

# 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)

## SF OP *Regional Competitiveness 2007-2013*

### *Ex-Ante Evaluation Report*

Croatia

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## 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



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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



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## PROJECT SYNOPSIS

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## 1. EXECUTIVE SUMMARY

Present evaluation report is one of the outputs of the Project EuropeAid/130401/D/SER/HR. 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 aim of this report is to account for ex-ante evaluation activities undertaken for the purpose of programming EU assistance, in line with the regulatory framework of the EU Funds and Cohesion policy for the period 2007-2013. Regarding the Regional Competitiveness OP for Croatia, this Report satisfies the requirements set for a mandatory execution of an ex-ante evaluation by Council Regulation 1083/2006 for each Operational Programmes of the 2007-2013 period.

According to the methodological working paper<sup>1</sup> that focuses on the content and organisation of Ex-Ante Evaluation of Operational Programmes for the 2007-2013 programming period, the Evaluation should answer the following questions:

- 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 (including the National Strategic Reference Framework) 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 Report provide a response to these broad questions.

Implementation of evaluation activities have been carried out in accordance with the timing and other arrangements set out by the Terms of Reference and the provisions of the approved Inception Report of the Project. Evaluation took place between March 19 2012 and June 11 2012. The main reference document of the evaluation was the “REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013, Draft working document, JANUARY 2012”, last edition to the document took place on the March 12 2012.

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



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

- Desk-based review of background literature, Programme texts, operation manuals and other documentation, including previous evaluations, progress reports, annual implementation reports, and policy documents;
- Data analysis of monitoring information and Programme performance indicators, along with wider labour market and socioeconomic data;
- Strategic consultations with each of the key stakeholders, including all Ministries having management and thematic responsibilities in relation to the various interventions of the OP.;
- Evaluation of the Priorities – and, in exceptional cases individual measures against the evaluation criteria derived from the Terms of Reference.

Another part of the Project has assessed the implementation progress of the IPA 2007-2013 Operational Programmes, by providing separate evaluations during the period of implementation linked to the monitoring of OP's, among those the Regional Competitiveness OP under IPA IIIc. A preliminary review of the programming documents indicates that the IPA and respective SF OP present many similarities in strategy and content of interventions, mostly as a result of the specific situation of Croatia in terms of timing of the EU accession procedure. Thus, the findings and the recommendations of the current Report drew lessons learned from the evaluation of the efforts for the effective and efficient use of IPA funds, outlined in a separate report. This way the strong connection between the Interim Evaluation Report for IPA RC OP and the Ex-ante Evaluation Report of the Regional Competitiveness Operational Programme funded by the 2013 allocations of the ERDF becomes evident.

The presentation of the OP, as a document indicates clearly its draft status. It's especially valid for the sections that are not fully elaborated yet. The most important of these is the one that would serve to describe the planned management structure; additionally, information contained in this section became evidently outdated. Also, section referring to partnership consultations have not been finalised either, as last round of public consultation of the OP has not taken place yet. Similarly, completion of the SEA and the related consultation process are still ahead. The outline character of the document is also very much identifiable in the "analysis" section, too. Present report proposes a number of editorial changes related to this section with the intent of improving its clarity and scoping.

In general, room for manoeuvre in terms of choices at both strategic and operational level remained fairly limited for the programming team. Due to the 6 month period that remains back of the 2007-13 cohesion policy framework after the expected accession of Croatia July 1 2012 and the untested management institutions, the only sensible strategy was to build ERDF funded interventions on the ones that had been proved as successful under the IPA programming framework. This situation also



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brings about specific challenges for the system of programme management and corresponding section of the report provides brief analysis with regards to the possible options in this field.

As evidenced by project generation and development in all the various fields of intervention under the precursor IPA RC OP, a substantial degree of Programme ownership and legitimacy have developed over time, especially in areas where Grant Schemes were launched. However, problems of implementation also affected the Grant Schemes more seriously, characterised by extremely long period for decisions and for expenditure verification and certification. In the implementation phase, strong commitment and motivation by all involved parties must be maintained, lessons learned must be derived and employed and the OS has to adapt its work processes and raise its organizational readiness.

As a backdrop to the evaluation, a brief analysis of the existing situation in the socio-economic environment and the in the factors influencing the competitiveness of Croatia was conducted. Analysis shows that economic situation of Croatia improved continuously from the outset of the programme till the effects of the global economic crisis hit Croatian economy in 2008. Although government's measures were relatively successful to mitigate the lasting impact of the crisis on the economy, recovery is slow and fragile. Usefulness of the Programme's interventions thus is doubtless, especially in the light of further findings as listed below.

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

#### **Relevancy of Rationale & Intervention Logic**

- Based on the socio-economic development of the country the Programme's intervention logic has been found as valid, the general and the specific objectives have been formulated clearly and planned investment priorities will be able to contribute to the achievement of these objectives. Specific constraints have also been taken into account, therefore the strategy can be judged as generally appropriate.
- However, improvement of the presentation of the intervention logic, with special emphasis on the appropriate scope of underlying analysis and on the consistency of analysis and objectives seems to be inevitable.

