals which was launched on 17th of July 2009 and closed on 16th of October 2009. The second call is under preparation.⁹² JTS of the program also held a lot of trainings and events for potential applicants in the eligible area to prepare them better for the future call for proposals. It is undoubtedly that the program is a big opportunity for both Countries, but concerning the experience and small financial allocations, the impact could be very weak. Nevertheless, the experience which the beneficiaries will get will be a valuable asset for future programs.

2. 6. TRANSNATIONAL PROGRAMS

Transnational programs that Croatia will take part in the programming period 2007-2013 are: Southeast Europe (SEE) and Mediterranean (MED). The establishment and development of transnational cooperation is a part of European Territorial Cooperation objective of the EU. Transnational programs therefore developed in order to encourage a sustainable and balanced development of European territory.⁹³

The fact that European Territorial Cooperation objective has become one of the objectives in the new framework of Cohesion policy shows its importance for the EU. Territorial cooperation has equal level as the other 2 objectives , “Convergence”, and “Regional Competitiveness and employment”. Transnational cooperation aims are in line with the Lisbon agenda and they focus on : Innovation, Environment, Accessibility and Sustainable Urban Development. There are all together 13 transnational programs in the period 2007-2013; Northern Periphery, Baltic Sea, North West Europe, North Sea, Atlantic Coast, Alpine Space, Central Europe, South West Europe, Mediterranean, South East Europe, Caribbean Sea, Acores-Madeira-Canarias (Macronesia), Indian Ocean Area.

⁹² Online reference: <http://www.cbc-cro-bih.net/>, source used on 20th of May 2010.

⁹³ http://www.cbib-eu.org/en/programmes/transnational_and_with_MS/index.html, source used on 19th May 2010.

2.6.1. Transnational Program South East Europe



OP South East Europe aims to develop transnational partnerships between the countries with bringing them closer together and providing opportunities for closer cooperation in various areas. The program was created in order to improve the territorial, economic and social integration process and to contribute to stability and competitiveness of the whole region of SEE.⁹⁴ The program will aim to promote regional cooperation between all the countries, because cooperation is essential and not depending on the level of integration of a specific country. EU has recognized the importance of the region of SEE, and concerning the recent past of the 90s, security, stability and prosperity of the region are of utmost importance for the EU. The Program is a way of continuation of the INTERREG III B CADSES Program, which Croatia was also a part of.⁹⁵

The program will function on a principle that each project has to develop partnership whereas each partnership has to involve partners from at least 3 participating countries, of which at least one shall be an EU member state. ERDF will be the main source of funding for SEE OP, with a total available budget of 206,7 million € for the period of 2007-2013. With national funds which will be supplemented, the amount will finally equal 245, 1 million €.⁹⁶

2.6.1.1. Eligible areas

SEE OP is one of the most diverse and complex transnational programs. It comprises 16 countries which all together have a population of almost 200 million peoples. The program area is very big, comprising Member states, candidate countries and potential candidate countries and third countries. The table 4 shows the eligible areas of the Program.

⁹⁴ Online reference: http://www.southeast-europe.net/en/about_see/programme_presentation/, source used on 19th May 2010.

⁹⁵ Operational Program SEE 2007-2013, Transnational Co-operation Program for a European area in transition on the way to integration, p. 10

⁹⁶ Ibidem, p. 8

Table 4: Eligible areas of the SEE OP⁹⁷

<i>Country</i>	<i>Area</i>
<i>Albania</i>	<i>Whole territory</i>
<i>Austria</i>	<i>Whole territory</i>
<i>Bosnia-Herzegovina</i>	<i>Whole territory</i>
<i>Bulgaria</i>	<i>Whole territory</i>
<i>Croatia</i>	<i>Whole territory</i>
<i>The Former Yugoslav Republic of Macedonia</i>	<i>Whole territory</i>
<i>Greece</i>	<i>Whole territory</i>
<i>Hungary</i>	<i>Whole territory</i>
<i>Italy</i>	<i>Lombardia, Prov. Autonoma Bolzano/Bozen, Prov. Autonoma Trento, Veneto, Friuli-Venezia-Giulia, Emilia Romagna, Umbria, Marche, Abruzzo, Molise, Puglia Basilicata</i>
<i>The Republic of Moldova</i>	<i>Whole territory</i>
<i>Montenegro</i>	<i>Whole territory</i>
<i>Romania</i>	<i>Whole territory</i>
<i>Serbia</i>	<i>Whole territory</i>
<i>Slovakia</i>	<i>Whole territory</i>
<i>Slovenia</i>	<i>Whole territory</i>
<i>Ukraine</i>	<i>Chernivetska Oblast, Ivano-Frankivska Oblast, Zakarpatska Oblast, Odessa Oblast</i>

The image 13 shows the geographical eligible area of the OP SEE. The image shows that the program comprises the whole area of western Balkans as well as neighboring Countries.

⁹⁷ Data taken and adjusted from SEE OP 2007-2013, p. 6

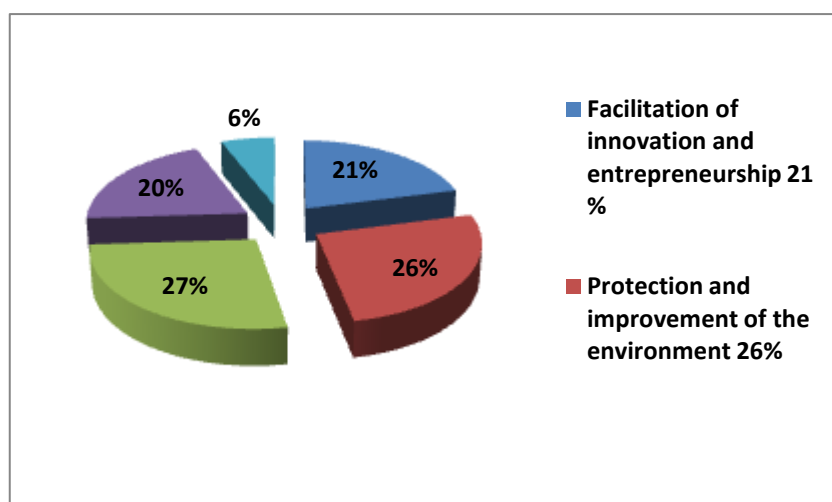
Image 13: Geographical overview of eligible areas in SEE OP⁹⁸



2.6.1.2. Priorities and Measures

The Program includes 4 priorities (+ TA) which are divided into 13 measures i.e. areas of intervention. Concerning the large geographical area that it covers and big number of diverse countries, the priorities and measures are also diverse. Image 14 shows funding per priorities as it is envisaged in the Program.⁹⁹

Image 14: Funding per priorities in SEE OP¹⁰⁰



⁹⁸ SEE OP 2007-2013, Apenndix D, p. 188

⁹⁹ Ibidem, p. 89

¹⁰⁰ The Graphic developed according to data from OP SEE, P. 56 (Financial allocation of priority axes - Table 4)

PRIORITY 1: Facilitation of innovation and entrepreneurship

This priority is aimed to contribute to the development of the region of SEE as a future place for innovation. This is to be done through facilitation of innovation, entrepreneurship and the knowledge economy. Priority will aim to enhance integration and economic cooperation in the area. The priority has 3 measures:

1. Develop technology and innovation networks into specific fields
2. Develop the enabling environment for innovative entrepreneurship
3. Enhance the framework conditions and pave the way for innovation

