

**The European Union's IPA 2008 Programme
for the Republic of Croatia**

**Ex-ante evaluation of programming
documents and strengthening evaluation
capacity for EU funds post-accession**

(EUROPEAID/130401/D/SER/HR)

NSRF 2007-2013

Ex-Ante Evaluation Report

Croatia

(March 2013)

Service contract No. 2008-0303-050201



This project is funded by
the European Union



The project is implemented by
LSE Enterprise Ltd; CASE –
Center for Social and
Economic Research; EUROPE
Ltd; Euroconsultants Croatia
Ltd.

Table of Contents

LIST OF ABBREVIATIONS	3
PROJECT SYNOPSIS.....	5
1. EXECUTIVE SUMMARY	6
2. INTRODUCTION.....	12
3 METHODOLOGICAL PROCESS & CONTENT OF EX-ANTE EVALUATION.....	14
3.1 OBJECTIVES & SCOPE OF THE EVALUATION	14
3.2 EVALUATION PROCESS.....	16
4 NSRF's MAIN FEATURES.....	17
4.1 CONTEXT & BACKGROUND	17
4.2 OBJECTIVES, BUDGET, INDICATORS AND IMPLEMENTATION ARRANGEMENTS.....	19
5. ASSESSMENT OF THE NSRF	23
5.1 REVIEW OF SOCIO-ECONOMIC ANALYSIS & SWOT ANALYSIS	23
5.2 RELEVANCE OF STRATEGY & CONSISTENCY OF INTERVENTION LOGIC.....	28
5.3 APPRAISAL OF INDICATORS & OF EXPECTED IMPACT	32
5.4 APPRAISAL OF STRUCTURES AND PROCEDURES FOR PROGRAMME IMPLEMENTATION	36
6 CONCLUSIONS & RECOMMENDATIONS	41
6.1 CONCLUSIONS.....	41
6.2 RECOMMENDATIONS.....	42
APPENDIX A. KEY ANALYSIS INSTRUMENTS.....	44
APPENDIX B. KEY DOCUMENTS CONSULTED	45



This project is funded by the European Union



LIST OF ABBREVIATIONS

AP	Accession Partnership
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBS	Central Bureau of Statistics
CFCA	Central Financing and Contracting Agency for EU Programmes and Projects
CODEF	Central Office for Development Strategy and Coordination of EU Funds
DG	Directorate-General
EC	The European Commission
EPOP	Environmental Protection Operational Programme (IPA)
ERDF	European Regional Development Fund
EU	European Union
EUROSTAT	Statistical Office of the European Communities
EWG	Evaluation Working Group
FB	Final Beneficiary
GDP	Gross Domestic Product
GoRC	Government of Republic of Croatia
HRD OP	Human Resources Development Operational Programme
IB	Intermediate Body
IPA	Instrument for Pre-Accession Assistance
IPARD	IPA Rural Development Programme
ISPA	Instrument for Structural Policies for Pre-accession
KE	Key Expert
MA	Managing Authority
MC	Monitoring Committee
MoA	Ministry of Agriculture
MoE	Ministry of Economy
MENP	Ministry of Environmental and Nature Protection
MEC	Ministry of Entrepreneurship and Crafts
MFEA	Ministry of Foreign and European Affairs
MFIN	Ministry of Finance
MIS	Monitoring Information System
MoC	Ministry of Culture
MRDEUF	Ministry of Regional Development and EU Funds
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
NIPAC	National IPA Coordinator
NKE	Non-Key Expert
NPIEU	National Programme for the Integration of the Republic of Croatia into the European Union
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPE	Operational Programme Environment
PA	Priority Axis



This project is funded by the European Union



PD	Project Director
PIU	Project Implementation Unit
PSC	Project Steering Committee
RCOP	Regional Competitiveness Operational Programme
SAPARD	Special Accession Programme for Agriculture and Rural Development
SCF	Strategic Coherence Framework 2007 – 2013
SDF	Strategic Development Framework for 2006 – 2013
SEA	Strategic Environmental Assessment
SF	Structural Funds
SWOT	Strengths – Weaknesses – Opportunities – Threats
TAT	Technical Assistance Team
TP	Technical Proposal
TOP	Transport Operational Programme
UNDP	United Nations Development Programme



This project is funded by the European Union



PROJECT SYNOPSIS

Project title:	Ex-ante evaluation of programming documents and strengthening evaluation capacity for EU funds post-accession		
Project number:	EuropeAid/130401/D/SER/HR; Service contract No.: 2008-0303-0502-01		
Country:	Republic of Croatia		
	Contracting Authority	Beneficiary	Contractor
Name:	Central Finance and Contracting Agency	Ministry of Regional Development and EU Funds	LSE Enterprise Ltd
Address:	Ulica grada Vukovara 284, 10000 Zagreb, Republic of Croatia	Radnička cesta 80, 10000 Zagreb, Republic of Croatia	Eighth Floor, Tower Three Houghton Street, London WC2A 2AZ, Great Britain
Tel. Number:	+385 1 4585 882	+385 1 45 69 154	+44 (0)20 7955 7128
Fax Number:	+385 1 459 1075	+385 1 45 69 150	+44 (0)20 7955 7980
E-mail:	sandra.sumera@safu.hr	ana.papadopoulos@strategija.hr	E.M.Narminio@lse.ac.uk
Contact persons:	Mrs. Sandra Šumera	Mrs. Ana Papadopoulos	Mrs. Elisa Narminio
Signatures:		Mr. Tomislav Belovari Senior Programme Officer	Dr. Simona Milio Project Director

Date of Report: 28 March 2013

Reporting period: Implementation phase (27 January – 24 April 2013)

Authors of report: Dr. Antony Mousios – Key expert 1: Team Leader, Ex-ante evaluation expert - NSRF



This project is funded by the European Union



1. EXECUTIVE SUMMARY

Based on the allowances of the regulatory framework for the 2007 – 2013 financial perspective, the Contracting Authority (Central Financing & Contracting Agency - CFCA) launched as part of Project EuropeAid/130401/D/SER/HR the Ex-Ante Evaluation of the National Strategic Reference Framework (NSRF) for the Funds which outlines the strategy adopted per different objective and thematic priority, seeking to provide independent analysis and a review of the programming document in order to study the existing policy challenges and needs and to assess the strategic choices for the allocation of Structural and Cohesion Funds following Croatia's accession to the European Union on July 1st, 2013.

The Ex-Ante Evaluation of the NSRF - although not a legal requirement, is strongly recommended by the European Commission countries with extensive Convergence Objective regions and Member States with access to the Cohesion Fund. This Report actualises this recommendation and has been prepared as a separate output under Component I of the Project.

The NSRF's Evaluation set out the following seven core analytical tasks which must be performed as part of it, forming the basis of the evaluation approach and method that we adopted:

1. Appraisal of the socio-economic a sectoral analysis in terms of identified strengths and weaknesses, and the relevance of the overall situation and needs assessment and NSRF-related SWOT analysis.
2. Appraisal of the external and internal consistency of the strategy and the intervention logic underlying the NSRF's strategic objectives and thematic priorities and of their degree of contribution to the thematic objectives of the SF Regulation.
3. Appraisal of appropriateness and clarity of indicators, as well their relevancy to specificities of the NSRF interventions in order to ascertain its potential overall impact.
4. Analysis of expected impacts and their alignment and consistency with the budgetary allocation over the NSRF's objectives.
5. Assessment of the quality and appropriateness of the programme management structures and monitoring arrangements foreseen for the NSRF.

The implementation of evaluation activities has been carried out in accordance with the revised timing and other arrangements set out by the Terms of Reference and the provisions of the approved 2nd Interim Report of the Project. Evaluation took place between March 5th and March 28th 2013. The Ex-Ante Evaluation of the Croatian NSRF 2007-2013 has been conducted on the basis of the revised draft of the NSRF made available to the Key Expert on March 5th, 2013.

The following methodology informed the development of this Ex-Ante Evaluation Report:

- Desk-based review of background literature, Programme texts, other documentation, including policy documents (Appendix B outlines the main documents reviewed);
- Data analysis of NSRF structural indicators, along with wider labour market and



This project is funded by the European Union



socioeconomic data.

As stated in the NSRF's introductory section, it is "designed in a way to accommodate the specific situation of Croatia", as the country transits from the pre-accession assistance (IPA) to the post-accession assistance (CF, ERDF & ESF) period and sets out the programming and institutional arrangements for the new EU financial perspective 2014-2020, all within a very short time frame. This particular circumstance is affecting the structural characteristics of the Croatian NSRF unlike that of any other reference instruments during the 2007-2013 period¹.

The configuration settings of the Croatian NSRF include a limited implementation timeline of six months and relatively low level financial allocations that total 438,2 million euros which amount to less than 0,13% of the nearly 350 billion euros of available resources for the 2007-2013 European Cohesion policy. By default then, the strategic breadth of the NSRF has to be adjusted to the level of resources at its disposal, and its scope and content to be redefined in proportion to the NSRF's rescaled strategic intent.

The **main findings per Evaluation Question** are the following:

Review Of Socio-Economic Analysis & SWOT Analysis

- The analysis of Croatia's macroeconomic framework is detailed and precise, though in some critical aspects more updated statistical data is necessary to review recent economic developments in Croatia.
- The Croatian authorities have developed a sectoral approach to NSRF socio-economic analysis, providing background data and needs analysis for the particular sectors embedded in the NSRF. This approach is highly appreciated by the Evaluator because it aligns the causal chain between needs and objectives and helps to make the intervention logic more explicit. The downside is that this approach may leave out of the situation review important sectors that have an indirect but contributing influence on the NSRF's intervention logic.
- In the SWOT analysis of the NSRF strengths and weaknesses describe internal/inherent characteristics of the country at its present state which are likely to be influenced by the NSRF's implementation, while opportunities and threats refer to external or dynamic characteristics that are not expected to be shaped by it. Each SWOT element has been carefully examined based on that criterion, and as to whether its content can easily be traced back to the socio-economic analysis. The NSRF-related SWOT follows for the most part this approach; however some adjustments are viewed necessary.

Relevance Of Strategy & Consistency Of Intervention Logic

- The presentation of the NSRF's intervention logic is very elaborate, well-constructed and well documented, though it is more convincing and properly justified at the level of thematic

¹ For an overview of NSRFs for the EU-27, see: EC DG Regional Policy. "Cohesion Policy 2007-13: National Strategic Reference Frameworks", January 2008.



priorities and OPs than at its overall and strategic objectives.

- The degree of coherence with the assessed needs and policy directions resulting from the SWOT analysis is evidently greater at the level of thematic priorities, whereby the particular problems and needs per sector are identified, summarised and then used to guide the clear definition of operational aims and the plausible explanation by which actions these aims can be reached.
- The NSRF's external coherence to EU, as well to the pertinent national policies is documented by its design process and content. However, the interdependence and interplay between the objectives and priorities of the NSRF and the national priorities as exhibited in national and relevant sectoral strategic documents are even more evident and help to ensure synergies with long-term national policies and budgetary planning.