#### **Degree of Policy Cohesion and Complementarities**

- The Programme has been drafted in line with relevant national and European policy objectives, including those originated in "Lisbon objectives"; however, minor changes could be justified by evolving national sector policies, first of all in terms of placing more emphasis on addressing territorial issues such as the lagging behind areas and the territorial diversity of resources.

#### **Adequacy of System of Indicators**

- Indicators have been defined are of "impact" nature, some of them already proposed to use in precursor IPA OP, some of them are new. Indicators broadly express the changes with regard to the objectives they've been assigned to.



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- However, no information has been provided about the methods of setting quantified targets for these indicators and underlying assumptions about the trends in the external environment of the programme have not been fixed either. Thus, achievability of the targets assigned to the indicators is difficult to evaluate.
- Proposal has also made by the Evaluator to introduce result indicators to be used for management purposes during the implementation.

### **Effectiveness & Efficiency**

- The outputs of the interventions of the Programme clearly support the objectives set.
- Effectiveness of the OP is greatly influenced, too, by the degree the considerable delay of implementation of currently running precursor IPA OP can be reduced until the launch of the ERDF-funded operations.
- Some potential weaknesses have been identified in relation to availability of good, fundable projects, especially from lagging behind regions; however, operation of some project pipelines by line ministries may offset this risk. However, recommendations have been formulated to improve effectiveness and long term efficiency of the project pipeline by putting more emphasis of increasing the capabilities of stable and sustainable institutions at sub-national level.
- In terms of institutional effectiveness, the continuation of the management on the basis of the management structure that has been developed and tested under IPA is an effective and, in the short run, efficient decision, however, to achieve also long term efficiency, a number of supplementary measures have been proposed.

### **Impact & Added Value**

- The Programme's expected impact in physical terms is limited due to the relatively small funds allocated to its implementation. Clear impact can be foreseen in terms of providing added value by further improving sectoral and management-related knowledge in the sectors affected (SME, tourism, R&D, FDI promotion) and for a wide range of actual and future beneficiaries (SME's, intermediate organizations, agencies, universities, research institutions, municipal and territorial self-governments).
- To further improve positive impact a number of proposals have been made, such as devise procedures to exploit synergies among Priority Axes and between the priorities of the RC OP and the OP HRD, extend the range of beneficiaries of the R&D projects to private sector representatives, too, or increase the importance of economic sustainability of supported projects.

### **Cross – Cutting Horizontal Themes**

- While the OP sets its objectives in relation to implement principles of equal opportunities (gender equality) and environmental sustainability, these objectives remained general and are not bound to specific interventions of the Programme. This way the commitment to fulfil these objectives remains fairly vague. Present Evaluation Report provides some ideas with regard to convert the general objectives of the OP into more operational ones, but further analytical and planning efforts of the programming team in this field are necessary.

### **Programme Management and Systems**

- The governance system of the OP is intended to be built on the system devised and tested with IPA RC OP (although evaluated version of the OP contains different setup in its section



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for the Intermediary bodies). The system is in place and operational and fits also with the institutional environment of the Croatian administration.

- Implementation of the IPA funds, however, is slow, mainly due to the generally resource-demanding procedures developed for IPA and the deficiencies in the staffing of the involved management institutions. These shortcomings are to be overcome as soon as possible, as a precondition of the effective management of the ERDF.
- Further needs for amendments of the current system include the adjustment of the institutional relations between the Managing Authority and the IB (the CFCA) in a way that it provides some level of authority to MA, the extension of preparation efforts to the Monitoring Committee and the possible sectoral (thematic) IB's in the next (post-2014) programming period.

The main **conclusions** of this Evaluation are presented below:

1. The objectives of the Programme in general respond to the needs and opportunities described in its analytical chapter. Policy choices broadly fit to the related policy environment set by the relevant national regional and sector policy frameworks, and also take into account the specific circumstances of the programming.

2. The intervention logic of the Programme is valid and operational; however the presentation of this logic does not have the necessary clarity and logical consistency yet.

3. Territorial aspects have been considered by the strategy. However, in the light of the objective of the OP that targets the better exploitation of territorial capital, the measures taken to really take advantage of the diversity of resources by territories could be further strengthened.

4. Increasing attention on the tourism sector raises the issue of stronger involvement of specific stakeholders of this sector in programming and management in the future. This could encompass the extension of the established operational level co-operation with the Ministry of Tourism to further partners such as tourism-related professional organisations and representatives for local and territorial self-governments.

5. Indicators presented are largely appropriate to measure the changes in relation to the specific objectives of the Programme. However, these indicators are all of “impact” type, with a lot of context-related factors included; therefore the usability for the purpose of the OP management is very limited. Additionally, methods and underlying considerations, such as assumptions and sources of comparative data still require more explicit documentation.

6. Planned measures are expected to sufficiently promote the principle of equal opportunities and sustainable development, but areas of special concerns of neither equal opportunity nor environmental issues have been identified.

7. In the R&D sector the greater involvement of the private sector – including support for private sector establishments – would be beneficial already in the programming phase, so that it also



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includes the eligibility of technology and innovation transfer intermediates, both public and private.