PRIORITY 2: Protection and improvement of environment

Priority aims to contribute to better environmental conditions and management of protected natural areas and preventing of future natural threats to the region. This needs to be done through joint trans-national actions. The actions that will be supported are the ones oriented on flood prevention, environmental risks, management of natural resources and energy efficiency, common civil protection systems, developing networks for green industries etc.¹⁰¹ The priority includes 4 measures:

1. Improve integrated water management and transnational flood risk prevention
2. Improve prevention of environmental risks
3. Promote cooperation in management of natural assests and protected areas
4. Promote energy and resource efficiency

PRIORITY 3: Improvement of the accessibility

This priority aims at improvement of connections of local and regional actors to the European Networks which include inland road, rail and sea transport. Apart from physical infrastructure, access to information society is also area in which actions will be supported. Priority consists of 3 measures:

1. Improvement of coordination in promoting, planning and operation for primary and secondary transportation networks
2. Development of strategies to tackle the digital divide

¹⁰¹ Online reference:

http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=HR&gv_reg=ALL&gv_PGM=1323&LAN=7&gv_per=2&gv_defL=7, source used on 19th May 2010.

3. Improvement of framework conditions for multi-modal platforms

PRIORITY 4: Development of transnational synergies for sustainable growth areas

Priority is focused on tackling the regional disparities in the area in order to develop a polycentric type of development. It will support action oriented on developing cooperation in the field of public services, urban renewal, plans for restructuring former military camps, better management of archeological sites etc. priority consist of 3 measures:

1. Tackle crucial problems affection metropolitan areas and regional systems of settlements
2. Promote a balanced pattern of attractive and accessible growth areas
3. Promote the use of cultural values for development

2.6.1.3. Present and future calls for proposals

Until now, the program had 2 open calls for proposals. In the first call, 42 projects were selected on 11th March 2009. and are currently under implementation. The second call was closed in December 2009. .The selection process is still under way and the list of selected projects should soon be available. Croatia's participation in SEE will be a valuable experience for obtaining skills of the beneficiaries in the framework of implementing provisions of transnational programs. In a way it is the first step of Croatia's wider EU integration.

2.6.2. Transnational Program Mediterranean (MED)



Program MED is aimed at strengthening region's economy and ensure growth and employment. It also aims to improve region's environmental protection, especially with action oriented on protection of natural resources and preservation of heritage, reducing maritime risks and improving safety in the Mediterranean Sea. Program will support actions which improve accessibility to

the sea and local ports.¹⁰² The specificity of the program is that it comprises European regions, but at the same time it is influenced by its openness of the Mediterranean Sea. The global estimated budget equals 256 millions €, with EU contribution of 191 million €. The participation from ERDF from each member state varies. In the case of France, UK, Greece, Portugal, Spain and Italy, it equals 75%. In the case of Cyprus, Malta and Slovenia, it equals 85%.¹⁰³

2.6.2.1. Eligible areas

Program involves areas of 9 countries + IPA Mediterranean Countries. The eligible regions¹⁰⁴ of the program by countries are :

Cyprus – whole territory,

France – 4 regions (Corse, Languedoc-Roussillon, Provence Alpes Côte d’Azur, Rhône-Alpes)

Greece – whole territory,

Italy – 18 regions (Abruzzo, Apulia, Basilicata, Calabria, Campania, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Liguria, Lombardy, Marche, Molise, Umbria, Piedmonte, Sardinia, Sicily, Tuscany, Veneto)

Malta – whole territory

Portugal – 2 regions (Algarve, Alentejo)

Slovenia- whole territory

Spain- 6 autonomous regions and the two autonomous cities – Andalusia, Aragon, Catalonia, Balearic islands, Murcia, Valencia, Ceuta and Melilla

United Kingdom – 1 region of economic programming

Mediterranean candidate and potential candidate countries, if interested will participate with IPA funding. Croatia and Montenegro gave positive answer. Other countries can still participate and can join the program later. Their participation and the modalities will be decided jointly by the European Commission and the Monitoring Committee.¹⁰⁵ Image 15 shows the geographical overview of the program.

¹⁰² Online reference:

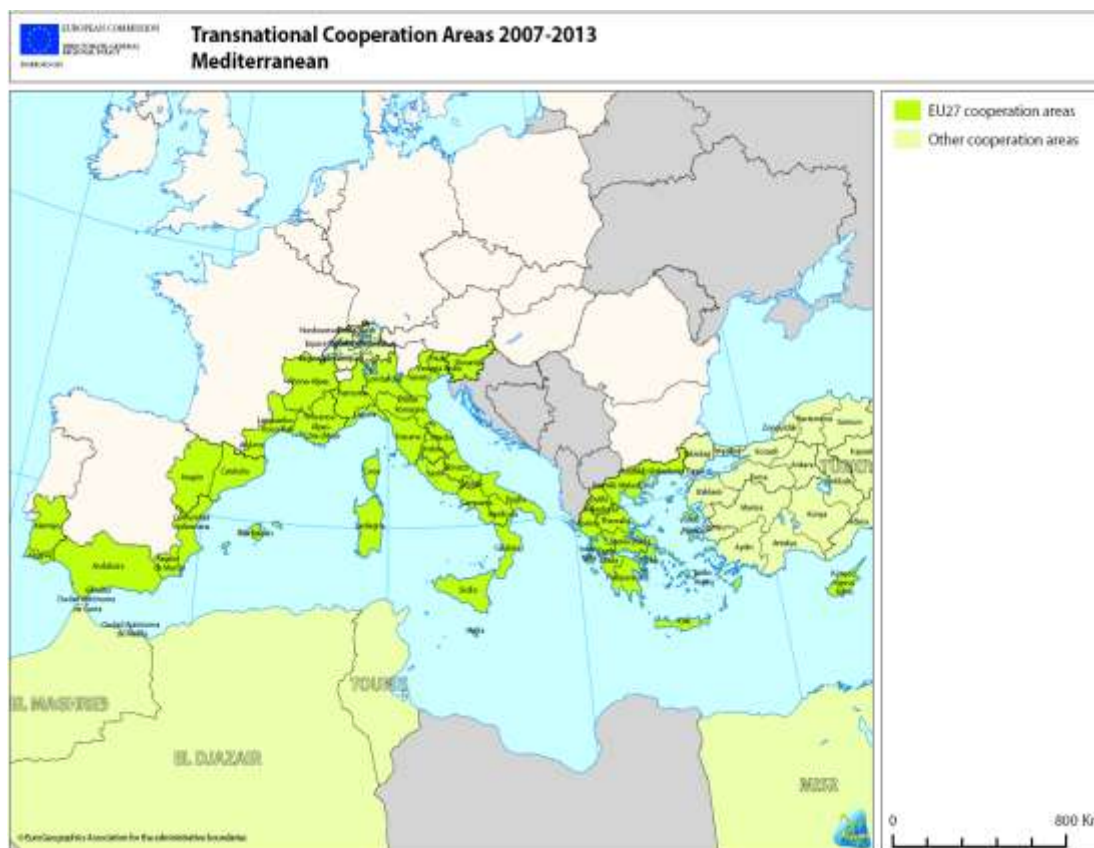
http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=FR&gv_reg=ALL&gv_PGM=1298&LAN=7&gv_per=2&gv_defL=7, source used on 19th May 2010.