Appraisal Of Indicators & Of Expected Impact

- The set of indicators available for the NSRF 2013 is intended for the assessment of how far the expected objectives have been achieved by taking into account the contribution of selected indicators which are monitored at OP level. They are linked conceptually together by the causal chains of the intervention logic of the NSRF and on the basis of proportionality these indicators represent interventions which receive the higher proportion of funding.
- As several of the NSRF indicators are impact type and are in fact aggregated indicators which measure changes in macroeconomic functions (e.g. labour market or international trade, etc.), encompassing a variety of concepts and variables that exceed those possibly linked to structural funds interventions and susceptible to business cycles or other unpredicted shifts in output, it is necessary then to construct causal models to attribute and estimate any such effect. Therefore achievability of the targets assigned to such indicators is particularly difficult to evaluate and consequently their usability for the purpose of the NSRF monitoring is rather limited.

Appraisal Of Structures And Procedures For Programme Implementation

- This institutional set-up provides continuity and attests to value added as it builds upon the respective IPA management structures that preserve their present role and tasks in managing the Funds post-accession, though it is expected that new institutions will be introduced upon verification of their capacities to fulfil their future role. However, preparation of any new management and implementation structure for the limited period of NSRF's implementation seems justified if its tenure can be extended to the next programming period 2014-2020 as well.
- The function of Managing Authority per OP will be responsible for managing and implementing the OP in accordance with the principles of sound financial management and clear separation of functions. It will have a coordinating role in all phases of the Programme cycle. The division of the work between the Monitoring Committee, the Managing Authority (MA) and the Intermediate Bodies seems transparent. The provisions for monitoring of the Structural Funds are summarily presented in the NSRF, emphasizing the capabilities of the single Management Information System (MIS) under use and the role of the Monitoring Committee established per OP.



This project is funded by the European Union



- A shift of focus of preparation from proper project management to preparation to Programme level management tasks is also essential. It is advised to describe in the NSRF the general structure, responsibilities and staffing of bodies in project pipeline development and selection of projects (across the OPs), since these are crucial issues for the timely absorption of funds. Also, actions to improve absorption capacity of counties and NGOs could be elaborated in the NSRF.

The main conclusions of the Ex Ante Evaluation of the NSRF are the following:

Conclusion 1. The prospective appraisal of the needs assessment and the SWOT analysis of the NSRF found that they:

- have relevant scope from the point of the interventions (cover the topics that have influence or possible impact on the strategic choices, objectives and investment priorities of the NSRF) and use qualitative and quantitative data that support and prove conclusions of the analysis in a convincing manner;
- are addressing all key macroeconomic parameters of Cohesion policy in Croatia, however there is a need to include updated information on the contraction of GDP and deteriorating conditions in the labour market during 2012,
- are comprehensive, based on full and appropriate background data (structural indicators), and provide a holistic picture of the Croatian economy-sectors and communities;
- are logically interlinked with the identified needs and are properly justified by the SWOT, with some qualifications;
- enable the needs of particular stakeholder groups, and regions to be differentiated and addressed;
- have a European perspective that makes issues and conclusions comparable with the status of the topic in EU,
- do not take account of several crucial intervening factors, nor of any lessons from past interventions.

Conclusion 2. The strategic orientation of the NSRF, including the overall and strategic objectives and the thematic priorities is very elaborately structured and clearly explained, with a well-structured outline of the intervention logic. Also, the NSRF's external coherence to EU, as well to the pertinent national policies is documented by its design process and content and the review of planned forms of intervention per thematic priority validates the intervention logic from the envisaged actions to the expected results. However, given the unique characteristics of the NSRF in terms of a shortened timeframe of implementation and limited funding resources, the statements of intent at the level of the overall and the strategic objectives are very broad and ambitious in nature compared with the



This project is funded by the European Union



select and narrow focus of interventions under the OPs.

Conclusion 3. The NSRF contains a limited number of indicators with quantifiable targets in principle to be achieved by the end of the programming period. Some elements of the indicator system are well developed, manageable and useful, particularly involving the first two thematic priorities (Thematic priority 1: Development of modern transportation networks and increased accessibility of the regions, Thematic priority 2: Improvement of environmental infrastructure and quality of related services), that set out indicators which are appropriate and relevant to all interventions.

However the indicators for the other two thematic priorities (Thematic priority 3: Higher competitiveness of SMEs and support to knowledge-based economy, Thematic priority 4: Improvement of labour market efficiency, development of the human capital and reinforcing social inclusion) would benefit from further refinement because in most cases these are aggregated indicators that cannot be directly attributable to NSRF interventions. This shortcoming and the comparatively small scale of financial resources mean that it may be difficult to assess the likely result of the NSRF under these priorities.

Conclusion 4. The institutional set-up for the NSRF includes a 3-level and multi-institutions management structure which appears to be complicated, but it provides continuity and is safeguarded given that Ministry of Regional Development and EU Funds and the Ministry of Finance, have been ensuring a coordinated and strategic approach in setting up the relevant institutional framework for the implementation of the EU post-accession funds.

However, the practice of IPA puts emphasis on project-level management tasks while the management of the Structural Funds will require an essential shift of focus of preparation from proper project management to preparation for Programme level management tasks. Thus, clear guidance on the arrangements to provide for and involve partners in implementation, project pipeline development and project selection is required combined with securing sufficient administrative capacity.

On the basis of the above, the following recommendations of the Ex-Ante Evaluators are provided:

Recommendation 1.

- Update estimates of macroeconomic indicators with recent figures which reflect policy tightening in response to continuing debt reduction by households and businesses, declining domestic demand and slowing exports to the euro area, with real GDP growth in Croatia coming close to a halt.
- Update data on declining labour force participation and rising unemployment to better assess conditions and prospects for structural reforms in the labour market.
- Include background data on intervening factors, such as administrative capacity, ICT penetration and energy consumption. Also, on past EU or other donor-funded interventions



This project is funded by the European Union



in Croatia.

- Minor adjustments are to be made in the NSRF-related SWOT analysis to better reflect the content of its elements.

Recommendation 2. To ensure a coherent, 'strategic' logic between the planned areas of interventions under the OPs, with thematic priorities following on from the NSRF's strategy, the overall and the strategic objectives should be reconsidered with the aim of streamlining and harmonising their content.

Recommendation 3. Particular efforts should be put into developing indicators for the two thematic priorities (Thematic priority 3: Higher competitiveness of SMEs and support to knowledge-based economy, Thematic priority 4: Improvement of labour market efficiency, development of the human capital and reinforcing social inclusion), which currently do not enable target setting. More information on target estimation could be provided, in particular whether monitoring can rely on an existing data set, whether new data will need to be generated via a macroeconomic model, or whether only estimates will be available.

Recommendation 4. Coordination arrangements regarding implementation, project pipeline development and project selection should be considered and detailed in the NSRF, as effective institutional coordination is one of the most challenging elements of horizontal and vertical implementation in addition to ensuring that sufficient capacity exists for the range of interventions listed under OPs to be implemented and the NSRF's funds absorbed.



This project is funded by the European Union



2. INTRODUCTION

“The purpose of ex-ante evaluations is to optimise the disbursement of resources according to the Operational Programmes and to improve the quality of programming. The evaluation establishes and assesses the medium and long-term requirements, the objectives to be achieved, the anticipated results, the measured objectives if a compliance of the proposed strategy is necessary for the region, the Community value-added, the extent of abiding by the priorities of the Community, the new knowledge gained from the previous programming and the quality of the implementation, monitoring, evaluation and financial management”²

Based on the allowances of the regulatory framework for the 2007 – 2013 financial perspective, the Contracting Authority (Central Financing & Contracting Agency - CFCA) launched as part of Project EuropeAid/130401/D/SER/HR the Ex-Ante Evaluation of the National Strategic Reference Framework (NSRF) for the Funds which outlines the strategy adopted per different objective and thematic priority, seeking to provide independent analysis and a review of the programming document in order to study the existing policy challenges and needs and to assess the strategic choices for the allocation of Structural and Cohesion Funds following Croatia’s accession to the European Union on July 1st, 2013.

The **overall objective** of this Project is to contribute to the effective implementation and management of EU Cohesion Policy funds in Croatia, in line with the EU requirements.

The **purpose** of this Project is to undertake evaluation activities for the purpose of programming EU assistance, in line with Council Regulations No. 1083/2006, 1698/2005, 74/2009 and 1198/2006, and to establish capacity for evaluation of EU co-funded Programmes on Croatia’s EU accession.

The Ex-Ante Evaluation of the NSRF - although not a legal requirement, is strongly recommended by the European Commission countries with extensive Convergence Objective regions and Member States with access to the Cohesion Fund. This Report actualises this recommendation and has been prepared as a separate output under Component I of the Project.

The scope of the particular Report reflects the support provided by the Project to the MRDEUF though the prospective appraisal of the NSRF 2007-2013, aiming to provide the relevant authorities with a prior judgment and inputs intended to improve programming quality and assist in optimizing the allocation of budgetary resources. The evaluation of the NSRF culminates the evaluation activities undertaken in Component I, arranged in chronological order by the state of play and availability of programming documents for evaluation. Initially, four Interim Evaluation Reports of the IPA III and IV 2007-2013 Operational Programmes were prepared, including the following:

² Council Regulation (EC) on the general provisions on the European Fund for Regional Development, the European Social Fund and the Cohesion Fund (Article 47).



1. Interim Evaluation Report of the IPA IIIa Transportation Operational Programme 2007-2013.
2. Interim Evaluation Report of the IPA IIIc Regional Competitiveness Operational Programme 2007-2013.
3. Interim Evaluation Report of the IPA IV Human Resources Development Operational Programme 2007-2013.
4. Interim Evaluation Report of the IPA IIIb Environmental Operational Programme 2007-2013.

Then, five ex-ante evaluations of related Cohesion Policy OP's and programming documents under the EU Fisheries Policy and Rural Development Policy were submitted, as follows:

1. Ex Ante Evaluation of the SF Operational Programme Transport 2007-2013;
2. Ex Ante Evaluation of the SF Operational Programme Environment 2007-2013;
3. Ex Ante Evaluation of the SF Regional Competitiveness Operational Programme 2007-2013;
4. Ex Ante Evaluation of the ESF Operational Programme Human Resources Development 2007-2013.
5. Ex Ante Evaluation of the EFF Operational Programme Fisheries 2007-2013.

The findings and the recommendations of the current Report - besides being considered as essential inputs to the planning process aiming at the finalisation of the NSRF – draw insights and context from the previous evaluations to better integrate and assess the impact of Structural and Cohesion Fund interventions in areas such as infrastructure, human capital, research and development and productive investment.

The implementation of evaluation activities has been carried out in accordance with the revised timing and other arrangements set out by the Terms of Reference and the provisions of the approved 2nd Interim Report of the Project. Evaluation took place between March 5th and March 28th 2013. Draft report have been presented to main stakeholders on the 28th of March 2013, followed by written comments submitted by the MRDEUF by the 10th of April.