8. The expected impact of the Programme is broadly in line with the objectives set. Socio-economic impacts are limited by the relatively modest amount of financial resources allocated to the programme. Impacts might be strengthened by (i) an improved focus on the territorial differences (ii) the more substantial involvement of the private sector in the development of the R&D sector and (iv) exploiting the synergies within the different priorities of the RC OP and with the relevant priorities of the HRD OP by coordinated implementation (v) increasing importance of longer term financial sustainability of projects.

9. The management structure of the Programme will almost certainly follow the one established by the IPA OP. On one hand the system itself can be considered as being set up and operational, on the other hand, to be reliably operational under the Structural Funds period, further steps of developing these institutions are to be made.

10. The management of the OP focussed on developing targeted project pipelines to the Grant Schemes implemented and less emphasis has been placed on creating and developing an institutional system that might become gradually self-sustaining and deliver continuous advice and assistance for further beneficiaries. In the light of the absorption-related challenges of the coming accession, a more systematic approach to support project generating and developing capacities is well justified, also because it can help overcome the handicaps of the regions lagging behind in the field of preparation of projects and also helps focus the assistance more on specific territory-based bottlenecks.

On the basis of the above conclusions, the Evaluation Team proposes the following **recommendations**:

1. To improve efficiency of handling territorial disparities, encourage, coordinate and assist counties to update their county development strategies and extend already planned preferences by targeted additional assistance to project holders in assisted regions.
2. Strengthen the input from the tourism sector representatives to programming and project selection, including by a more intense cooperation with industry stakeholders and local and territorial self-governments.
3. For R&D schemes prepare the extension of the eligibility to the private sector and consider launching a pilot scheme to collect experiences upfront.
4. Improve the quality of the main indicators for the purposes of evaluation, by (i) providing more information with regard the method and the underlying assumptions used to set the target values for the indicators, (ii) cross-check, possibly against benchmarks of similar Programmes, the realism and achievability of the target values. Devise and add to the programme – for informative purposes – suitable result indicators, one or two for each Key Area of Operations.



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5. Take necessary decision on the management structure and devise and make public a comprehensive roadmap with regard to the evolution of the roles of the current institutions involved in the management of the OP, including the IB's designated earlier. The Plan should also indicate how these institutions will spread their experiences gathered until now to other bodies.
6. Devise a comprehensive set of interventions in the delivery system of the OP that include coordinated actions in the following fields:
  - 6.1. Review and re-design the assessment and contracting procedures with the clear intention of streamlining those, avoiding all unnecessary steps of control and overlaps. A system of incentives is to consider to be put in place.
  - 6.2. For accelerating the pace of physical implementation of the projects, the reinforcement of technical assistance services for beneficiaries and a reinforced (more frequent, more detailed, more motivating for the beneficiary) physical monitoring activity is needed and in this process the core in-house capacities are to be developed by the Ministries and the CFCA.
7. Extend the scope of the presently available EU-funded instruments to support the consolidation and further development of local and sub-national institutions in charge of assisting potential beneficiaries in generating and developing projects.
8. Monitor the equal participation of women and the promotion of the participation of vulnerable groups as well as environmental sustainability of the relevant operations with special care. Identify sensitive operations beforehand, drawn conclusions expectedly from the SEA on environmental and from targeted public consultations on gender equality issues.
9. Develop the analytical chapter of the OP, taking advantage of the detailed recommendations in the relevant section of present report to improve the clarity and the coverage of the analysis, as well as the coherence between analysis and the objectives.



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## 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”<sup>2</sup>*

Based on the requirements of the Financing Agreement for the Operational Programme Regional Competitiveness 2007 – 2013 (OP RC ), the Contracting Authority (Central Financing & Contracting Agency - CFCA) launched the Ex-Ante Evaluation of the OP as part of Project EuropeAid/130401/D/SER/HR, seeking to provide independent analysis of the programming document and to formulate recommendations for adjustments in order to ensure good Programme performance and optimise the impact of Structural and Cohesion Funds absorption and management.

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 is compulsory for every OP according to the regulatory framework for the period 2007-2013. This Report satisfies this requirement and has been prepared as an output under Component I of the Project.

In particular, Component I delivers ex-ante evaluations of NSRF and related Cohesion Policy OP’s and programming documents under the EU Fisheries Policy and Rural Development Policy, by performing 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.

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



## 5. Ex Ante Evaluation of the SF Operational Programme Fisheries 2007-2013.

Thus, the scope of the particular Report covers the support provided by the Project to the MRDEUF through the prospective appraisal of the SF Regional Competitiveness Operational Programme 2007-2013, aiming to optimise the allocation of budgetary resources under the OP and improve programming quality.

Another part of Component I has assessed the implementation progress of counterpart IPA 2007-2011 Operational Programmes, by providing separate evaluations during the period of implementation linked to the monitoring of OP's under IPA Components III and IV. A preliminary review of Programming documents indicates that the IPA and respective SF OP present many similarities in strategy and content of interventions, mostly as a result of the specific situation of Croatia in terms of timing of the EU accession procedure.