¹⁰³ MED Operational Program 2007-2013, p.68

¹⁰⁴ Equivalent to NUTS II

¹⁰⁵ MED OP 2007-2013, p. 3

Image 15: Geographical overview of eligible areas in MED OP¹⁰⁶



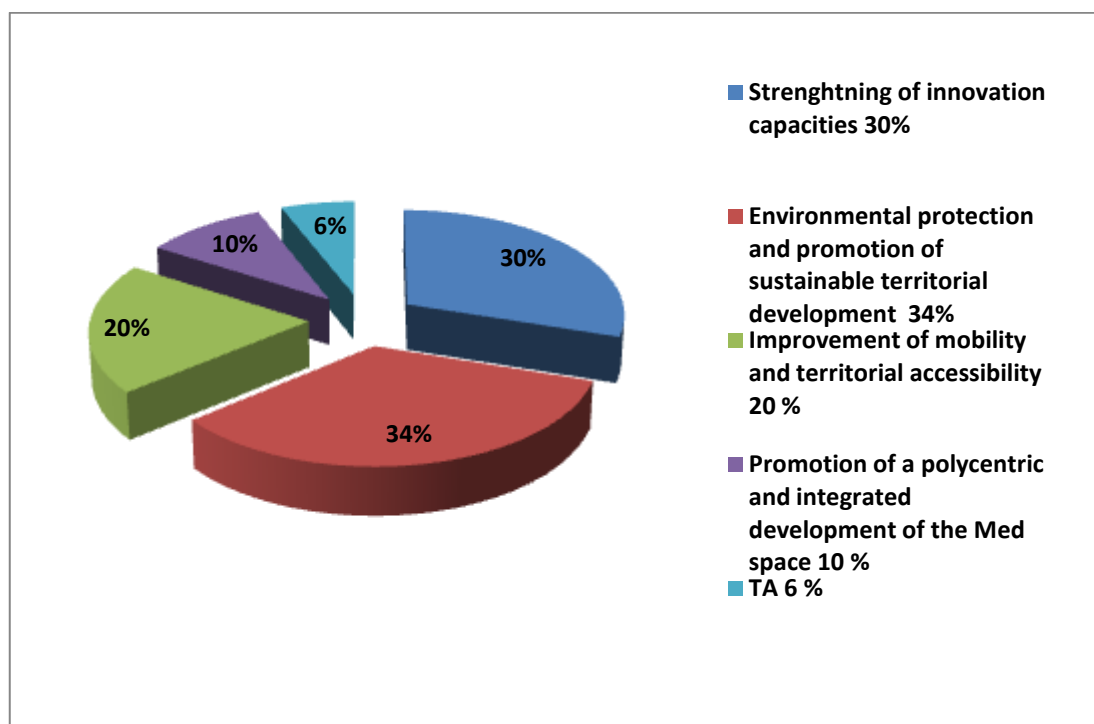
2.6.2.2. Priorities and measures

The program consists of 4 priorities (+ TA) which are all together divided into 10 measures.¹⁰⁷ Image 16 shows funding per priorities in percentages:

¹⁰⁶ Ibidem, p. 5

¹⁰⁷ Ibidem, p. 56

Image 16: Funding per priorities in MED OP¹⁰⁸



PRIORITY 1: Strengthening innovation capacities

Priority focused on increasing the competitiveness of the region through strengthening technological, economic and organizational potential. The priority aims to contribute to development and growth of the region in the years to come.

Priority encompasses 2 measures:

1. Dissemination of innovative technologies and know-how
2. Strengthening strategic cooperation between economic development actors and public authorities

¹⁰⁸ The Graphic developed according to data from OP MED 2007-2013, p. 70

PRIORITY 2: Environmental Protection and promotion of a sustainable territorial development

The Mediterranean area is subject to all kinds of natural risks like pollution, urbanization, over fishing, seism, tsunami etc. That is why this priority promotes cooperation of bodies in charge of sustainable development in order to ensure responsible management, preservation and valorization of natural resources and heritage. The priority has 4 measures:

1. Protection and enhancement of natural resources and heritage
2. Promotion of renewable energies and improvement of energy efficiency
3. Maritime risks prevention and strengthening maritime safety
4. Prevention and fight against natural risks

PRIORITY 3: Improvement of mobility and territorial accessibility

Priority aims to confront accessibility and connection problems of the area by intervening on the organization of transport means. Priority also aims at improvement of the performance of transport links by using as much as possible new technologies which will facilitate organization and contribute to opening-up of the isolated areas. Program has 2 measures:

1. Improvement of maritime accessibility and of transit capacities through multimodality and intermodality
2. Support to the use of information technologies for a better accessibility and territorial cooperation

PRIORITY 4: Promotion of polycentric and integrated development of the MED space

Priority aims to strengthen cooperation networks of urban centers and rural areas and to improve multilevel governance systems on main cooperation issues.¹⁰⁹ With this, priority will contribute to territorial competitiveness and decreasing the widening of territorial disparities. Priority has 2 measures:

1. Coordination of development policies and improvement of territorial governance

¹⁰⁹ MED OP 2007-2013., p. 68.

2. Strengthening of identity and enhancement of cultural resources for a better integration of the MED space

2.6.2.3. Present and future calls for proposals

Within the first call for proposals which was launched in March 2008, 50 projects were selected. The projects are currently being implemented. The 2nd call for proposals is under preparation. Concerning the priorities of MED OP, Croatia could significantly improve its lack of environmental oriented projects which are crucial for the sustainable development of tourism in the coastal area.

2. 7. COMPARATIVE ANALYSIS OF THE 8 PROGRAMS

The idea of the comparative analysis will be done in 3 ways: Programs with MS to programs with NMS, MS to Transnational and NMS to Transnational. The goal of the comparison of the programs is to find the main differences of the programs according to common indicators in order to give ideas for their improvement and more efficient management in Croatia.

2.7.1. MS Programs to NMS Programs

The MS Programs are Adriatic, and programs with Slovenia and Hungary. The NMS programs are programs with Serbia, Bosnia and Herzegovina and Montenegro. The table 5 will show the indicators upon which the programs will be compared and analyzed.

Table 5: Comparison of MSP with NMSP

Programs with NMS		Programs with MS	
Financial provisions	➤ Advanced payment 80 %	➤	Reimbursement of costs
Strategy and objectives	➤ Simple, with small number of proprieties	➤	Complex with large number of priorities
Implementing provisions and structures	➤ Separate contracting authorities	➤	Single set of management structures

- | | |
|--|---|
| ➤ Separate grant contracts for one project- for each partner within one partnership | ➤ Single contract signed between Managing Authority and Lead Beneficiary |
|--|---|

As the table shows, the NMS and MS programs in which Croatia is taking part differ in a number of indicators. In the financing plan it is visible that programs completely differ. IPA financing management on project level functions on principle of advanced payment which beneficiaries get transferred to the account upon signature with the Contracting authority. In MS programs, payment is made upon approval of progress or final report, which means that the beneficiary has to spend its own financial resources which are reimbursed upon approval of the report. This requires high financial liquidity from beneficiary and project partners due to the timeframe and reimbursement of costs which is done afterwards. This poses problems for some of the potential beneficiaries in Croatia.

In the programs with NMS, the number of priority is usually one or two, with also small number of measures. In the programs with MS, the priorities are more developed, more specific. That can be seen very clearly in the Adriatic OP, which has a large number of measures.