The current report has been drafted by the Team Leader and Key Expert responsible for Component I., Dr. Anthony Mousios. The main text of this Report contains six Chapters, including the Executive Summary. In particular, the subsequent Chapters of this Report are structured as follows:

- in Chapter 3 we elaborate on the applied Evaluation methodology.
- in Chapter 4 we outline the content of the NSRF, describing in brief the organisation and structure of the Programme around its strategic objectives and thematic priorities.
- in Chapter 5 we review the socio-economic analysis, assess the SWOT analysis, appraise the proposed strategy and programming foundation and review the quality of management structures, implementation procedures and monitoring arrangements foreseen of the NSRF.
- in Chapter 6 we present our conclusions and recommendations.



3 METHODOLOGICAL PROCESS & CONTENT OF EX-ANTE EVALUATION

3.1 OBJECTIVES & SCOPE OF THE EVALUATION

According to the methodological working paper³ that outlines the content and organisation of the Ex-Ante Evaluation of NSRF for the 2007-2013 programming period, the NSRF's Evaluation should include the same key components and answer the same questions as per Operational Programme below:

- Does the Programme represent an appropriate strategy to meet the challenges confronting the region or sector?
- Is the strategy well defined with clear objectives and priorities and can those objectives be realistically achieved with the financial resources allocated to the different Priorities?
- Is the strategy coherent with policies at regional, national and Community level? How will the strategy contribute to the achievement of the Lisbon objectives?
- Are appropriate indicators identified for the objectives and can these indicators and their targets form the basis for future monitoring and evaluation of performance?
- What will be the impact of the strategy in quantified terms?
- Are implementation systems appropriate to deliver the objectives of the Programme?

The findings and conclusions of the Ex-Ante Evaluation provide a response to these broad questions.

Also, the Commission suggests that additional evaluation work related to impact and the implementation systems at the level of the NSRF should be undertaken, noting that “particularly important issues for evaluation at national level are the balance of financial allocations across major priorities and the evaluation of the likely macro-economic impact of the Funds”⁴.

Within the context of impact evaluation, the Ex-Ante evaluation of the NSRF should appraise its likely impact on the Community strategic priorities, highlighting current disparities (baselines) and the likely impact of Structural and Cohesion Fund programmes on them. Also, a macroeconomic appraisal of impact must be undertaken “especially in countries and regions where the scale of the transfers represents a significant share of their GDP or national investment”. Finally, the following, specific elements in relation to implementation systems at this level are to be approached by the Ex-Ante evaluation of the NSRF:

³ EC, DG Regional Policy. “The New Programming Period 2007-2013. Working Document No 1: Indicative Guidelines on Evaluation Methods: Ex-Ante Evaluation. (August 2006)”.

⁴ Op.cit. p.21.



- mechanisms for ensuring co-ordination between the Operational Programmes and the Funds,
- actions proposed for reinforcing the Member State's administrative efficiency.

However, given the Croatian NSRF's rather unique characteristics as a consequence of the adopted arrangements in relation to its short implementation timeframe and relatively limited scale of investment resources overall, a macro approach to prospective impact evaluation using econometric modelling to simulate the complex interdependencies between economic variables at the macro-economic level, seems - in the context of this Project - excessive and redundant.

In the case of Croatia, since the NSRF's period of actual implementation will coincide for the most part with the anticipated complex policy shock due to the comparatively much larger-scale injection of EU Funds during the upcoming 2014-2020 financial perspective, thus attempting to link and attribute NSRF effects to causal inferences via a model becomes nearly impossible. As such, there will be mostly an empirical and qualitative treatment of the likely aggregate impact of the NSRF on Croatian sectors and the whole economy utilizing the available knowledge from cross-country assessments of the impact of Structural & Cohesion Funds on the recipients' economies.

The placement of the Ex-Ante Evaluation of the NSRF 2007-2013 in parallel with key processes of the programming preparation underway for the 2014-2020 period and its considerable chronological distance from the setting of the EU policy framework for the current programming period, logically associates and reorients its outlook towards the EU's policy and strategic arsenal of 2014-2020, namely the eleven Community Strategic Framework objectives and the five EU 2020 Headline Targets, even if due to its unique characteristics noted above the NSRF can only be realistically conceived as a transitional stage towards a lot more ambitious and demanding policy framework in the immediate future.

In sum, these added elements and modified settings of the NSRF's Evaluation set out the following seven core analytical tasks which must be performed as part of it, forming the basis of the evaluation approach and method that we adopted:

1. Appraisal of the socio-economic a sectoral analysis in terms of identified strengths and weaknesses, and the relevance of the overall situation and needs assessment and NSRF-related SWOT analysis.
2. Appraisal of the external and internal consistency of the strategy and the intervention logic underlying the NSRF's strategic objectives and thematic priorities and of their degree of contribution to the thematic objectives of the SF Regulation.
3. Appraisal of appropriateness and clarity of indicators, as well their relevancy to specificities of the NSRF interventions in order to ascertain its potential overall impact.
4. Analysis of expected impacts and their alignment and consistency with the budgetary allocation over the NSRF's objectives.
5. Assessment of the quality and appropriateness of the programme management structures and monitoring arrangements foreseen for the NSRF.



3.2 EVALUATION PROCESS

The Ex-Ante Evaluation of the Croatian NSRF 2007-2013 has been conducted on the basis of the revised draft of the NSRF made available to the Key Expert on March 5th, 2013. As noted in the accompanying correspondence, this version currently lacks the following elements:

- Chapters 4.4. and 4.5. concerning the consistency with the Community Strategic Guidelines on Cohesion and Experience from past and current programming periods
- Chapters 6.2 and 6.3. concerning Lisbon earmarked expenditure and ex ante verification of additionality.

However, despite the above and by mutual agreement this was considered the final version of the NSRF document for the purposes of ex-ante evaluation.

Further, the Terms of Reference note that conclusions and recommendations must be underpinned by the analysis and findings of the Evaluation. To ensure that we achieved this requirement we adopted the following approach:

- taking the analytical tasks as set out in the Terms of Reference as the key Ex-Ante Evaluation issues;
- translating the tasks in the Terms of Reference into evaluation criteria, against which the NSRF and its contents were systematically assessed;
- utilising the work programme to systematically provide the basis of an assessment in relation to each criterion.

The evaluation process has had four stages: planning and structuring; obtaining data; analysing information; and evaluative judgement. The evaluation activity uses a mix of methods to address the different dimensions of the NSRF programming design process. During the four stages, the following methods and techniques have been used (for more details see Appendix A. Key Analysis Instruments):

- Use of secondary source data;
- Use of administrative data;
- Logic models.

The following methodology informed the development of this Ex-Ante Evaluation Report:

- Desk-based review of background literature, Programme texts, other documentation, including policy documents (Appendix B outlines the main documents reviewed);
- Data analysis of NSRF structural indicators, along with wider labour market and socioeconomic data.

Usually an Ex-Ante Evaluation is integrated into the programme design process by involving the ex-ante evaluator from an early stage of programme development. However, in this case due to the unique circumstances of NSRF's preparation and other severe time constraints such interaction was limited.



This project is funded by the European Union



4 NSRF'S MAIN FEATURES

4.1 CONTEXT & BACKGROUND

The Croatian NSRF developed for the programming period 2012-2013 represents a response to the Community Strategic Guidelines on Cohesion. It is structured in line with the provisions of the Council Regulation no 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

Croatia's forthcoming accession is the result of 10 years of a rigorous process, which started with its application for membership in 2003. Croatia became an EU Candidate Country with the acceptance of its application by the European Council in June 2004. The EU accession negotiations with Croatia started in October 2005. Chapter 22 "Regional Policy and Coordination of Structural Instruments", negotiations were opened on 2 October 2009 and provisionally closed on 18 April 2011. As regards negotiations for Chapter 27 "Environment" were opened on 19 February 2010 and provisionally closed on 22 December 2010. At Accession Conference held on 30 June 2011, EU and Croatia have closed accession negotiations and Accession treaty was signed on 9 December 2011 (OJ L 112, 24.4.2012).

Following the Accession Treaty ratification procedure in all Member States and Croatia, accession is foreseen for 1 July 2013. From this moment on it will start implementing the EU Cohesion policy. As of the date of the Ex-Ante Evaluation Report, 19 Member States, and Croatia, have ratified the Treaty and the Commission expects all remaining Member States to do so in good time before the date of Croatia's accession⁵.

With the status of the candidate country, Croatia became eligible for the pre-accession programmes created especially for candidate countries. This stage can be divided into two periods. The first one refers to the period 2005-2006, during which Croatia was the beneficiary of pre-accession programmes that were in force at that time, namely the PHARE, ISPA and SAPARD programmes. The second stage began in 2007, when a new instrument for pre-accession, IPA, was created.

As of 2007, EU pre-accession assistance is channelled through a single integrated programme 'Instrument for Pre-Accession Assistance' (IPA). IPA provides assistance to building institutional capacity for efficient implementation of the *acquis* and prepares candidate country for the management of Structural, Cohesion and Agricultural Policy instruments.

With IPA entering into force, all the other pre-accession programmes ceased to exist, but the IPA assured the continuation of their main goals. The reason why the EU decided to create a new pre-accession instrument was its desire to help the candidate countries to adapt to future use of EU

⁵ European Commission, "Communication from the Commission to the European Parliament and the Council, Monitoring Report on Croatia's accession preparations", Brussels, 26.3.2013, COM(2013) 171 final.



funds. In fact, the IPA functions quite similarly to the other EU funds, but it has fewer resources and in advance nationally allocated funds. Therefore, the right implementation of IPA facilitates the proper future use of EU funds.

IPA Components III and IV (Regional Development and Human Resource Development) are based on structural instruments management principles and practices. For utilising IPA III and IV EU Funds, Croatia has prepared Strategic Coherence Framework 2007-2013 and 4 Operational Programmes. As regard IPA Component III – Regional Development, IPA funds are implemented in Croatia through three multi-annual Operational Programmes: a) Transport Operational Programme (TOP); b) Environmental Operational Programme (EOP); c) Regional Competitiveness Operational Programme (RCOP). As regard IPA Component IV – Human Resources, IPA funds are implemented through Human Resources Development Operational Programme. The Croatian authorities have established an institutional framework for management of IPA and designated relevant bodies and operating structures, as follows:

- Minister in the Ministry of Finance (MoF) as the Competent Accrediting Officer;
- Deputy Minister in the MoF, as the National Authorising Officer (NAO);
- National Fund within the MoF;
- Assistant Minister in the Ministry of Regional Development and EU Funds (MRDEUF), as the National IPA Coordinator;
- Senior civil servant in the MRDEUF, as the Strategic Coordinator for the regional development and the human resources development IPA components;
- Agency for the Audit of European Union Programmes Implementation Systems (ARPA), as the Audit Authority;
- Operating Structure for each IPA Operational Programme.