Thus, the findings and the recommendations of the current Report - besides being considered as essential inputs of the planning process aiming at the finalisation of the Structural Funds OP – draw lessons learned from the efforts put in place until now to achieve effective and efficient use of IPA funds. This way the strong connection between the Interim Evaluation Report and the Ex-ante Evaluation Report of the Regional Competitiveness Operational Programme funded by the 2013 allocations of ERDF becomes evident.

Implementation of evaluation activities have been carried out in accordance with the timing and other arrangements set out by the Terms of Reference and the provisions of the approved Inception Report of the Project. Evaluation took place between March 19 2012 and June 11 2012. Draft report have been presented to main stakeholders on the 18<sup>th</sup> of June, followed by written comments submitted by the MEC, the MSES and the MRDEUF by the 3<sup>rd</sup> of July.

Current report has been drafted by Lunk Tamás, as a non-key expert employed by the Contractor, supervised 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 objectives of the OP RC, describing the organisation and structure of the OP around the Priority Axes and the Measures.
- in Chapter 5 we assess the foundation of Programme strategy and appraise the coherence between identified needs, Priority Axes, activities and allocation of financial resources, assess the relevance of the system of indicators, analyse expected outcomes and impacts and review the quality of management structures, implementation procedures and monitoring arrangements foreseen for the OP.
- in Chapter 6 we present our conclusions and recommendations.



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## 3 METHODOLOGICAL PROCESS & CONTENT OF EX-ANTE EVALUATION

### 3.1 OBJECTIVES & SCOPE OF THE EVALUATION

According to the methodological working paper<sup>3</sup> that focuses on the content and organisation of Ex-Ante Evaluation of Operational Programmes for the 2007-2013 programming period, the Evaluation should answer the following questions:

- 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 (including the National Strategic Reference Framework) 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.

Within this context, however, those responsible for drawing up Programmes have been encouraged to develop detailed evaluation questions to be answered in relation to the national, regional or sectoral strategies. As such this Project's Terms of Reference reflect the status of the Report as an Ex-Ante Evaluation of the OPRC. It sets out the following seven core analytical tasks which must be performed as part of the Evaluation, forming the basis of the evaluation approach and method that we adopted:

1. Analysis of the implementation of pre-accession Programmes (components III and IV of IPA) in Croatia.
2. Analysis of existing administrative capacity, in the bodies designated for the management of the OP.
3. Appraisal of the socio-economic analysis in terms of strengths and weaknesses, and the relevance of the resulting needs assessment.
4. Appraisal of consistency of the strategy and of the rationale behind the Priority Axes and their operations.

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





5. Identification of relevant indicators in order to appraise the potential impact of Programme strategy on the achievement of the objectives.
6. Analysis of the expected impacts and of their with the allocation of financial resources
7. Assessment of the quality and appropriateness of the programme management structures and monitoring arrangements foreseen for the OP.

## 3.2 EVALUATION PROCESS

The Ex-Ante Evaluation of the 2007-2013 Regional Competitiveness OP (“Structural Funds OP”) has been performed before the implementation of the Programme which starts after Croatia’s EU accession on July 1st, 2013, lasting till the end of that year. The Evaluation’s objectives are to assess whether planned interventions are consistent with regard to identified needs (of the particular sector and its beneficiaries), as well as coherent with reference to planned aims and the ways these will be implemented. It also includes the assessment of context, the identification of potential difficulties, as well as the diagnosis of target group needs and expectations, taking into account the programming and implementation experiences gained and lessons learnt from the IPA counterpart OP. It is noted that particularly in SF OP Ex-Ante Evaluation, the issues of consistency, policy complementarity, and relevance in strategy development, prospective Programme implementation efficiency and prior assessment of impact on gender, minority and environment are emphasized.

Usually an Ex-Ante Evaluation is elaborated in parallel with the respective OP, involving the sequential provision of interim appraisals and recommendations per OP’s section by the Evaluator to those who are responsible for the preparation and elaboration of the programming document. In this case however, the assimilation of IPA-funded activities by the SF OP underscores the relevance of the Interim Evaluation of the IPA counterpart OP, as it provided the setting for the cooperation between the Ex-Ante Evaluator with the management/programming team in a couple of ways. In particular, the Ex-Ante Evaluator participated in key meetings with the management/programming team dealing with implementation experiences as well as with programming decisions, and passed over to the management/programming team written recommendations on Programme improvement through the Interim Evaluation Report.

In essence, the Evaluation has examined each of the Priority Axis and Measures in the SF OP RC Draft version of March 2012, in terms of the evaluation questions specified above. The Evaluation activity has been designed to prospectively justify the proposed Priority Axes, assess their efficiency and the likely impact of the OP RC in Croatia. The Evaluation activity also provided an opportunity to:

- Assess the extent to which the Programme is achieving alignment between the SF Framework and domestic (national) policy priorities, such as regional, SME and R&D policies
- Utilise any lessons learnt and opportunities for improvement to inform future provision of resources to implement these policies
- Assess Programme likely sustainability.