The implementation of the projects is a crucial stage and therefore the implementing provisions need to be very well organized in order to ensure the smoothness of project implementation. The implementing provisions differ greatly with MSP and NMSP. In MSP, The countries participating in a cross-border program appoint a single managing authority, a single certifying authority and a single audit authority, which are all located in one of the Member States participating in the cross-border program. The certifying authority shall receive the payments made by the Commission and, as a general rule, shall make the payments to the lead beneficiary.¹¹⁰ The implementation management with MS is

¹¹⁰ IPA Implementing Regulation, COMMISSION REGULATION (EC) No 718/2007 of 12 June 2007, Article 102

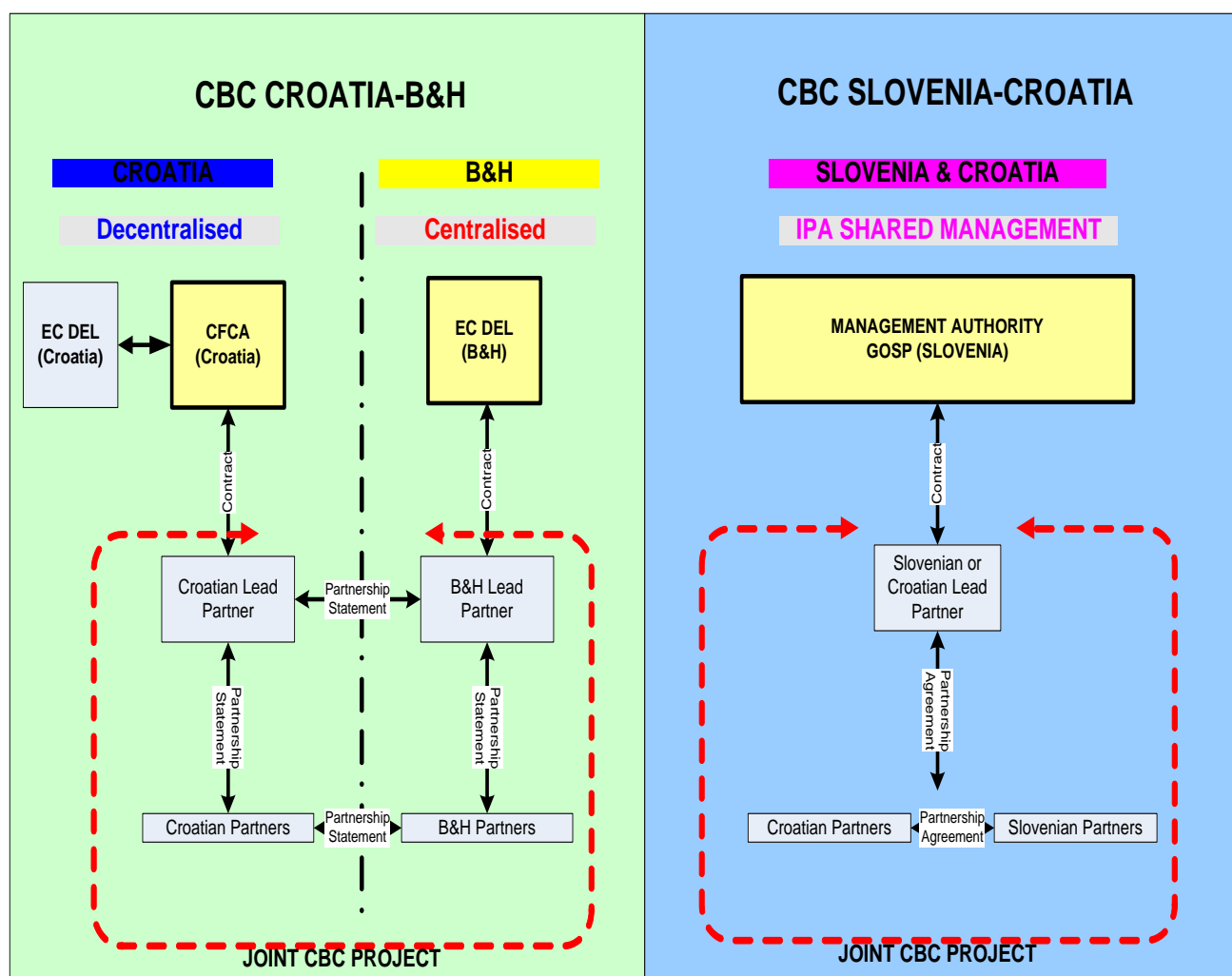
therefore called IPA shared management. In the case of NMSP, each country has to establish an operating structure which incorporates Managing authority and certifying authority.¹¹¹

That means that in the case of NMSP, there are two different separate Contracting Authorities. Moreover, the management system differs from Croatia and other NMS, whereas Croatia has decentralized implementation management, and other NMS have centralized management. In the current system in Croatia the role of Contracting Authority is designated to the Central Financing and Contracting Agency which will in the future be taken over by Agency for Regional Development of Croatia. In the case of NMS, the role of contracting authority is designated to the Delegation of the European Union to the respective country. The image 17 shows the diagram where the differences can be clearly seen on the OP structures of Bosnia as NMS and Slovenia as MS. The similarities of the implementing structures in NMS and MS is the existence of JTS¹¹² and JMC as the managerial and decision making bodies. JTS also has so called antennas or contact points that are set in the partner country.

¹¹¹ As it is defined in Regulation (EC) No 718/2007, Art. 139

¹¹² As it is defined in the Regulation (EC) No 1080/2006, Art. 14

Image 17: Differences between implementation systems between NMS and MS Programs on the example of Bosnia and Slovenia¹¹³



In the example of Bosnia it is seen that Croatia operates in the decentralized management, meaning that the EU delegation does only ex-post check-ups and Croatian institutions are capable of managing and implementing funds, while in Bosnia, EU delegation is still the contracting authority – centralized system. Project lead partners (and also partners in project within respective country) have to sign partnership agreements in order to define their roles and obligations.

¹¹³ Diagram taken from presentation held on CBC conference on 6th June 2008 in Zagreb, as part of the project CARDS 2004 Institution and capacity building CBC Croatia – an EU funded project implemented by WM Enterprise and Razbor d.o.o.

2.7.2. MS Programs to Transnational Programs

It is important to highlight that Croatia's involvement in transnational programs has not got the same level of participation as in programs with MS. Transnational programs are funded from ERDF, and Croatia only participates with its IPA funding. IPA funding for participation of Croatia in Transnational programs is decided by the commission on a yearly basis. The Table 6 shows the differences between MSP and Transnational programs.

Table 6: Comparison of MS and Transnational programs

	Programs with MS	Transnational Programs
Financial provisions	➤ Reimbursement of costs for project financing	➤ Reimbursement of costs for project financing
Strategy and objectives	➤ Complex with large number of priorities	➤ Very complex and extensive due to large number of participating countries
Implementing provisions and structures	➤ Single set of management structures ➤ Single contract signed between Managing Authority and Lead Beneficiary	➤ Common bodies of the program + National Bodies and contact points

Concerning implications to Croatia of the MS programs and Transnational programs, it is important to highlight that the success of the project applications depends on their quality, which is very often very poor, due to not enough specialized people. This will be very important for transnational program like SEE, where the whole territory of Croatia is eligible. That is why it is important

that all the potential beneficiaries in Croatia understand their opportunities and differences between participation in MSP and Transnational programs, because they could be eligible for both types of programs.