The present IPA structure is important not just for the proper implementation of IPA funds, but also because approximately the same institutional structure will remain in place after the EU accession, i.e. after Croatia becomes eligible for the use of EU funds. This underscores the significance for Croatian institutional structure to acquire lesson learned from experience under IPA, which will then enable it to fit properly into the functioning of the EU funds.

Through Component III (Regional Development) of the ‘Instrument for Pre-Accession Assistance’ (IPA), the Republic of Croatia is undergoing preparations for management of financial instruments which will be available after EU accession, specifically the European Regional Development Fund (ERDF), Cohesion Fund (CF) and the European Social Fund (ESF). The biggest challenge for the Croatian administration still in the pre-accession period was until recently to transfer from the system of Decentralized Implementation System of the IPA Assistance characterized by the ex-ante control of the Commission Services (EC Delegation), to the decentralized management without the ex-ante controls of the DEU (“EDIS”). In order to successfully transit to this stage, an extensive process of adjustment has been underway since 2009.



This project is funded by the European Union



4.2 OBJECTIVES, BUDGET, INDICATORS AND IMPLEMENTATION ARRANGEMENTS

Activities on programming for Structural Funds/Cohesion Fund (for programming period 2007-2013) were under way since 2009, including the process of finalizing the National Strategic Reference, the key national strategic document for future usage of structural instruments. Initially, it was expected that the first draft of the NSRF would be prepared until May/June 2009 and should represent a basis for further development of particular Operative Programmes (OPs). However, due to the delay in Croatia's accession to the EU and the subsequent refinement of decisions involving the timing, funding levels, management structures and, most importantly, the scope and content of key strategic objectives and thematic priorities pursued through Operational Programmes, the NSRF was throughout this period being redrafted and adjusted accordingly.

As stated in the NSRF's introductory section, it is "designed in a way to accommodate the specific situation of Croatia", as the country transits from the pre-accession assistance (IPA) to the post-accession assistance (CF, ERDF & ESF) period and sets out the programming and institutional arrangements for the new EU financial perspective 2014-2020, all within a very short time frame. This particular circumstance is affecting the structural characteristics of the Croatian NSRF unlike that of any other reference instruments during the 2007-2013 period⁶.

The configuration settings of the Croatian NSRF include a limited implementation timeline of six months and relatively low level financial allocations that total 438,2 million euros which amount to less than 0,13% of the nearly 350 billion euros of available resources for the 2007-2013 European Cohesion policy. By default then, the strategic breadth of the NSRF has to be adjusted to the level of resources at its disposal, and its scope and content to be redefined in proportion to the NSRF's rescaled strategic intent.

However, in spite of these moderating influences the strategic orientation of Croatia's NSRF is expressed in broad and encompassing terms. The overall objective of the NSRF is "to accelerate economic growth and foster employment with the prospect to achieve real convergence", pursuant to the achievement of the following three strategic objectives:

- *Competitive economy based on market integration, institutional reforms and sustainable development,*
- *Improving environment for job creation and employability,*
- *Balanced regional development and improvement of living conditions.*

⁶ For an overview of NSRFs for the EU-27, see: EC DG Regional Policy. "Cohesion Policy 2007-13: National Strategic Reference Frameworks", January 2008.



A more focused direction for the investments planned is provided by the thematic priorities of the NSRF, as follows:

- *Development of modern transportation networks and increased accessibility of the regions,*
- *Improvement of environmental infrastructure and quality of related services,*
- *Higher competitiveness of SMEs and support to knowledge-based economy,*
- *Improvement of labour market efficiency, development of human capital and reinforcing social inclusion.*

To actualize the strategic intent and focus of the NSRF exhibited by the statements of objectives and priorities above, four Operational Programmes funded through the Cohesion, Structural and European Social Funds are envisaged:

OPERATIONAL PROGRAMME	FUND	2013 Funding allocation in euros (Community Contribution)	% of NSRF's funding allocation per OP
Transport	ERDF	120.000.000	27,38%
Environment	CF	149.800.000	35,55%
	ERDF	6.000.000	
Regional Competitiveness	ERDF	102.400.000	23,37%
Human Resources Development	ESF	60.000.000	13,69%
TOTAL NSRF		438.200.000	100,00%

The allocation of NSRF's funding across the four OPs provides a first-order indication of relative significance attached to policy priorities that are more influential and hold a higher strategic value. Nearly two thirds of the total NSRF funds address Croatia's still extensive investment needs in basic national, regional and local transport and environment infrastructure, with the rest being concentrated on Lisbon-related priorities of competitiveness and employment, as a reflection of the needs and challenges identified in the socio-economic and SWOT analysis. In addition, the policy mix is attributed to the consistency between the higher unit cost of actions envisaged and the proposed level of expenditure for the Transport OP and the Environment OP.

The expected results and impacts of the NSRF are specified via a set of structural indicators and quantified targets on the level of thematic priorities (Annex 2). Overall, thirty-one indicators are provided, with some indicators providing information on the NSRF's progress and achievements directly; most of them however require interpretation using appropriate evaluation methods, in order to identify the contribution of the policy intervention.

For the decentralised management of funds of the IPA programme Croatia has established an adequate institutional set up and developed a system with internal rules of procedure and personal responsibilities. Implementing agreements and operational agreements have been signed, defining



This project is funded by the European Union



the roles and responsibilities within the system: between the NAO and the Head of the Operating Structure and among bodies and responsible persons within the Operating Structure.

Manuals of procedures were developed for each body within the system, with clear description of all processes and procedures and with audit trails developed. Also, the control system has been set up on several levels, and all stakeholders have been included within and are actively involved in preparation, implementation and monitoring processes. Several mechanisms of control have been set up: Internal Audit, External Audit (Audit Authority) Irregularity officers, Risk coordinators, the procedures have been drawn as well as a system for monitoring IPA projects/operative programmes.

The management of the IPA programme is accomplished through the Decentralized Implementation System but as expected by early 2013 and concerning regional policy and the coordination of structural instruments, Croatia was able to demonstrate that it fulfils the conditions for the waiver for ex-ante controls for all IPA components⁷.

Still, the IPA implementation context is highly centralized relying only on administrative bodies from the central government level, while the institutional framework for the implementation of the NSRF involves regional and local administrative structures given the regional and territorial component of development policy, which emphasizes the need for a more comprehensive functioning management, monitoring and evaluation system to be established for regional policy management across various line ministries and different levels of government for the future European Structural and Investment Funds. As the strategic planning of regional development tends to be a rather coordination intensive field of public policy, building strong, lasting, and functioning partnership arrangements, to include all relevant stakeholders into the policy process is required for the purpose of better policy coordination in all stages of the NSRF implementation.

Also, Croatia will be a full beneficiary of the Cohesion Policy instruments during the 2014-2020 financial perspective which implies building evermore the administrative capacity in the relevant structures, finalising investment strategies and intensifying the preparation of a pipeline of high quality and mature projects as the numbers of co-funded projects, of sectors touched and of interlocutors will substantially increase over the time.

To ensure the effective, regular and transparent use of the European Structural and Investment Funds all relevant and necessary procedures must be in place by the end of 2013 even though only relatively limited experience Structural Funds' management would be available in the Croatian administration, as the implementation of ERDF-funded interventions would not generate sufficient exposure to these procedures until the beginning of 2014, and the institutional system will have to deal in parallel with three different set of structural instruments: the IPA, the Structural Funds 2007

⁷ Under the extended decentralisation system (EDIS), the Delegation of the European Union in a particular country exercises no *ex ante* control, which means no approval on the project selection, tendering and contracting is needed prior to project launching.



– 2013 (ERDF and CF) and the ERDF for the next period, under a still evolving unspecified structure of priorities and management.



This project is funded by the European Union



5. ASSESSMENT OF THE NSRF

The Ex-Ante Evaluation Report (draft) uses a mix of methods to address the various document sections which correspond to different dimensions of the NSRF programming design process. The evaluation in the first place prospectively assesses the Croatian policy challenges and needs in order to appraise the NSRF's strategy and strategic choices.

5.1 REVIEW OF SOCIO-ECONOMIC ANALYSIS & SWOT ANALYSIS

This section consists of a two-steps assessment process that involves: (i) the situation and needs analysis and (ii) the NSRF-related SWOT analysis.

The background and analysis section of the NSRF must display logical inter-linkages among its parts and exhibit the baseline values for the set of structural indicators used to quantify targets on the level of thematic priorities. The situation and needs analysis presented in the Croatian NSRF covers in separate Chapters the following two themes:

1. Macroeconomic context, that includes economic growth, inflation and exchange rate, employment and labour market developments, financial system and foreign direct investments.
2. Socio-economic situation, first in the relevant sectors, transport, environment, regional competitiveness, and human resources development, and second in Croatian regions.

For each theme, trends analysis and cross-country comparisons are undertaken, summarised and assessed in the NSRF text, to highlight the main drivers and other determining factors of the existing situation and current needs.

The analysis of Croatia's **macroeconomic framework** is detailed and precise, though in some critical aspects more updated statistical data is necessary to review recent economic developments in Croatia. The main evaluation findings for this theme are as follows:

1. On all the macroeconomic sub-themes addressed, sufficient amount of data is provided and the important issues are clearly highlighted. As an emerging European economy, Croatia is a small and open market, thus foreign demand is an important factor for economic performance. Economic trends in the European Union have a significant impact on the Croatian economy as most of Croatia's trade, foreign tourist arrivals and nights, and foreign direct investments in Croatia are connected with EU Member States. Projections of economic trends in Croatia therefore depend to a large extent on levels of demand from



advanced economies in Italy, Germany, Austria and Slovenia, since the Croatian economy has the closest ties with these countries.

2. The analysis of GDP and of labour market developments in the NSRF needs to be extended into 2012 and Annex 1 to be revised accordingly, by taking into account the most up-to-date statistical information available, in order to assess more accurately the challenges Croatia is currently encountering and be able to shift policy priorities in response. This is considered essential even if the year 2011 is basis for programming, as sharply deteriorating economic and labour market conditions will impact negatively upon the targets of the NSRF's structural indicators.
3. In the second half of 2011 global macroeconomic conditions deteriorated and Croatia's macroeconomic indicators worsened as a result. Following a real decline in GDP of 1.3% in the first quarter of 2012, negative growth continued in the second quarter of 2012 as corroborated by similar trends in high frequency indicators. Thus, a real stagnation in GDP at the level of the entire year 2012 is likely, even though a gradual recovery in economic activity was expected towards the end of the year, driven by the start-up of the investment cycle of the broader public sector. Domestic demand should have a positive contribution to GDP change solely due to the positive contribution of gross fixed capital formation, while the contribution of net foreign demand was expected to be negative⁸.
4. Real growth of GDP is projected to accelerate by the end of the NSRF's implementation period. A fairly optimistic growth rate of 1.8% is projected for 2013, 3.0% for 2014, and 3.5% for 2015⁹. Projected economic trends in Croatia in that period will be driven by the positive contribution of domestic demand and bolstered by more favourable economic trends in the international environment, primarily stronger economic activity in the European Union, starting from late 2012 as indicated by the latest projections of the Commission for 2012 and 2013.
5. Updated labour market statistics indicate that negative trends have continued in 2012. In the first five months of 2012, the average number of unemployed persons increased by 7.7 thousand, or 2.4% compared with the same period in 2011, while the average number of employed persons declined by 27.5 thousand, or 2.0%. The average administrative unemployment rate amounted to 19.4% in the first five months of 2012, or 0.7% higher in comparison with the same period in 2011.
6. Negative trends in the labour market are expected to continue in 2012, with the increase in average survey unemployment rate to 14.4%, compared to 13.5% in 2011. Negative trends in the labour market are projected to halt in 2013 in line with the described economic

⁸ Ministry of Finance. Economic and Fiscal Policy Guidelines for the Period 2013 – 2015, July 2012.