Further, the Terms of Reference note that conclusions and recommendations must be underpinned



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by the analysis and findings of the Evaluation. This is a particular challenge for the OP RC given the number of thematic policies and a range of actors – both at national and sub-national level involved in the Programme, coupled with the number of evaluation issues raised by the Terms of Reference. To ensure that we achieved this requirement we adopted the following approach:

- we took the analytical tasks as set out in the Terms of Reference as the key Ex-Ante Evaluation issues;
- we translated the tasks in the Terms of Reference into evaluation criteria, against which the OP and its contents were systematically assessed;
- we fine-tuned the criteria as a series of relatively standardised Questions to be asked about each individual Measure;
- we utilised 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. 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;
- Stakeholder consultation;
- 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 C outlines the main documents reviewed);
- Data analysis of Programme performance indicators, along with wider labour market and socioeconomic data;
- Strategic consultations with each of the key stakeholders and other members of the Evaluation working group. Consultations were undertaken mainly with officials from the thematic responsible Ministries and the Ministry of Economy and the MRDEUF through a mix of individual and group meetings. (Appendix B identifies the participants in these consultations);

In closing, the Ex-Ante Evaluation was to a large extent based on information and opinions provided by the interviewed stakeholders. Its quality depends also on the scope and reliability of Programme data. All significant findings have been double checked and verified by referring to both secondary data and additional interviews. At the end it can be stated that all consulted stakeholders had an open and positive approach towards the evaluation. The reliability of findings is underlined also by the fact that there have been no essential discrepancies identified between the views and statements of the stakeholders.



## 4 PROGRAMME DESCRIPTION & VALUE ADDED OF THE EX-ANTE EVALUATION

### 4.1 CONTEXT & BACKGROUND OF THE OPERATIONAL PROGRAMME

#### General Context

The Regional Competitiveness Operational Programme has been based on the EU Council Regulation No 1083/2006, which includes the general provisions in relation to the use of Structural funds for the 2007-13 programming period. Furthermore, the activities planned within this OP are relying on EU Council Regulation No 1080/2006, which provides the tasks, scope and eligibility rules for assistance provided under the ERDF.

The strategy of the OP has been built on the experiences Croatian authorities have acquired through the implementation of previous investment and capacity building initiatives, out of which the recent implementation of the IPA Regional Competitiveness Operational Programme RCOP 2007-2011 (2007HR16IPO001) is of outstanding importance. This OP has been drafted with the intent of preparing Croatia's accession to EU by developing institutional capacities and providing practical experience with the management of investments similar to those co-financed by the ERDF.

The accession negotiations - closed between Croatia and the EU in 2011 – established the accession date of the country as of 1<sup>st</sup> of July 2013. Until this date Croatia remains eligible for IPA interventions. This way the period for the allocation of the Structural Funds – ERDF in the context of the RCOP – remains as short as 6 months. As a consequence, the RCOP can only be realistically implemented if it builds as much as possible on the achievement of the counterpart IPA OP. The current OP has been drafted on the basis of the above-outlined approach, thus, neither in its strategy, nor in its content represents any major changes in comparison to the IPA OP.

Subsequent to the decision on the date of the accession Croatian authorities have initiated the modification of the IPA Regional Competitiveness OP, stretching its duration until end June 2013, incorporating IPA funding of budgetary years 2012 and 2013 and proposing an amended set of indicators. As some of the elements of the modification of the IPA OP are intended to be incorporated to the Structural Funds RCOP, in all cases, when reference is made in present report to the IPA RCOP, the version after these modifications is to be understood, despite the fact that those modifications have not been officially adopted by the EU by the time of drafting the Ex-Ante Evaluation Report.

Croatia, as EU-member state from mid-2013 onwards, has to comply with all EU regulatory requirements in relation to the process and content of Operational Programmes. Thus, a new OP for Regional Competitiveness has to be created that will then be the subject of negotiation between the Commission and Croatia. However, the continuation of interventions receiving funds under IPA and



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the ERDF has also been decided, as a natural consequence of the date of accession vis-à-vis the end of the programming period. Thus, the new OP, drafted with the intent of programming the use of the ERDF, incorporates earlier deliberations and actual programming decisions –partly having already implemented using the IPA funds.

When current evaluation report refers to “IPA OP” it always relates to the IPA RCOP 2007-2011 document and when the report mentions the “Structural Fund OP” or “ERDF OP”, it always refers to the 2007-13 RCOP, funded by both IPA and the ERDF, as shown in the next sub-chapter.

### **Challenge of increasing tasks of programming and implementation**

In the context outlined in the previous sub-chapter the biggest challenge for the Croatian administration still in the pre-accession period is to move 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 is underway, including the preparation of institutions that form part of the Operating Structure of the IPA RCOP. According to current state of affairs, the preparatory stage will be finalized before summer of this year, followed by the Commission’s audit of the system. A successful audit may result in waiving ex-ante control as soon as autumn 2012.

The preparation for “EDIS” is coordinated by the National Fund (within Ministry of Finance) and the whole Operating Structure of RCOP takes part in the process.