2.7.3. Non Member states to Transnational programs

Some of the Croatian regions might as well be eligible for participation in NMSP and Transnational Programs. That is why it is important to know the differences between them and opportunities that programs offer. Table 7 shows the comparison of NMS and Transnational Programs.

Table 7: Comparison of NMS and Transnational programs

	Programs with NMS	Transnational Programs
Financial provisions	➤ Advanced payment 80 %	➤ Reimbursement of costs for project financing
Strategy and objectives	➤ Simple, with small number of proprietries	➤ Very complex and extensive due to large number of participating countries
Implementing provisions and structures	➤ Separate contracting authorities ➤ Separate grant contracts for one project- for each partner within one partnership	➤ Common bodies of the program + National Bodies and contact points

Transnational programs have big number of priorities and measures that open a possibility for Croatian regions and municipalities, so some more advanced regions will probably decide to participate in transnational programs. To choose between participating in Transnational programs or in NMSP, for the regions which are eligible for both will depend on the number of factors. The most important one is the quality of the proposed project and the ability of co-financing. Croatian counterparts in transnational projects will probably be mostly involved as project partners , not as lead partners; meaning the ones who take over the overall responsibility of management and implementation of the project.

Chapter III:

Further Facilitation and future of CBC in Croatia

3.1. IMPLEMENTATION AS A CRUCIAL ELEMENT

Programming process is so to say just one part of the story in managing CBC programs. After all the programming documents have been approved and the structures put in place, the money has to be spent and projects need to be financed. That is where the country proves that its capacities are capable of managing the EU assistance in the proper way.

Croatia's structures have proven that they can cope with the implementation on a national level, but the implementation also largely depends on the local level, because the beneficiaries of the project are the ones who have the final responsibility to deliver the objectives and results that were stipulated in the project proposal. National level has more a role of monitoring and ensuring that beneficiaries are following every phase of implementation, and by doing that, respecting the procurement rules, involvement of project partners and associates, visibility guidelines, financial management, and most important, time frame. All that is stated in the contract that the beneficiaries sign with the contracting authority.

However, Croatia has made a significant and important step from centralized system to decentralized system of implementation. With decentralized management, the ownership of the program is enhanced, because it is in a way transmitted from EU delegation to National bodies. With that the managing bodies in Croatia took the responsibilities for sound management of EU funds. The EU delegation role in monitoring and implementation is slowly fading and is only present in consultation process and ex-ante check-up.

The smooth implementation of projects depends on many factors. Experience from implementation of CBC projects in Croatia had shown that often, the obstacles of smooth project implementation don't lie on the local or regional level, but on the national level, which is in many cases very slow due to time-consuming process of approvals, signatures of many responsible persons and lack of clear demarcations of horizontal responsibilities. In some cases, where the

people lack experience, there can also come to overlaps and misunderstandings like who does what, why and when? It often seems as a constant struggle of efficiency vs. complexity.

In implementing CBC projects, this is even more visible, because the two operating structures need to be constantly in contact and agree on approvals, next steps and overcoming difficulties and problems. At the same time the dissemination of information has to be done parallel and in the shortest period of time to project level and to the beneficiaries.

However, these are normal side effects of a project implementation, which are probably present in other countries. The percentage of successfully implemented CBC projects in Croatia until now shows that the structures are operational and able to manage complex processes. To ensure even smoother process of implementation of the available programs, the Republic of Croatia has formed the Agency for regional development. This Agency will act as an essential factor in the implementation under the jurisdiction of Ministry of Regional Development, Forestry and Water Management. The Agency is currently undergoing the process of certification for the implementation of II b IPA component (programs with NMS) and the 2 transnational programs SEE and MED.¹¹⁴

3.1.1. PCM and its principles

Project cycle management is the basic approach that is used in program and project implementation. The PCM has already a long history as projects have always been at the core of development activities. It was created in 1970. by Baum, who was at that time working for the World bank. Baum created PCM as a rational way of conceptualizing, and then managing projects. Since then it has become standard practice for development agencies and all kinds of aid management, to organize their activities using the framework of PCM.¹¹⁵ All the project financed through EU funds use PCM and EU has adapted it as a wide spread tool in the management of its aid and project implementation. The whole

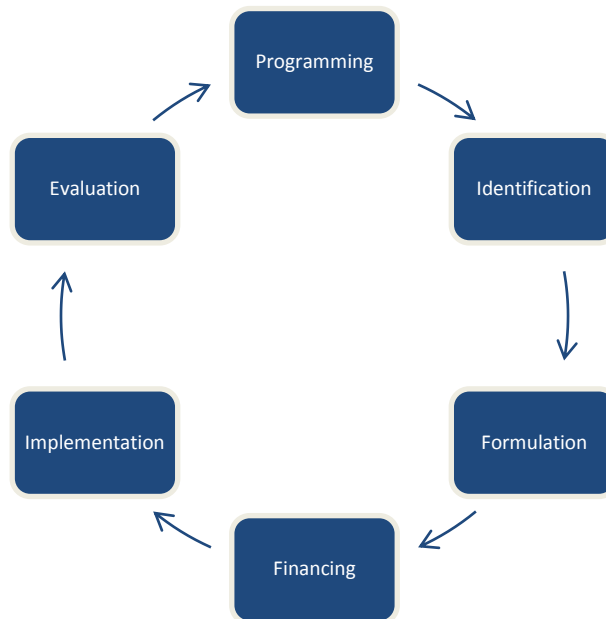
¹¹⁴ Online reference: www.arr.hr, source used on 22nd May 2010.

¹¹⁵ BIGGS Stephen and SMITH Sally; Paradox of learning in Project Cycle Management and the Role of Organizational Culture; World Development Vol. 31, No. 10, pp. 1743–1757, 2003

principle of PCM is actually based on the idea of “from idea to a project”, which often sounds very catchy and inspiring to potential project beneficiaries.

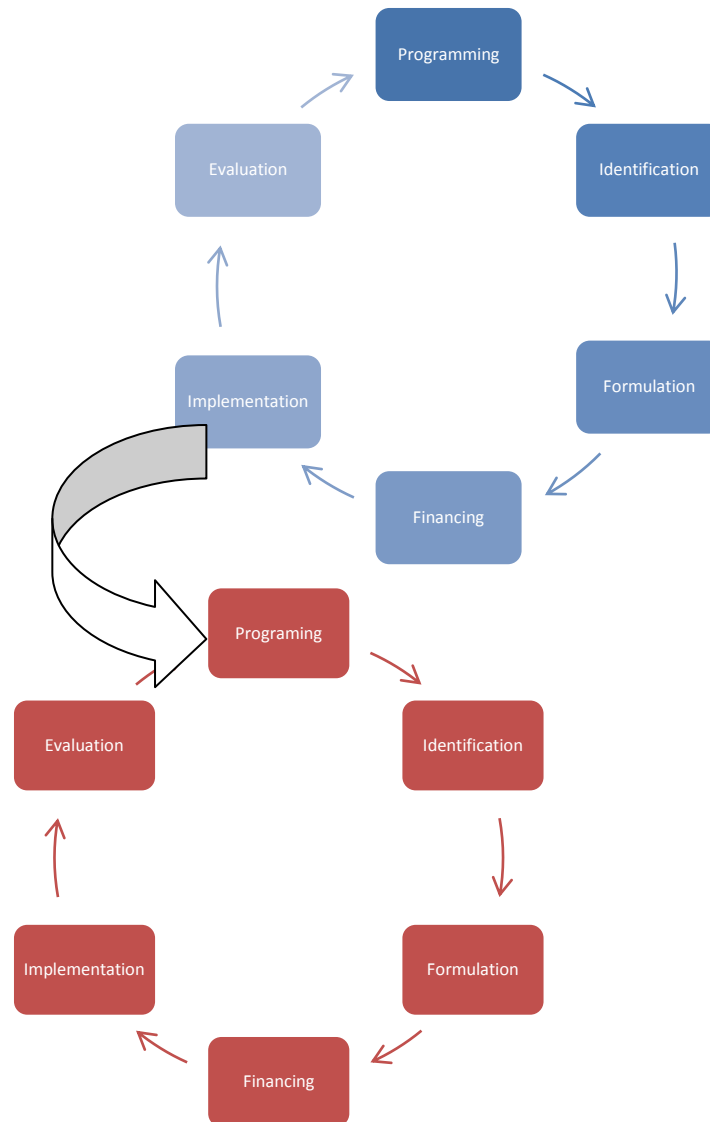
PCM can be described through different progressive phases. The first phase is programming, followed by identification, formulation or design, financing (support), implementation and evaluation. The image 18 shows the phases of PCM in their cycle.