⁹ More sluggish growth of 1% is projected for 2013 and 2.7% by 2017 for Croatia by the IMF. International Monetary Fund. World Economic Outlook: Coping with High Debt and Sluggish Growth, October 2012.



rebound. The average survey unemployment rate is consequently projected to drop to 14.1% in 2013, 13.3% in 2014 and 12.2% in 2015. Over the NSRF's implementation period, average labour productivity is expected to see a mild growth.

The Croatian authorities have developed a **sectoral approach** to NSRF socio-economic analysis, providing background data and needs analysis for the particular sectors embedded in the NSRF. This approach is highly appreciated by the Evaluator because it aligns the causal chain between needs and objectives and helps to make the intervention logic more explicit. The downside is that this approach may leave out of the situation review important sectors that have an indirect but contributing influence on the NSRF's intervention logic. The main evaluation findings for this theme are as follows:

1. The analysis of the transport sector is very specific about Croatia's transportation network providing detailed information about key infrastructure characteristics and traffic flows per sub-sector (roadways, railways, inland waterways, air transport). Further traffic forecast data could enrich the analysis by linking the deteriorating economic climate with fluctuations in transport demand via a national traffic model. The main problems in rail infrastructure are attributed to perennial underinvestment which results in permanent speed limitations. A more thorough exploration of the operation of the railway lines (operation of state rail company, service levels, prices, promotion) in the NSRF is in order to enable better specificity and targeting of the relevant policy response. Finally, sustainable transport and the (unbalanced) development of different transportation modes could be discussed in more details enabling a more integrated transport strategy in Croatia.
2. The analysis of the environment is very comprehensive and documents well the high significance attached to the natural environment, as an identified strength in the SWOT analysis. Towards that end, further clarification of the precise problems and threats for biodiversity in Croatia is needed. Main threats for biodiversity protection to be discussed in the background analysis could include: accelerated economic growth, urbanization and tourism in specific regions or areas of the country. For waste and water sufficient attention is given to the specific infrastructure needs and regional dimension generated by, respectively, illegal dumps, polluted terrains and hazardous waste, as well as sewage systems and wastewater treatment plans. Finally, the discussion of environment related issues could be enriched to include soil and surface water and monitoring systems for environmental quality (air, water, noise).
3. The section on regional competitiveness is comprehensive and thorough; sufficient data is provided and most of the major contributing factors to competitiveness are addressed, such as entrepreneurship, performance of SMEs, business environment and related infrastructure, R & D, innovation and high technology, and tourism in connection with culture. Each factor is analysed in terms of composite characteristics, productivity trends and problem areas to facilitate a better understanding of Croatia's regional competitiveness. A recurrent theme of "much unused potential" emerges, evident in the approach to



entrepreneurship, business related infrastructure, innovation and tourism in particular. The analysis is rich in context highlighting with sufficient detail the causes of unused potential, to enable appropriate NSRF's policy responses and interventions that would address these issues. Such detailed analysis of the above-mentioned territorial aspects could justify some kind of concentration of the available resources to certain areas or sectoral activities with highest development potential.

Analysis in this section includes national level comparisons on competitiveness based on the 2012-2013 Global Competitiveness Report of the World Economic Forum, providing a clear indication on the persistence of need for interventions to improve competitiveness of the country, and does it on the basis of updated data. The Competitiveness analysis is coherent with other analytic parts of this section; since it links Croatia's ranking with contributing and explores the links or causal connections which exist. These factors are accessibility of various infrastructures, differences in availability and quality of human resources, structure and sectoral differences of the economy, geographic or history-related social differences.

4. The review in the NSRF of social development and quality of human resources covers a large array of issues. The analysis is thorough and a great deal of data is provided, both national and comparative with other EU countries. Labour market analysis could be enriched with more data for institutions and programs for combating unemployment (e.g. subsidised employment programs). In education, the analysis is particularly explicit in identifying and quantifying the existing problems regarding vocational training and lifelong learning. The sections describing civil society organisations and social services by non-state actors provide critical data as to their level of activity, indicative of their needs for further strengthening as valuable partners in service provision.
5. The analysis of territorial development gives comprehensive general information on the two NUTS2 regions. Causes of unbalanced regional development are specifically addressed, with emphasis placed on the economic and productive structure of the regions, as well as their investment levels. The most important regional issue which concerns intraregional disparities is highlighted and analysed extensively through the use of GDP per capita and competitiveness rankings per country level.

Differences in county competitiveness are analysed, highlighting possible reasons for these differences and the various underlying factors that determine competitiveness level. With this analysis, the various components of the development problems and opportunities are identified, thus the relevance of the interventions - to be expected to change these underlying factors – can only be evaluated superficially. Overviews (maps or tables) of GDP per capita and unemployment figures for intraregional disparities (rural versus urban areas or for groups of municipalities) would add to the NSRF's analysis. Opportunities for rural areas in diversification of the economic activity (apart from developing tourism) deserve further attention both in the NSRF analysis and the strategy. The effect on social aspects, the economic base and services in the rural areas caused by the depopulation of rural areas



should be more clearly stated.

The sectoral analysis of the NSRF could be enriched by providing background data on the following three intervening factors due to their critical placement in development processes:

1. Administrative capacity, since an effective and accountable public administration is a fundamental prerequisite in the process of management and implementation of structural funds not only in Croatia but in any recipient country of EU funds.
2. ICT penetration and use in Croatia compared to EU-27, as it is a critical parameter in regional development and competitiveness as well as human resources development. Some issues which prevent the full development of the ICT sector could be highlighted. The analysis could be further elaborated to include the current status regarding use of ICT in the government and the main problems in some regions.
3. Energy infrastructure, particularly as it affects environmental concerns and provides opportunities under regional competitiveness. Background data could focus on levels of energy consumption of the business sector relating to specific outdated technologies in certain industries, or the price level of energy as determining factors. Also, it could further address energy consumption of households and causes for high consumption related to quality of the housing stock, heating, cooking, gas connection and the price of energy.

Finally, the background section of the NSRF could include a brief discussion of major achievements and remaining challenges from past EU, or other donor-funded interventions in Croatia, in order to draw useful lessons.

In the SWOT analysis of the NSRF strengths and weaknesses describe internal/inherent characteristics of the country at its present state which are likely to be influenced by the NSRF's implementation, while opportunities and threats refer to external or dynamic characteristics that are not expected to be shaped by it. Each SWOT element has been carefully examined based on that criterion, and as to whether its content can easily be traced back to the socio-economic analysis. The NSRF-related SWOT follows for the most part this approach; however some adjustments are viewed necessary, as follows:

1. The "Opportunities" elements contains various items that cannot be considered as external factors but rather as possible strategic options, or even intervention propositions. Examples of statements formulated this way are: *"SME associations and networks, clusters and cluster initiatives, business supporting infrastructure"*, or *"potential for additional business development in the regions"*. These are either have to be rephrased, or can be considered as internal factors, thus to be moved to the "Strengths" element.
2. Similarly, in the "Threats" element, the following statements: *"deterioration of transport infrastructure due to insufficient sources of financing and depopulation"*, *"continuation of the process of depopulation of regions lagging behind"*, and *"further aging of population and*



poor demographic structure” refer to internal factors and must be moved to the “Weaknesses” element.

3. Other adjustments in the SWOT analysis include the statement “*liberalised access to the EU market*” which must be moved to the “Opportunities” element, and the statement “*strong awareness about importance of human resources development among the relevant stakeholders*” must either be rephrased, or dropped from the “Strengths” element.

As the SWOT analysis serves the purpose of a “bridge” between analysis and the objectives of the interventions, the risk of not formulating the SWOT rigorously is that objectives of the strategy will not be identified correctly, meaning that important chances, or risks in the NSRF’s environment will not be taken into account, lacking their linkages to real strengths or weaknesses.

5.2 RELEVANCE OF STRATEGY & CONSISTENCY OF INTERVENTION LOGIC

This section consists of an assessment process that involves the strategic orientation of the NSRF as advanced by the overall and strategic objectives, the thematic priorities and the four Operational Programmes.

The strategic orientation of the NSRF must display clear and convincing intervention logic which establishes the logical link between strategic objectives, thematic priorities and the envisaged actions under the Operational Programmes. This task represents one of the essential purposes of the Ex-Ante Evaluation in assessing whether or not the implementation of the NSRF, as planned, will achieve the expected results in bringing the intended change.

The strategic orientation of the Croatian NSRF is presented and elaborated first in policy terms in Chapters 4. “Strategy”, and then in more operational terms, in Chapter 5. “Operational Programmes”. The two Chapters are treated jointly by the Ex-Ante Evaluation since they form intertwined parts of the NSRF’s intervention logic. The analysis of the intervention logic provides a structured assessment of the NSRF’s strategic orientation by undertaking the following:

- assessing whether the strategic objectives and thematic priorities match the needs assessment and are consistent with the SWOT analysis;
- assessing the external coherence and consistency between the strategic objectives and thematic priorities with EU and national policy recommendations and any other coinciding policy instruments at regional or national level.
- examining whether the planned forms of intervention are appropriate to achieve the goals set for the thematic priorities and achieve greater synergies among them.

The presentation of the NSRF’s intervention logic is very elaborate, well-constructed and well



documented, though it is more convincing and properly justified at the level of thematic priorities and OPs than at its overall and strategic objectives. The main evaluation findings related to the intervention logic are as follows:

1. Overall, the strategic orientation of the NSRF is relevant to Croatia's current situation and direction for the future, as it chooses to address a number of outstanding internal and external economic and social challenges identified in the needs assessment and SWOT analysis that will eventually result in reducing the disparities in comparison to other EU member states in terms of quality and availability of infrastructure, business friendly environment, living standard, and employment opportunities. The degree of coherence with the assessed needs and policy directions resulting from the SWOT analysis is evidently greater at the level of thematic priorities, whereby the particular problems and needs per sector are identified, summarised and then used to guide the clear definition of operational aims and the plausible explanation by which actions these aims can be reached. This promotes the positive reinforcement between assessments of intervention needs and statements of thematic priorities, while avoiding contradictions and gaps between them and resulting in the specific direction of each thematic priority. This is after all consistent with the realistic policy decision to continue pursuing the sectoral focus of IPA OPs as reflected by the mostly unchanged investment priorities (Priority Axes) of their counterpart SF OPs.