Additionally, Croatia will be a full beneficiary of the Cohesion Policy instruments in the period of 2014-20. This suggests that:

- i) only a very limited experience will be available in the Croatian administration with regard to the management of the Structural Funds, as implementation of the interventions funded by the ERDF will not deliver such experience until the beginning of 2014, and
- ii) the institutional system will have to deal in parallel with three different set of structural instruments from 2014: the IPA, the Structural Funds 2007 – 13 (ERDF, in case of current OP) and the ERDF for the next period, under a yet unknown structure of priorities and management.

Finalisation of the OP’s for both the 2007-13 period and the preparation of Programmes for the post-2104 period is currently underway. All programming activities are coordinated by Ministry for Regional Development and EU Funds.



## 4.2 PROGRAMME BUDGET, OBJECTIVES AND INDICATORS

In line with the above outlined context the interventions of the OP will be financed by IPA in the period of financial years 2007 and 2013 (until 30 June), and ERDF for the remaining 6 months of the current programming period until end 2013. Commitments by fund are planned to be the following:

Priority Axis	Fund	Community funding	National counterpart	Breakdown of the national counterpart		Total funding	Co-financing rate
				National public funding	National private funding		
				(a)	(b)=(c)+(d)	(c)	(d)
Priority axis1 : Increasing SMEs' economic activity and competitiveness	IPA + ERDF	38.245.266	23.616.226	6.749.167	16.867.059	61.861.492	62%
Priority axis 2: Strengthening technology transfer and potential for innovation	IPA + ERDF	54.641.633	9.642.641	9.642.641		64.284.274	85%
Priority axis 3: Increasing regional potential for economic development	IPA + ERDF	56.823.500	10.204.147	10.204.147		68.027.647	85%
Priority axis 4: Technical assistance	IPA + ERDF	10.987.351	1.762.474	1.762.474		11.749.825	85%
Total	IPA+ERDF	160.697.750	45.225.488	28.358.429	16.867.059	205.923.238	
Total	ERDF	78.400.000	30.702.353	13.835.294	16.867.059	109.102.353	
Total	IPA	82.297.750	14.523.145	14.523.145	0	96.820.895	

The table highlights that financial allocations will drastically increase on accession: ERDF resources for the six months will amount to more than 95% of the total IPA resources allocated until the accession, in other words nearly half (48,8%) of the total financing of the 7 years-long Programme will be made available in the last half year.

As far as the distribution of the funds across investment Priorities is concerned, no major changes have taken place since the first OP has been approved. (It's worth noting that Priority Axis structure and the numbering of Priorities differ between the IPA OP and the Structural Funds RCOP, however, content of the Priorities are of continuing nature). Non-significant changes can be identified in



terms of a slight reduction (-5,3%) of proportional funding for SME's (ERDF Priority Axis 1 and IPA Measure 2.1.) and a modest (6,3%) increase for R&D (ERDF Priority Axis 2 and IPA measure 2.2.). Allocations for TA are decreasing, but still above the 4 % maximum as to Article 46 of 1083/2006 regulation, as a consequence of the relative higher allocations of IPA to this Priority area.

Proportion of funds allocated to Priority Axes (cumulative figures)

Priority Axis	IPA 2007-13		+ 2013 ERDF	
	IPA %	IPA EUR	IPA+ERDF %	IPA+ERDF EUR
IPA Priority Axis 1: Improving the development potential of lagging behind regions <u>ERDF Priority Axis 3: Increasing regional potential for economic development</u>	<b>35,0</b>	28.823.500	<b>35,4</b>	56.823.500
IPA Priority Axis 2: Enhancing the competitiveness of Croatian economy ERDF: Total of Priority Axes 1+2	56,7	46.666.899	(57,8)	(92.886.8999)
IPA (Measure 2.1.) <u>ERDF Priority Axis 1 : Increasing SMEs' economic activity and competitiveness</u>	<b>(29,1)</b>	(23.908.266)	<b>23,8</b>	38.245.266
IPA (Measure 2.2.) <u>ERDF Priority Axis 2: Strengthening technology transfer and potential for innovation</u>	<b>(27,7)</b>	(22.758.633)	<b>34,00</b>	54.641.633
IPA Priority 3 / <u>ERDF Priority Axis 4</u> Technical Assistance	<b>8,3</b>	6.807.351	<b>6,84</b>	
Total	100	82.297.750	100	160.697.750

The overall objective of the OP has been set as "To achieve higher competitiveness and a balanced regional development by making better usage of regional territorial capital". This is nearly identical with the goals that IPA OP intends to follow until now, which is to achieve higher competitiveness and, in the same time, a more balanced regional development in Croatia.

The strategic objectives of the Programme and the indicators that have been attached to measure their achievements have been set in the following way:

1. Development of entrepreneurship;

(to be measured by: (i) turnover of SME's increased, (ii) increase in jobs created in assisted SME's, (iii) overnight stays in accommodation facilities increased, (iv) visits in assisted tourism facilities increased).

This Objective is expected to be achieved through Priority Axis 1: Increasing SMEs' economic activity and competitiveness and enhancing business environment.