Image 18: Programming process and the phases of PCM



PCM serves to ensure structure and direction to envisage development activities and at the same time allowing key objectives and issues to remain in focus. In the case of programs and projects, the cycles don't differ that much. More important is to know that the cycles on program and project level are connected and interdependent. The image 19 proves their connectivity.

Image 19: Interdependence of Program and project level



The blue cycle represents the program level and the red cycle represents the project level. The cycles are connected, because the implementation phase of the program cycle is actually the phase of programming of the project cycle. That is why the program successfulness depends of project successfulness. As the image shows, PCM has 6 phases:

PROGRAMING: In this phase the overall strategy and framework are established, in relation to the context for which the programming is done. It

involves agreeing of different sides and serves as a starting point.¹¹⁶ In the case of CBC, on program level, those are actually the OPs themselves, and on the project level it is the phase before the call for proposals are opened. The beneficiaries on local and regional level already have to have a broad basic ground of some strategic documents, like Regional operational programs, project pipelines etc.

IDENTIFICATION: Phase in which the problems are assessed, ideas are analyzed and a sort of needs analysis is being done¹¹⁷. It can involve a consultation process of the beneficiaries and the stakeholders. In case of CBC, on the programming levels this is done in the OPs in SWOT analysis, and in giving the overall state of being of the countries involved. On the project level it is the process of partner search, gathering all the project partners and stakeholders together and identifying areas and means of cooperation. It is especially very important in CBC projects, where partners from different countries have to be involved.

Some other tools which can be used in the project identification is “the problem tree” and the “goal tree”. This tool helps to identify problems which need to be solved, putting them into a “cause and effect” relations. The idea is to build a tree of problems which are interconnected, putting the biggest, core problems as roots of the tree and then building it up. When we made the problem tree, the goal tree should be a kind of mirror version, where problems are transformed into goals. These two trees are made to facilitate the phase of identification.

FORMULATION: Phase where the ideas are developed and designed into concrete operational plans or project proposals. On the program level it is the development of priorities and measures. On the project level it is the whole process of formulation the projects through the budget and logical framework matrix.

FINANCING: Financial or some other means of support is needed so the programs or projects can be implemented. On program level those are the

¹¹⁶ Ibidem

¹¹⁷ Ibidem

financial allocations and financial plans per years. On project level it is the project budget which has a limit of eligible costs. The financing phase has to be very well structurally organized, because it will also be main part of evaluation.

IMPLEMENTATION: The crucial phase where the words need to made into tangible results. The planned activities have to be carried out, constantly monitoring the progress towards project objectives.¹¹⁸ On the program level, the implementation starts with giving opportunities to beneficiaries to apply projects, through opening the call for proposals and giving the guidelines for applicants.

EVALUATION: In this phase the success or failure is being evaluated. In order to be successful, programs and projects have to deliver everything what was stated at the beginning, in the formulation phase. Time frame is also part where the programs and projects have to respect. Breaking the time frames does not necessarily have to be seen as a failure if the program or project delivers everything what was planned, and the reasons for prolongation could not be prevented. On the project level, that is done through so called project addendums, where the contracting authority gives the beneficiary prolonged time frame if it is needed. However, it is always advised to potential applicants that they plan their activities so that they will not need any addendums. The approval of project addendum can be a long procedure and the beneficiary has to have a well justified reason in order to get the addendum for prolonging the originally envisaged time frame.

One of the basic tools in PCM, which is used in both in the first phases of defining a project and in monitoring, is the Logical Framework Matrix often called logframe. It was developed by USAID in the late 60s.¹¹⁹ It has its roots in US military planning, and in the 70s it was used to help USAID to be more accountable for US Congress. By 1990, Logframe became a widespread approach

¹¹⁸ BIGGS Stephen and SMITH Sally; Paradox of learning in Project Cyle Management and the Role of Organizational Culture; World Development Vol. 31, No. 10, pp. 1743–1757, 2003

¹¹⁹ Ibidem

used by nearly all international donor and development agencies.¹²⁰ Logframe is a tool which is based on the problem and goal tree, where assumptions, activities, means, expenses, results, project purpose and the overall objective are put into a logical and concise table which facilitates the work of project managers and serves as a reference document in critical phases of project implementation.

All of the mentioned integral parts of the Logframe also have to have indicators upon which the success of the results, activities, and project purpose are being measured and quantified. The indicators need to be SMART. This part of project development often poses a problem for potential beneficiaries. It is not always easy to quantify all the activities and results, so this is sometimes seen as a disadvantage of Logframe. Even if the results are quantified, the real impact of the project is very hard to measure. However, quantification is needed to avoid intangibility and vagueness of activities, results and the objectives of a project. Logframe has its vertical and horizontal logic which can at every moment remind all the stakeholders involved how all elements are interconnected and what needs to be done in order that the overall objective is met.

The thing that has to be stressed is that the Socio-cultural aspects and the “project environment” are ones of the crucial aspects essential for project success¹²¹. Even if the logframe has been done perfect, all the structures set up, it still does not mean that the project will be successful. That is very visible in CBC projects where stakeholders share different views, and cultural values. In the existing programs available to Croatia this may be a problem, especially in OPs with Bosnia, Serbia.

3.1.2. PRAG – Practical Guide - is it practical?

To help the project beneficiaries and national bodies in project monitoring and implementation, European Commission developed PRAG – a Practical guide to contract procedures for EU external actions. It is often mentioned in the

¹²⁰ DEARDEN N. Philip and KOWALSKI Bob, ;Programe and project Cycle Management (PPCM): Lessons from South and North; Development in practice, Volume 13, Number 5, November 2003.