Understandably, this high degree of coherence with intervention needs cannot be sustained as such at the level of overall and strategic objectives of NSRF 2013, given their broader outlook and more ambitious statements of purpose, which by definition clearly exceed the true constraints imposed on Croatia's NSRF by its shorter timeframe and relatively limited resources.

Under NSRF 2013 the highest transfers of funds from the EU budget will take place in the years 2013 and 2014, as the utilisation of financial resources under Cohesion Policy is likely to be gradually made more dynamic in connection with the closure of IPA funding, and then to slow down, substituted by the larger 2014-2020 funding. Such an approach to the overall impact of NSRF is based on the real weight of transfers in the Croatian economy, and given an average annual injection of Cohesion funding during the implementation phase of nearly .5% share of Croatia's GDP, the pace of real convergence towards the EU will most likely remain stable during a period with prospects of only sluggish growth.

2. The NSRF's external coherence to EU, as well to the pertinent national policies is documented by its design process and content. The framework for Cohesion Policy 2007-2013 sets out 3 main objectives: convergence, regional competitiveness and employment and European territorial cooperation. Within these objectives Cohesion Policy should seek to target resources on the following three priorities: improving the attractiveness of member States, regions and cities, encouraging innovation, entrepreneurship and the growth of the knowledge economy and creating more and better jobs. On this general level the strategic



objectives of the NSRF are in line with these three priorities.

Research and innovation, investing in people/modernising labour markets, and unlocking business potential particularly of SMEs, which represent three of the four priority areas of the renewed Lisbon Strategy are reflected across the NSRF's strategic objectives and thematic priorities. Similarly, six thematic objectives of Europe 2020 strategy: Strengthening research, technological development and innovation; Protecting the environment and promoting resource efficiency; Promoting sustainable transport and removing bottlenecks in key network infrastructures; Promoting employment and supporting labour mobility; Promoting social inclusion and combating poverty and Investing in education, skills and lifelong learning, appear consistent with the NSRF's strategic orientation.

However, the interdependence and interplay between the objectives and priorities of the NSRF and the national priorities as exhibited in national and relevant sectoral strategic documents are even more evident and help to ensure synergies with long-term national policies and budgetary planning:

- The overall objective of the NSRF has evolved from similar goals statements stipulated by the Strategic Development Framework 2006-2013 and the Strategy of Government Programmes for the period 2013 – 2015.
- At the level of the thematic priority concerning the modern transportation network, policy input was provided by the 2010 Interim Transport strategy, the National Program of the Railway Infrastructure for the 2008-2012 Period, the Development Strategy for Inland Waterway Transport in the Republic of Croatia (2008-2018) and the Medium Term Development Plan of Inland Waterways and Ports of the Republic of Croatia (2009-2016).
- Similarly for the formation of the priority for environmental infrastructure the Waste Management Strategy (2005), the Water Management Strategy (2008) and the Strategy for Sustainable Development (2009) were relied upon.
- For the thematic priority on higher competitiveness of SME's the main national strategies emanate from the Strategic Development Framework for 2006-2013 and Strategic Coherence Framework (SCF) 2007–2013. The Strategic plan for the SME development 2012-2014, the Science and Technology Policy of the Republic of Croatia 2006-2010, the Strategy of Regional Development of Republic of Croatia 2011-2013 and the Draft Strategy of the Croatian Tourism Development provided additional sectoral policy guidance.
- Finally, for the thematic priority on improvement of labour market efficiency, input was drawn from a variety of national and EU strategic documents. In particular, the National Employment Promotion Plan 2011-2012 (NEPP), the Joint Assessment of the Employment Policy (JAP), the Joint Memorandum on Social Inclusion – JIM, the



This project is funded by the European Union



National Action Plan for Social Inclusion 2011-2012, the National Strategy of Equalization of Opportunities for Persons with Disabilities for the Period 2007-2015, the Croatian Qualifications Framework (CROQF), the MSES Strategic Plan 2013-2015, the Development Strategy of the VET System in Croatia 2008-2013, the Adult Education Act (2007), the Act on Quality Assurance in Science and Higher Education (2009), and the National Strategy for the Creation of an Enabling Environment for Civil Society Development 2012-2016 provided national policy guidance. The EU policy documents included the European Employment Strategy and the Renewed Social Agenda: Opportunities, Access and Solidarity in 21 Century Europe” (COM 2008).

3. The review of planned forms of intervention per thematic priority validates the intervention logic from the envisaged actions to expected results. Regarding the thematic priority concerning the modern transportation network, the main types of activities are improving key links in road and rail transport, investments in safety of transport, regional road improvements and investments in transport inter-modality and navigation on inland waterways. The strategic considerations behind the selected interventions are described very clearly in the thematic priority and the Transport OP’s strategy, while the balance between modes could be justified in more detail. In the thematic priority for environmental infrastructure, the main types of activities concern the improvement of waste water infrastructure, solid waste collection and treatment (including waste management) and water utility infrastructure and management systems. Again the strategic consideration is explicitly stated in the thematic priority and the Environment OP’s strategy and is aligned with the expected results in terms of environmental protection quality levels.

In the thematic priority on higher competitiveness of SME’s, the main types of activities are business related infrastructure, e-communication, tourism, culture and leisure services. This combined approach of supporting innovation, improving management and production processes in SME’s, enhancing investment opportunities in business and tourism – culture infrastructure and diversifying tourist services as reflected in the Regional Competitiveness OP’s strategy is effective and well designed. Finally, in the thematic priority on improvement of labour market efficiency, the main types of activities are aimed at institutional capacity strengthening, broadening access to employment, education and training provision, supporting research and development, fostering social inclusion, increasing the adaptability of employees and employers to changing labour market conditions and strengthening the role of civil society. The strategy underlying these interventions and reflected in the Human Resources Development OP, coincides with the rationale for investing public money on human capital (directly or indirectly) to raise employability levels.

In addition, the four thematic priorities and respective OPs are able to harmonise policy interventions under the NSRF, by simultaneously taking into account that strict demarcation of interventions may leave important policy gaps and exclude important beneficiary groups, and that overlap of interventions should not create contradictions, which would result in a



loss of efficiency. In fact, the design process has facilitated synergies between:

- the Transport OP and the Regional Competitiveness OP, since basic infrastructure is a prerequisite of economic development,
- the Transport OP and the Environment OP in promoting multi-modal transport,
- the Environment OP and the Regional Competitiveness OP by providing public utilities which are prerequisite to economic development,
- the Human Resources Development OP and the Regional Competitiveness OP by both providing assistance to SME and research & development activities, with clear demarcation that are based on the different types of support given by each OP.

Similar type synergies exist between the OPs under the NSRF and the IPARD programme 2007-2013 and the Operational Programme for Fisheries 2007-2013.

5.3 APPRAISAL OF INDICATORS & OF EXPECTED IMPACT

The set of indicators available for the NSRF 2013 is intended for the assessment of how far the expected objectives have been achieved by taking into account the contribution of selected indicators which are monitored at OP level. They are linked conceptually together by the causal chains of the intervention logic of the NSRF and on the basis of proportionality these indicators represent interventions which receive the higher proportion of funding. Based on an overview of the indicators (Annex 2), the following general observations are made:

- The number of indicators and their distribution over four thematic priorities is appropriate. Most of them are clear and well defined.
- Indicators are targeted on all major operations and are representative of NSRF's content.
- All indicators have a measurement unit and source/year of verification. All indicators except five under Thematic Priority 2 have base values. Only seven indicators, none of which are under Thematic Priority 3 & 4 have a target value.
- There is no provision of measuring information for indicators with a longer perspective, especially impact indicators in order to standardise the understanding of indicators among users and increase the accuracy of monitoring.

More detailed assessment the quality of each indicator based on the SMART (Specific, Measurable, Attainable, Relevant and Time-sensitive) criterion and specific recommendations for some of them are provided in the validation table to below:



This project is funded by the European Union



INDICATORS	TYPE	SMART Assessment	UNIT	BASE VALUE	TARGET
Thematic priority 1: Development of modern transportation networks and increased accessibility of the regions					
Railway					
Improved passenger trains compliance with time table*	Result	Difficult to measure & gather compliances	Minutes / train delayed	9	6
Decreased time travel between Zagrebačka I Bjelovarsko–Bilogorska County	Result	<input checked="" type="checkbox"/>	Minutes	100	70
Inland Waterway					
Goods transport	Impact	<input checked="" type="checkbox"/>	Tonne-km, million	692	Requires freight flow model
Km of monitored inland waterway network	Result	<input checked="" type="checkbox"/>	Km	151,5	534,5
Increased freight volume	Impact	<input checked="" type="checkbox"/>	Tonne	512,000	Requires freight flow model
Thematic priority 2: Improvement of environmental infrastructure and quality of related services					
Population served by the new waste management centres	Result	<input checked="" type="checkbox"/>	Nr	0	1.150.000
Reduction of waste deposited in the landfills at national level, as a result of newly opened waste management centres	Impact	<input checked="" type="checkbox"/>	%	0	4
Population connected to new / rehabilitated public water supply network	Result	<input checked="" type="checkbox"/>	Nr	0	Aggregate from project implementation reports/MIS
Population connected to new / rehabilitated sewerage network	Result	<input checked="" type="checkbox"/>	Nr	0	44.500
Population served by the new WWTP	Result	<input checked="" type="checkbox"/>	Nr	0	472.500
Thematic priority 3: Higher competitiveness of SMEs and support to knowledge-based economy					
SMEs share on employment	Impact	<input checked="" type="checkbox"/>	Share of total employment, %	67.2	Requires labour market modelling
Export of goods	Impact	Non relevant, contingent on other factors	Mil. €	9,582	
Employment in high- and medium-high-technology manufacturing sectors	Impact	<input checked="" type="checkbox"/>	Share of total employment, %	4.62	Requires labour market modelling
Patent applications to the	Impact	<input checked="" type="checkbox"/>	Number of	5.65	Aggregate from