2. Fostering innovation and research excellence;

(to be measured by: (i) nr. of cooperation agreements between Higher Education Institutions and



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Public Research Organisations and business/industry signed, (ii) nr. of start-up companies occupying the BioCentre, (iii) nr. of jobs created in start-up companies).

This Objective is expected to be achieved through Priority Axis 2: Technology transfer and support for a knowledge-based economy.

### 3. Increasing regional potential for economic development.

(to be measured by: (i) nr. of jobs created within targeted regions, (ii) nr of SMEs established within the targeted regions, (iii) nr. of visits in assisted cultural and tourism facilities increased, (iv) the nr. of regional projects prepared).

This Objective is expected to be achieved through Priority Axis 3: Development and upgrading of the regional infrastructure and raising the attractiveness of regions. As 4th Priority Axis, Technical Assistance has also been programmed, the effectiveness of which will be measured through the indicator “OP funds absorbed”.

The Operating Structure of the IPA Programme has been organized in accordance with IPA regulations. Responsibility for the various Measures has been placed with relevant “line ministries” (Ministry of Entrepreneurship and Crafts, Ministry for Regional Development and Ministry of Science, Education and Sports), whereas Ministry with coordinating responsibilities (Ministry for Economy) has been designated as Body Responsible for the OP. The Central Finance and Contracting Agency has been appointed as Implementing Body in relation to all activities. For ERDF, the evaluated version of the RCOP proposes the assignment of involving new institutions for the Intermediary Body function by Priority Axis, but no final decision has been taken by the Croatian Government how this institutional setup will be transformed to the management structure of the ERDF RCOP until now.

According to current monitoring reports and the Interim Evaluation of the IPA 2007-11 OP, the implementation progress of IPA funds proceeds slower than expected. Current setback of spending most likely will have delaying effects on the use of the ERDF funds as well.

#### *Financial performance of the IPA OP 2007-11 by measures (31/12/2011 status)*

Nr. of measure	allocation 2007-11 (IPA) amount (EUR)	contracted		paid		
		amount (EUR)	ratio to allocation	amount (EUR)	ratio to contracts	ratio to allocation
1.1.	19 823 500	4 421 578	22%	3 146 367	71%	16%
2.1.	19 761 500	10 774 786	55%	5 698 763	53%	29%
2.2.	19 142 000	2 803 684	15%	2 259 690	81%	12%
3.1.	5 222 750	1 474 240	28%	921 066	62%	18%

Source: National Fund reports

It is worthwhile to remark that the implementation of the Grant Schemes under IPA OP is significantly behind targets in terms of contracting and spending, that calls into attention the need



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to cautiously design and operate the future Call for Proposal systems intended to absorb the bulk of ERDF funding.

### 4.3 EVALUATION FEEDBACK BASED ON DRAFT VERSIONS OF THE OP

#### The version of the OP evaluated

As described in earlier sub-chapters, current OP partially incorporates content and strategy of former IPA RCOP 2007-11 and new planning decisions that relate to the use of the ERDF from accession. Date of the accession was supposed to be earlier and the actual date was not certain for a long time. Thus, the first version of the ERDF OP has been drafted with a view of the upcoming accession in 2010-11. Until no actual date was set for accession the Programme had not been amended. No substantial changes have been made therefore in the Programme recently and planning did not continue during the course of the Ex-Ante Evaluation either.

Additionally, due to change in government subsequent to elections at the end of 2011, several alterations of the government structure have also been introduced. These changes included in some cases quite substantial re-structuring of the portfolio of Ministries involved with the OS of the RCOP, such as MRDEUF, Ministry for Economy and Ministry for Enterprise and Crafts. Changes concluded just by the time the Ex-Ante Evaluation was conducted, however, staff and decisions' uncertainty during the restructuring process lessened the interactive approaches between planners and evaluators. .

Main interaction between members of the programming team and the Evaluator took place during the structured group interviews. Main issues raised and briefly discussed were the following ones:

*Validity of sector policies.* It has been raised in connection to changing sectoral strategies that new versions could be incorporated with the objectives, or activities of the OP. It became also clear that the timeline of the renewing sector strategies does not take into account the timing of the programming for ERDF 2013 but rather focuses on the EU2020 strategy and extends the validity period of the existing sector strategies. It is usually beyond the responsibilities of the programming team to influence the timing of the development process of the sector strategies.

*Effectiveness of the project pipeline.* A general consensual opinion has been formed that an effective project pipeline is an essential element of the absorption capacity involving the increasing amount of EU funds. However, the Evaluator's suggestion for a more systematic approach to the generation of projects and the possible incorporation of activities in the OP that serve the institutionalization of the task of project development was not fully accepted. The reasons were that ministries dispose on domestic funding to help the preparation of the necessary projects and at the local level County Development Agencies (CDA) are able to provide assistance to applicants.

Nevertheless, it is still questionable for the Evaluator that (CDA's do have the necessary skills and





also financing to help all project holders effectively and that heavy reliance of the project preparation activities (“the pipeline”) on large TA contracts is the optimal and lasting solution for securing the generation of projects.