¹²¹ EGGERS W. Helmut; Project Cycle Management a personal reflection; Sage publications (London Thousand oaks and New Delhi) Vol 8 (4) 469-504; 2002.

implementation jargon as a “bible of EU-assistance and implementation”. The practical guide is the first sole working tool, which explains the contracting procedures applying to all EU external aid contracts financed from the European Union general Budget and the 10th European Development Fund.¹²²

PRAG consist of many documents and annexes which are used for project management and implementation, mostly describing the rules of secondary procurement and contracting. Its main parts are: Management modes, eligibility criteria, procurement procedures, contract size, terms of reference and technical specification, procedural rules of conciliation and arbitration, rules about evaluation committee and award of the contract. Also PRAG describes in detail rules of managing 4 types of contracts: Service, Supply, Works and Grant contracts. It also explains relations with international organizations, member states, beneficiary countries and other donors, delegated cooperation and co financing¹²³.

In the case of CBC, the programs operate predominately through grant schemes based on single call for proposals and single selection process covering both sides of the borders. Experience had shown that the potential grant beneficiaries find the PRAG documents rather impractical and confusing. Sometimes it seems that it is harder to implement the project according to the rules that are prescribed than the whole process of developing a project and applying for funding. It has to be said that in Croatia, in some parts, language is still a barrier and the first reason why some potential beneficiaries don't even try to apply for a grant. All the annexes and documents of PRAG often seem as a too bureaucratized approach. The problem that is common in all regions that are lagging behind is the lack of capabilities of staff working in Municipalities, regional administration or other organizations that are eligible for funding. From that stems the paradox that regions which are more developed employ more qualified staff and thus get more projects. That also contributes too growing disparities among regions.

¹²² Online reference:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm
sourceused on 24th May 2010.

¹²³ Practical guide to Contract procedures for EU external actions.

The knowledge to formulate a project and fill all the documents in the proper way requires good language skills, in-depth knowledge of the OP, knowledge of basic EU and national legislation and many other things. Even if the small municipalities manage to do that and get their project proposal approved, the implementation seems even more complicated. It is not exaggerated to say that the project manager on the local level needs to have a broad knowledge in many areas in order to successfully implement a project. Very often, the municipalities which need funding for project more than others simply can not cope with that because they have only a few people employed.

National level and especially JTS of the specific CBC programs can play a role of a facilitator in holding info days, workshops, publicity, Questions and answers, partner search forums, explaining Guidelines for Applicants etc. But, in the end, the potential beneficiaries are the ones who have to submit their proposal and give their best to have their project financed. The term absorption capacity is often very much used to explain how capable the country to spend the money from the EU funds is. But when using that term, it is important to know that the capacity is not only dependant on the national level, but also on regional and local level, which is in Croatia in many cases underdeveloped in the sense of the ability to “withdraw the money” from the available EU funds.

However, even if the whole process from the point of beneficiaries seems complicated and often confusing, PCM, logframe and PRAG –complicated or not, are here to stay and the ones who will want their projects to be funded from EU funds will have to cope with their complexity. In order to overcome that, on the regional level, the role of RDAs is can be crucial, which will be explained in the last chapter.

3.1.3. “Peer Review process” among former and potential beneficiaries on local level as a way to enhance the number and quality of the funded projects

The funding from EU pre-accession funds in Croatia is often seen as the “Yeti effect” meaning that a of people talk about it, but nobody has actually seen it. This is of course not completely true, because many projects have been

successfully implemented, but it shows the general mindset and a dose of skepticism to EU funds from potential beneficiaries of the regional and local level. As mentioned before, some potential beneficiaries give up before they even started due to either language barriers, lack of interest, complexity, lack of staff or partners, lack of political will or financial means needed for co-financing.

However, there are organizations, Municipalities, regions who have recognized the possibilities of funding and invested in their human capital. There are also the ones which are struggling, but are very creative and willing to try to develop projects and apply them for funding.

In general, there is a low level of cooperation of Croatian Counties and municipalities, although there is a positive move towards better cooperation in the last few years, which is mostly due to creating NUTS II partnerships and some EU service projects which were focused on regional capacity building. In order to transfer know how from one to another, the Croatian Municipalities and regions should work together and cooperate. There is many ways that the former municipalities, towns, regions or other organizations who did implement EU CBC projects, can transfer know how of project generation and implementation.

One of them is through top down approach, where the national level should try to engage the former project beneficiaries to work together with the municipalities and regions who are underdeveloped and need help in project generation and formulation. This is not always easy to do. Organizing workshops and seminars, connecting the former and the potential beneficiaries and putting them into positions to exchange opinion and experience could have a positive effect to the potential beneficiaries. In this way they would get professional advice and guidance. Another way to connect the experienced beneficiaries with the potential ones is to organize a version of “Peer review process” among them. Peer review is a method which is used for subjecting someone’s work or ideas to scrutiny of others who are experts in the same field. If this process would be applied to the project generation and development, the potential- inexperienced beneficiaries could first consult with their colleagues which have already gone through this process. It would be a way of horizontal networking on local and regional level, with the elements of twinning projects.

By giving them advices in the crucial stage of preparing a project proposal, they could significantly increase the chances of the project getting selected, and in that way transfer knowledge to the inexperienced beneficiary. Usually this is done by hiring short term consultants or specialists, for which some potential beneficiaries don't have money. With the "Peer review process" of former beneficiaries, hiring of consultants could be avoided. Once the project is selected for financing, even if the beneficiary is not enough experienced, through strict rules and monitoring of the National level, project will be implemented, but in the pre-phase, inexperienced beneficiaries are left to themselves and their capacities.

In reality, concerning the possibilities of EU funding the municipalities, cities and regions are in a relation that can be described as "coopetition" because in a way they are cooperating but at the same time competing for funds. "Peer review process" could be applicable if it would be supported from national level and in the long term it could result in better cohesion of Croatian Municipalities, Cities and Regions.

Chapter IV:

Conclusion – IPA CBC Programs as Croatia's opportunity

4.1. THE ADVANTAGE OF CBC FOR CROATIA

The second IPA component is for sure a big challenge and at the same times a great opportunity for Croatia. Given Croatia's peculiar shape and the exceptional length of its borders, CBC in the framework of EU Programs available to Croatia can play a significant role in the development of its regions. Through the analysis of the eligibility of all 8 OPs it is clear that there is not a single County, Town, Municipality or public organization which is not eligible in at least one of the programs. That gives equal possibilities to everyone to compete and transform their ideas into projects which can be financed with EU funds. That is a clear advantage that has to be used in the best way.

Working through joint projects with other states is still relatively unknown practice for most of Croatia's potential beneficiary regions. Croatian's have somehow developed the thinking that nothing can be given to us, unless we make it ourselves. That is maybe the reason why CBC is still a term that causes reluctance and skepticism rather than incentive and opportunities. Due to the homeland war, Croatia has in a way become a victim of the monocentric way, where in the aftermath of the war it was even necessary to develop this kind of development.¹²⁴

The city of Zagreb as the capital became the center of every form of development, and through agglomeration created a fortress of human and financial capital and investments. As an effect of that, regional disparities were growing, qualified young people moved from all parts of Croatia to Zagreb in search for better jobs, leaving their home towns and regions. This phenomenon is especially visible in the bordering regions. Many parts of Croatia have continuously been neglected and no investments have been put in them. This

¹²⁴ Quotation taken from Prof. Vladimir Čevrak in the discourse of the television show „The faces of Nations“ presented on Croatian television in May 2009. The show title was „local and Regional development“.

approach changed with the formation of the Ministry of Regional Development which was formed in 2008. The positive effects of the new approach are yet to be seen, also regarding bordering regions and management of CBC, which is the responsibility of the CBC department within the Ministry.