This project is funded by the European Union



INDICATORS	TYPE	SMART Assessment	UNIT	BASE VALUE	TARGET
EPO			applications per million inhabitants		project Implementation reports/MIS
High-tech exports – exports of high technology products as a share of total exports	Impact	Non relevant, contingent on other factors	Share of total exports, %	6.61	
Employment in knowledge-intensive service sectors	Impact	<input checked="" type="checkbox"/>	Share of total employment, %	23.27	Requires labour market modelling
Number of overnights	Impact	<input checked="" type="checkbox"/>	Number	60,354,000	Requires overnights model
Income of inbound tourism	Impact	non-attainable goal	Bil. €	6,6	
New jobs created in the supported business structures	Impact	<input checked="" type="checkbox"/>	Number	0	Aggregate from project Implementation reports/MIS
Gross fixed capital formation (investment)	Impact	non-attainable goal	Mil. €	9,929	
Participation of 18-years-olds in education	Impact	<input checked="" type="checkbox"/>	%	66.7	Aggregate from project Implementation reports/MIS
Lifelong learning - % of population aged 25-64 participating in education and training	Impact	<input checked="" type="checkbox"/>	%	2.3	Aggregate from project Implementation reports/MIS
Thematic priority 4: Improvement of labour market efficiency, development of the human capital and reinforcing social inclusion					
Employment rate of the population aged 15-64	Impact	<input checked="" type="checkbox"/>	%	52.4	require labour market modelling to set targets
Activity rate of the population aged 15-64	Impact	<input checked="" type="checkbox"/>	%	45.7	
Employment rate of women of working age	Impact	<input checked="" type="checkbox"/>	%	47.0	
Unemployment rate of the labour force (age 15-64)	Impact	<input checked="" type="checkbox"/>	%	13.5	
Life-long learning (adult participation in education and training) as a percentage of the population aged 25-64 participating in education and training	Impact	<input checked="" type="checkbox"/>	%	2.3	
At-risk-of-poverty rate	Impact	<input checked="" type="checkbox"/>	%	21.1	
Long term unemployment rate for the ages 15-64	Impact	<input checked="" type="checkbox"/>	%	8.6	
Long term unemployment rate for the women (ages 15-64)	Impact	<input checked="" type="checkbox"/>	%	8.6	
Research and development	Impact	non-attainable	%	0.75	



This project is funded by the European Union



INDICATORS	TYPE	SMART Assessment	UNIT	BASE VALUE	TARGET
expenditure, all sectors as a percentage of GDP		goal			

As several of the NSRF indicators are impact type and are in fact aggregated indicators which measure changes in macroeconomic functions (e.g. labour market or international trade, etc.), encompassing a variety of concepts and variables that exceed those possibly linked to structural funds interventions and susceptible to business cycles or other unpredicted shifts in output, it is necessary then to construct causal models to attribute and estimate any such effect. Therefore achievability of the targets assigned to such indicators is particularly difficult to evaluate and consequently their usability for the purpose of the NSRF monitoring is rather limited.

The interventions envisaged in the National Strategic Reference Framework are expected to yield positive results on both the supply and demand sides of the Croatian economy. The demand side impetus is of short-term nature as it directly or indirectly results in an increase of final demand and leads to job creation. Jobs which are directly associated with EU funds will be created by a beneficiary or in the unit which will implement the project, but Cohesion policy will also affect the part of the Croatian economy which will not be directly involved in the EU projects, through demand-side effects. In other words, the inflow of funds into the economic system will contribute to an increase in income and global demand, stimulating a growth in GDP through the Keynesian multiplier mechanism, and this in turn will have a positive effect on the labour market.

Supply side effects, however, are of longer-term character and have to do with the modernisation and the establishment of new transport and environmental infrastructure, improvement of the qualitative properties of labour force, the spread of modern technologies, and ultimately, with the enhancement of the production technology level. The supply side will be affected through two channels. Firstly through increased capital stock in the economy. The second effect will come from the higher Total Factor Productivity (TFP). Investments in innovation and in human capital under OP Regional Competitiveness and OP Human Resources Development are expected to have a positive effect on TFP.

The accumulation of capital stocks of infrastructure, human resources and RTD under the NSRF will strengthen to a degree the productive capacity of regional economies in Croatia and contribute to their external competitiveness. The NSRF's anticipated impact will depend not only on the size of the budget, but also on its allocation among categories of expenditure. The bulk of NSRF's expenditure is channelled into physical infrastructure, as similarly to most countries receiving funds during the 2007-2013 period, with more than 60% of the total budget being allocated for transport and environmental infrastructure.

The estimation of macroeconomic effect of Cohesion Policy in other beneficiary countries' economies has shown several links and multiplicative effects. Investments to infrastructure, mainly to local infrastructure, have nonrecurring effects, creating demand for labour, construction material.



This project is funded by the European Union



However, after the finalization of the investments, their long-term multiplication effect is rather weak. Investments to knowledge-based economy (science, research, innovation, education) have on the contrary strong recurring effects, seen during the investment phase (higher demand for researchers, inventory, and laboratory equipment) and still manifesting in the economy even after the finalization of the investment.

As per the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999 the additionality principle stays to ensure the genuine economic impact of the Structural Funds contributions to the economies of the Member States.

The underlying tenet of the additionality principle is that the contributions from the Structural Funds shall not replace public or equivalent structural expenditure by a Member State. In practical terms this means that the Commission and the Republic of Croatia shall determine the level of public or equivalent structural expenditure which the latter shall maintain at national level during the 2013 programming period. The general rule is that the level of the public expenditures in 2013 programming period shall be at least equal to the amount of average annual expenditure in real terms attained during the period 2011. Furthermore, the level of expenditure shall be determined with reference to the general macroeconomic conditions in which the financing is carried out and taking into account certain specific or exceptional economic situations, such as privatisations as well as an exceptional level of public or equivalent structural expenditure by the Republic of Croatia during the previous period.

5.4 APPRAISAL OF STRUCTURES AND PROCEDURES FOR PROGRAMME IMPLEMENTATION

The structures responsible for the management and implementation of structural instruments in Croatia have been defined and described adequately in the NSRF, distinguished between those with horizontal functions which include the Coordinating Body, the Audit Authority, the Certifying Authority, and those with implementation functions at the OP level, including the Managing Authority, Intermediate Bodies level 1 and Intermediate Bodies level 2, and a Monitoring Committee.

These bodies and authorities form the integral part of the Funds management system and fit also in the broader institutional environment of the Croatian administration. The most important difference between IPA and SF Programmes is the introduction of EDIS comprising three interrelated components: the management of aid on a decentralised basis, the waiving of the ex-ante approval requirements and the use of national procedures including procurement rules.

The legal status of these institutions is in place (*Law on the Institutional Framework for the use of EU structural instruments in the Republic of Croatia; Decree on the bodies in the management and*



This project is funded by the European Union



control system for use of EU structural instruments in the Republic of Croatia) while detailed descriptions of their delegated functions, tasks and responsibilities are provided within Organisational Development Strategies prepared at the level of each horizontal body in the system and at the OP level for all the bodies involved in its implementation.

The transition process from IPA to SF management is safeguarded given that Ministry of Regional Development and EU Funds and the Ministry of Finance, on the basis of their current and envisaged future roles as the NSRF Coordinating Authority and the Certifying Authority respectively, have been ensuring a coordinated and strategic approach in setting up the relevant institutional framework for the implementation of the EU post-accession funds. The MRDFEU and MF should be responsible for the preparation of uniform rules for all OPs relating to project selection, verification, payment authorization, irregularities, recovery, accounting and monitoring, and Intermediate Bodies will be responsible for preparing the parts of rules related specifically to their internal organization. This plan is assessed as reasonable and mostly realistic.

This institutional set-up provides continuity and attests to value added as it builds upon the respective IPA management structures that preserve their present role and tasks in managing the Funds post-accession, though it is expected that new institutions will be introduced upon verification of their capacities to fulfil their future role. However, preparation of any new management and implementation structure for the limited period of NSRF's implementation seems justified if its tenure can be extended to the next programming period 2014-2020 as well.

The function of Managing Authority per OP will be responsible for managing and implementing the OP in accordance with the principles of sound financial management and clear separation of functions. It will have a coordinating role in all phases of the Programme cycle. Intermediate Bodies (level I) are delegated the implementation of designated Priority Axes and will be responsible for programming, monitoring and reporting in the frame of their sector. They will also conduct quality checks of on verifications carried out by Intermediate Bodies (level II). Intermediate Bodies (level II) utilising skills acquired at IPA Programmes will be direct contact with beneficiaries. They are in charge of preparation of tenders and Grant Schemes, tendering and contracting procedures, contract implementation, carrying out verifications, making payments and reporting. Despite delegating various tasks to Intermediate Bodies, the Managing Authority retains the overall responsibility for the correct execution of delegated tasks.

The division of the work between the Monitoring Committee, the Managing Authority (MA) and the Intermediate Bodies seems transparent. However especially concerning OP Transport since the Ministry of Maritime Affairs (MMATI) appears to function both as a Managing Authority and Intermediate Body, the requirements for segregation of functions of selection and approval of operations and management verifications have to be fully respected; the tasks of implementation and monitoring of operations have to be separated from control tasks.

Although the 3-level and multi-institutions management structure of the NSRF appears to be complicated, there have been no serious problems with the basically similar structure identified



under IPA. In addition, Croatia has the opportunity to prepare Calls for proposals and tenders that will be financed under an SF budget line but implemented under PRAG, since according to Article 105a of the Treaty Concerning the Accession of the Republic of Croatia to the European Union (Specific provisions following the accession of Croatia), *“Any procurement procedure ... which, on the date of accession, has already been the subject of an invitation to tender published in the Official Journal of the European Union shall be implemented in accordance with the rules laid down in that invitation to tender.”* This provision allows - if the Operating Structures at OP level accelerate publishing of calls, major part of the 2013 SF allocation to be implemented under IPA rules which they are familiar with, thereby reducing the risk of delays and decommitments.

The provisions for monitoring of the Structural Funds are summarily presented in the NSRF, emphasizing the capabilities of the single Management Information System (MIS) under use and the role of the Monitoring Committee established per OP. However, not only the monitoring and on-going assessment tasks have to be sufficiently supported by the IT- based solution; the overall data- and file-management of the Operating Structures at OP level has to be taken into consideration to avoid multiplicity, loss of information, circulating of different versions of the same file and local storing of important documents.

The precise evaluation arrangements for the NSRF and the OPs (ex-ante, ongoing, ex-post) are also well described, in accordance with the adopted Evaluation Strategy for EU Instruments document and the respective Evaluation Plans per OP. In addition, the transparency and clarity of financial flows, expenditure certification and audit procedures as described in the NSRF adequately support the management and implementation process.

Assessing the evolution of the management system leads us to the following findings:

- The Structural Funds management system has to be able to handle parallel management tasks, in current case related to IPA, SF 2007-2013 and also very soon CSF 2014-2020. The structure of the management system will most likely remain the same for the first (until end 2013) period of Structural Funds, a seemingly sensible decision not to change existing operational institutional setup for the short period of managing SF 2007-2013, especially because of the continuing uncertainty regarding the Programme architecture in the post-2014 period.
- To achieve this, a certain level of synergy with the systems that manage domestic development resources will help avoid the risk of resource-consuming duplications and overlaps. A well-working delivery system will combine relevant sector-related knowledge with capabilities to manage efficiently Programmes or project, thus the management structures shall be able to fulfil all regulatory requirements and, at the same time also shall be effective in delivering physical targets that relate to thematic or sectoral objectives of the Programme which they oversee.

Besides its unquestionable strengths, the current system faces several potential risks. Risk can



This project is funded by the European Union



materialise in loss of effectiveness and a waste of development resources if the following issues are not dealt with proper attention:

- in order to maximise the impact of preparation on the level of management regarding the Structural Funds, currently accumulated knowledge by the whole Operating System shall be spread to institutions that will participate in the next generation of OPs. As a pre-condition to enhance this transfer of knowledge, an outline structure of OPs and managing institutions shall be decided upon, well before accession, to strengthen the attractiveness of the affected institutions for high quality staff and, in general, increase the commitment of existing staff.
- the practice of IPA puts emphasis on project-level management tasks. Management of the Structural Funds will, in contrast, require more efforts regarding the Programme level management issues, which are mostly carried out by the Managing Authority. MA also shall be in a position that controls the activities and performance of IBs involved with the implementation. Thus, a shift of focus of preparation from proper project management to preparation to Programme level management tasks is also essential.
- the establishment of the Monitoring Committee shall be based – besides the regulation, quoted in the text of the NSRF - on experiences gathered with the SMC and also with partnership consultations. The objective of selecting the members of the Committee is that active and committed partners should be involved in order to facilitate the management of the respective OP. Given that this task would be something new for many of the members, a comprehensive training programme at the outset could enhance their abilities to contribute to the success of the OP.
- A summary description of management guidelines and tools that have been developed as part of IPA procedures and a brief explanation of the future implementation process in relation to the project cycle, including arrangements for project pipeline development and project selection are not provided by the NSRF, though these are described at operation manuals' level. It is advised to describe in the NSRF the general structure, responsibilities and staffing of bodies in project pipeline development and selection of projects (across the OPs), since these are crucial issues for the timely absorption of funds.
- Regarding partnership, socio-economic partners have actively participated in the working groups of NSRF and OPs. However, the precise mechanisms to involve partners in implementation, project pipeline development and project selection are not yet described. Also, actions to improve absorption capacity of counties and NGOs could be elaborated in the NSRF. This could be intended to increase public awareness and transparency of the programming process, of relevant national and EU documents and EU funding opportunities for project generation at the level of municipalities, NGOs and other beneficiaries.
- Sufficient administrative capacity is an important issue related to the absorption of funds



This project is funded by the European Union



but remains a challenging area for Croatia and there is clear commitment from the government that the policy of further strengthening of the administrative capacity will be continued and reinforced. Administrative capacity building can be addressed by training, human resource development and increasing of staff or institution building. The NSRF does not explicitly address these particularly relevant issues for those OPs where new types of policies are implemented or where the absorption capacity of beneficiaries might be a risk (e.g. municipalities, regions).



This project is funded by the European Union



6 CONCLUSIONS & RECOMMENDATIONS

6.1 CONCLUSIONS

This final section presents the conclusions of the Ex-ante Evaluation of the NSRF 2013 based on the findings presented in previous sections. It subsequently presents the related recommendations for further improvements.

Conclusion 1. The prospective appraisal of the needs assessment and the SWOT analysis of the NSRF found that they:

- have relevant scope from the point of the interventions (cover the topics that have influence or possible impact on the strategic choices, objectives and investment priorities of the NSRF) and use qualitative and quantitative data that support and prove conclusions of the analysis in a convincing manner;
- are addressing all key macroeconomic parameters of Cohesion policy in Croatia, however there is a need to include updated information on the contraction of GDP and deteriorating conditions in the labour market during 2012,
- are comprehensive, based on full and appropriate background data (structural indicators), and provide a holistic picture of the Croatian economy-sectors and communities;
- are logically interlinked with the identified needs and are properly justified by the SWOT, with some qualifications;
- enable the needs of particular stakeholder groups, and regions to be differentiated and addressed;
- have a European perspective that makes issues and conclusions comparable with the status of the topic in EU,
- do not take account of several crucial intervening factors, nor of any lessons from past interventions.

Conclusion 2. The strategic orientation of the NSRF, including the overall and strategic objectives and the thematic priorities is very elaborately structured and clearly explained, with a well-structured outline of the intervention logic. Also, the NSRF's external coherence to EU, as well to the pertinent national policies is documented by its design process and content and the review of planned forms of intervention per thematic priority validates the intervention logic from the envisaged actions to the expected results. However, given the unique characteristics of the NSRF in terms of a shortened timeframe of implementation and limited funding resources, the statements of intent at the level of the overall and the strategic objectives are very broad and ambitious in nature compared with the



This project is funded by the European Union



select and narrow focus of interventions under the OPs.

Conclusion 3. The NSRF contains a limited number of indicators with quantifiable targets in principle to be achieved by the end of the programming period. Some elements of the indicator system are well developed, manageable and useful, particularly involving the first two thematic priorities (Thematic priority 1: Development of modern transportation networks and increased accessibility of the regions, Thematic priority 2: Improvement of environmental infrastructure and quality of related services), that set out indicators which are appropriate and relevant to all interventions.

However the indicators for the other two thematic priorities (Thematic priority 3: Higher competitiveness of SMEs and support to knowledge-based economy, Thematic priority 4: Improvement of labour market efficiency, development of the human capital and reinforcing social inclusion) would benefit from further refinement because in most cases these are aggregated indicators that cannot be directly attributable to NSRF interventions. This shortcoming and the comparatively small scale of financial resources mean that it may be difficult to assess the likely result of the NSRF under these priorities.

Conclusion 4. The institutional set-up for the NSRF includes a 3-level and multi-institutions management structure which appears to be complicated, but it provides continuity and is safeguarded given that Ministry of Regional Development and EU Funds and the Ministry of Finance, have been ensuring a coordinated and strategic approach in setting up the relevant institutional framework for the implementation of the EU post-accession funds.

However, the practice of IPA puts emphasis on project-level management tasks while the management of the Structural Funds will require an essential shift of focus of preparation from proper project management to preparation for Programme level management tasks. Thus, clear guidance on the arrangements to provide for and involve partners in implementation, project pipeline development and project selection is required combined with securing sufficient administrative capacity.

6.2 RECOMMENDATIONS

The main recommendations of the Ex-Ante Evaluators are the following:

Recommendation 1.

- Update estimates of macroeconomic indicators with recent figures which reflect policy tightening in response to continuing debt reduction by households and businesses, declining



This project is funded by the European Union



domestic demand and slowing exports to the euro area, with real GDP growth in Croatia coming close to a halt.

- Update data on declining labour force participation and rising unemployment to better assess conditions and prospects for structural reforms in the labour market.
- Include background data on intervening factors, such as administrative capacity, ICT penetration and energy consumption. Also, on past EU or other donor-funded interventions in Croatia.
- Minor adjustments are to be made in the NSRF-related SWOT analysis to better reflect the content of its elements.

Recommendation 2. To ensure a coherent, 'strategic' logic between the planned areas of interventions under the OPs, with thematic priorities following on from the NSRF's strategy, the overall and the strategic objectives should be reconsidered with the aim of streamlining and harmonising their content.

Recommendation 3. Particular efforts should be put into developing indicators for the two thematic priorities (Thematic priority 3: Higher competitiveness of SMEs and support to knowledge-based economy, Thematic priority 4: Improvement of labour market efficiency, development of the human capital and reinforcing social inclusion), which currently do not enable target setting. More information on target estimation could be provided, in particular whether monitoring can rely on an existing data set, whether new data will need to be generated via a macroeconomic model, or whether only estimates will be available.

Recommendation 4. Coordination arrangements regarding implementation, project pipeline development and project selection should be considered and detailed in the NSRF, as effective institutional coordination is one of the most challenging elements of horizontal and vertical implementation in addition to ensuring that sufficient capacity exists for the range of interventions listed under OPs to be implemented and the NSRF's funds absorbed.



APPENDIX A. KEY ANALYSIS INSTRUMENTS

The most important methods and techniques used in Ex-Ante Evaluation of SF RC OP have been the following:

- **Use of secondary source data:** Existing information gathered and interpreted by the evaluator. Secondary data consists of information drawn from the IPA OP monitoring system, produced by statistics institutes and provided by former research. The most important sources of secondary data are listed in Appendix C. Key Documents Consulted.
- **Use of administrative data:** Information relating to the administration of the Programme collected through a structured monitoring process and analytical works. Main sources of administrative data have been the Annual Implementation Reports, Organisational Development Strategy and Workload Analysis prepared for the IPA counterpart OP.
- **Logic models:** Generic term that describes various representations of programmes linking their contexts, assumptions, inputs, intervention logics, implementation chains and outcomes and results. In this particular evaluation it has been used for analysis of the RC OP's intervention logic.



This project is funded by the European Union



APPENDIX B. KEY DOCUMENTS CONSULTED

I. The NSRF documents	
Document Title	Authored/prepared by:
National Strategic Reference Document 2013, Draft, February 2013	MRDEUF/NSRF Working Group
National Strategic Reference Document 2012-2013, Draft, June 2010	MRDEUF/NSRF Working Group
Organisational Development Strategy <i>(for the purpose of meeting the benchmark under Chapter 22)</i> , Zagreb, September 2010, Final Version	NSRF Coordinating Authority
Regional Competitiveness Operational Programme 2007-2013, Draft Working Document, January 2012	MRDEUF/Ministry for Economy
Operational Programme Transport 2007-2013, Draft Working Document, August 2011	Ministry of the Sea, Transport and Infrastructure
Operational Programme Human Resources Development European Social Fund – ESF, Draft Working Document, March 2012	Ministry of Labour and Pension System
Operational Programme Environment 2007-2013, Draft Working Document, March 2012	Ministry of Environmental and Nature Protection
II. The programme environment	
Communication from the Commission to the European Parliament and the Council, Monitoring Report on Croatia's accession preparations, Brussels, 26.3.2013, COM(2013) 171 final	European Commission
Information on the Results of the EU Accession Negotiations with Croatia, November 2011	Compiled by the Directorate General for Enlargement, European Commission
Cohesion Policy 2007-13: National Strategic Reference Frameworks, January 2008	European Commission, DG Regional Policy
Economic and Fiscal Policy Guidelines for the Period 2013 – 2015,	Ministry of Finance, Republic of



This project is funded by the European Union



July 2012	Croatia
Instructions for preparing strategic plans for the period from 2011-2013	Ministry of Finance, Republic of Croatia
Strategy of Government Programs and State Budget for the period from 2010 to 2012	Ministry of Finance, Republic of Croatia
Monthly Statistical Report - Number 2, Zagreb 2013	Croatian Bureau of Statistics
Strategic Development Framework for 2006-2013	Central Office for Development Strategy and Coordination of EU Funds, on behalf of the Government of Croatia
Bulletin 189, February 2013	Croatian National Bank
Pre-accession Economic Programme 2007-8	Government of Croatia
Pre-accession Economic Programme 2010	Government of Croatia
Croatia—2013 Staff Visit Concluding Statement, February 25, 2013	International Monetary Fund
World Economic Outlook: Coping with High Debt and Sluggish Growth, October 2012.	International Monetary Fund