CBC is a relatively new phenomenon in both National level and regional and local level. And in a way, learning process and capacity building has been done parallel on national and regional level, whereas the regional level got very little trainings. That is the reason why the approach to CBC still needs polishing and adapting between two levels. However within the given period (2007-2013), Croatian regions, cities and municipalities should try to apply projects, even if they will not succeed. The thinking “it is too complicated”, “it is not worth it”, “where is the benefit”, “we don’t want to work with them” etc needs to be eradicated from people’s minds. The former beneficiaries of EU funds are sometimes seen as “privileged”, but the only privilege they had is the knowledge and effort that has been undertaken to apply to EU funds. That is the beauty of the equal opportunities that is offered through EU funds. Potential beneficiaries have to be educated and assured that they have nothing to lose, only benefit. Even if their project will not get selected, just the process will be a valuable experience, and the project can be later applied for some other funding. In the context of “carrot and a stick”, calls for proposals need to be seen as if the carrot is big, juicy, free and available, and the stick will not be used if the administration is done in the proper way.

The process of applying to projects can indeed be interpreted as a prize winning game. The effort of removing the iron curtain and a jungle of administration that are in front and behind project application should be done from the national level with sophisticated measures, awareness raising, supporting constructive thinking, innovative and tailor made approaches to potential beneficiaries, including RDAs, former beneficiaries and all other stakeholders that could facilitate the process. In the end, the success of projects leads to success of programs, which means that all levels are satisfied.

The success/failure and what is more important the impact of the projects supported through the 8 OPs will depend on many factors. The one that needs to

be stressed is also the changing of the political elites on National and regional level. Some anti-European oriented Mayor can severely hamper the possibilities of project development by not wanting to participate in it. Project cannot be applied without his consent, although there are needs and possibilities, even partners from other countries. This is just an example, but it could be found in many regions and towns in Croatia.

Another reason could be the fluctuation of qualified and experienced young people working on EU projects and funds in the state administration. Young people with the knowledge of foreign languages are under paid and soon they get the possibility, they leave state administration and go to better paid positions in Agencies, or private sectors. The state administration in this way loses quality experts with broad knowledge, and has to employ new ones, which have to go through time consuming training to get to a level of being operational. This is a big problem for project implementation where time is essential.

Due to all these reasons, one not should maybe not expect miracles from the 8 CBC programs that are on Croatia's disposal. It should be more seen as a possibility to see how Europe works and to get the feeling that we need to cooperate with other countries in developing joint projects, because this will soon be one big (happy) European family.

4.1.1. RDAs as key players – think European act local!

Regional development agencies can also play a significant role in helping the potential beneficiaries of a certain region through professional advice and consultations. In a way they are regional hubs of knowledge which should be at disposal to regional stakeholders. Every County in Croatia formed its own development agency. There are even some local development agencies or development agencies owned by towns. Forming RDAs has a recent past and is mostly a result of the disposable EU funds to Croatia. RDAs gather educated and mostly young people which can give professional help to all the stakeholders in the region.

The scope of RDAs is not only limited to EU funding, but also to entrepreneurship development, crediting of SMEs, education, promotion, support to different organizations etc¹²⁵. Regional development agencies are also trying to attract foreign investors.¹²⁶ In the case of the 8 OPs, potential beneficiaries can address to the respective RDAs and ask their help in many stages. However, RDAs will do all the work for them, but can in many ways facilitate the process and help in some bottlenecks that they may come across in the process of applying to EU funds from the available 8 CBC programs. The role of the national level is to connect all the stakeholders on a wider regional level, through organized events where they can work together on common issues.

4.1.2. CBC at program level – constructive ambiguity?

Through the analysis of 8 CBC programs available to Croatia, it is hard not to say that the priorities and especially measures often seem as highly developed scrutinized forms which however in many cases seem to be ambiguous. This ambiguity can have different effects. One is that potential beneficiaries can misinterpret the desired measure from a specific Priority and program and find a way to adapt their project and somehow squeeze it into the measure. This may result in not approving their project although it has a good rationale but it is not applicable according to the opinion of the assessor. The second effect could be that the project is selected and implemented but in the end it has no impact which leads to the situation which more or less similar to the effect “operation successful, patient died”. The patient in this case being the OP. Measuring the impact of projects is hard enough, but in the case of success of the program it is even harder.

Programs can be evaluated on the basis of the number of implemented projects and the money that has been spent, but it is hard if not impossible to measure the success of particular measure, or priority. If it is seen from a perspective of a local beneficiary, it doesn't matter, but the national level which of

¹²⁵ Online reference: http://www.zara.hr/str.aspx?ID=onama_cime_se_bavimo, source used on 24th May 2010.

¹²⁶ European Union, Regional policy; Inforegio panormama; No 7, June 2002, p. 12

responsible for the program implementation needs to assure that the objectives of the program are accomplished.

4.1.3. CBC at Project level – Procrustean bed, marriage of convenience, or a necessity?

Concerning the nature of CBC, there are many ways to interpret how the essential principle of having a partner from another Country influences and shapes the joint projects. The thesis that CBC of two partners should in the start be a result of a common problem and need for cooperation in order to overcome that problem can be overthrown in practice. However, projects are designed in the way that in cannot be proved that all the rules of partnership and joint developments of the project have not been respected. Projects are often being stretched, and made fit to the measures which can resemble to a procrustean bed. Procrustean bed in project development could actually be explained as accomplishing the desired eligibility by adding the parts that are missing.

Another side-effect of CBC project development can be interpreted as a marriage of convenience. In this case the main incentive for cooperation are the available funds, so partners in different countries develop joint projects even though they may not have exactly the same problems, but try to make this marriage to obtain funds. After project is finished, marriage ends with a divorce and they are back to their own lives.

However, many CBC projects are indeed a result of a necessity and common problems of bordering regions. The core of the CBC is complex and flexible in its nature, so it is wrong to practice strict rules and search perfection in CBC projects. Often they bring collateral benefits and spin-off effects which are out of the scope of a measure.

4.1.4. CBC programs (2007-2013) as a preparation for future programs

One must not forget that one of the main ideas of IPA is to prepare the Country and its structures for using the Structural funds. This applies also on the 2nd IPA component and the 8 OPs available to Croatia. National, regional and local levels will be subject to a big exercise which will help them to be better

prepared to manage structural funds. Croatia's entrance to the EU is expected in the next few years, so the structures at all levels have to be consolidated and operational to be able to use the money from the structural funds in the most efficient way. Although Croatia is currently in the focus of managing the 8 OPs, attention at the national level regarding the future of CBC in the context of EU needs to be given according to EU 2020 agenda.

On EU level there are ongoing debates and preparations for the next EU budgetary period 2014-2020. In the current programming period, Territorial cooperation has taken a leap and proved its unique role and added value to Europe's territorial, societal and economic integration.¹²⁷ This proves that the Territorial cooperation will continue to be one of the main instruments of cohesion policy and local European integration. With the valuable experience from using the 8 OPs, Croatia will become an equal player in this new financial perspective, probably just upon accession. That is why already now, Croatia, and all its structures on all levels have to prepare for continuation of CBC with the European countries after the period of 2013.

¹²⁷ INTERACT Documents; European Territorial Cooperation post 2013 –Discussion paper – available at http://www.interact-eu.net/interact/future_of_territorial_cooperation_your_opinion_counts/84/4715, source used on 25th May 2010.

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