*Involvement of the thematic IB’s.* The Evaluator’s proposal to redirect some of the TA resources of the OP in order to involve the originally planned IB’s for the preparation to their roles (Agency for Regional Development, HAMAG and BICRO) was received ambiguously. On one hand interviewed officers tended to agree that on the long run these bodies may become useful implementing partners for the ministries, therefore assistance should be provided for them to continue their preparation, however, they also felt that the issue is beyond their scope of influence. A general consensus was formed that for the time being none of the earlier appointed IB’s are ready to take over the tasks of a sectoral IB and the related piece of text of the draft OP shall be then changed accordingly. Participants anticipated the government’s decision on the institutional setup by July 2012. New setup would obviously require the re-drafting of the corresponding Chapter of the OP.

*Territorial aspects.* The Evaluator raised the necessity of a stronger territorial approach, especially because the exclusive eligibility of lagging behind areas for BRI in IPA is intended to be deleted and the indicative allocations for underdeveloped areas have also been eliminated. The suggestion was again ambiguously received, referring to the risk of decreasing the absorption capacity due to less potential applicants by the stronger focus, and the need for additional funding for developments as well as the opportunity for gaining experience on the whole of the territory of Croatia, being the whole country under the convergence objective of the EU Cohesion policy. On the other hand, territorial preferences are planned to be built in the set of evaluation criteria (scoring system) in the upcoming Grant Schemes as well, giving advantage to projects from the less developed areas.

*Indicators.* The Evaluator raised the issue of result indicators which are in fact of impact nature and this would require including some genuine results indicators, to assist the management of the OP. Furthermore, the doubtful accuracy of the target values has been raised. These issues were mostly shared by the programming teams.

In general, programming officers demonstrated their openness to the outcomes of the Ex-Ante Evaluation and indicated that they would respond after having read the Report. As draft Report is going to be the subject of discussion and commenting, further issues might be added to present list.

In the light of the circumstances of the programming and the evaluation process the present section might also indicate the most important aspects, which differ between the latest IPA RCOP version and the evaluated (latest) version of the SF OP, as follows in the next sub-section.

### **Appraisal of the most crucial differences between the IPA OP and the ERDF OP**

*Analysis of the baseline situation.* The ERDF OP follows a kind of a supplementary approach, meaning that analysis focuses on some changes in the Programme environment since the predecessor IPA OP has been approved. Comments and recommendations have been made to improve the quality of the





analysis in section 5.1.1.

*SWOT analysis.* New elements have been incorporated. The methodological approach to the revised SWOT is viewed critically by the evaluator and recommendations have been made on section 5.1.1.

*Territorial focus of the interventions.* The relatively strong focus on the lagging behind areas of the IPA OP has been abandoned. The ERDF OP emphasises rather the development of the regions' territorial capital than the need for additional support for the less developed areas. Relevant comments and, to a limited extent also recommendations are made on section 5.1.1. and 5.1.2.

*Indicators.* Some new indicators have been introduced with the intention of reflecting more accurately the interventions of the OP. Comments and recommendations on them are made in section 5.1.3.

*Priority Axis structure.* One additional Priority Axis has been introduced for the ERDF OP, but in terms of content of the possible investments under the Programme, it can be considered as splitting former Priority Axis 2 into two separate Priorities, in line with the former two Measures of the Priority Axis 2. On various meetings during the course of the Ex-Ante Evaluation it has been expressed that Ministry for Economy – with the support of the MRDEUF – considers to re-merger of the current Priorities Axes 1 and 2. Irrespective of selected any of the above-outlined choice, this has very little to add to the future quality of the Programme. A separated approach provides better transparency for the OP, as policy areas invested into are more clearly identifiable and this approach would facilitate a more tailor-made and specific formulation of objectives and interventions, enabling the Programme to better respond to the needs of the particular areas of investment. However, separated Priorities also make the Programme appear less flexible and might render the incidental needs for modification difficult to introduce.

Mainly due to situation explained above, certain decisions regarding the management structure and procedures of the ERDF OP are still pending. Thus, Section 4 of the OP contains only general and partially outdated information. Comments and general recommendation regarding this part of the OP are found in sub-chapter 5.3 of the Ex-Ante Evaluation.



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## 5. ASSESSMENT OF FINAL DRAFT OF THE OP

### 5.1 APPRAISAL OF SOCIO-ECONOMIC ANALYSIS & RELEVANCE OF STRATEGY

#### 5.1.1 Rationale & Consistency of Intervention Logic

##### Description of the intervention logic and the set of underlying assumptions

The overall objective of the RCOP is *“to achieve higher competitiveness and a balanced regional development by making better usage of regional territorial capital.”*

The intervention logic of the RCOP has been summarised in the following table.

STRATEGIC OBJECTIVES	Priority Axes	Interventions focused on an achievement of Strategic objectives (Key Areas of Operations)
Development of entrepreneurship	1. Increasing SMEs' economic activity and competitiveness and enhancing the business environment	Improvement of SMEs' competitiveness Improvement of public business support
Fostering innovation and research excellence	2. Technology transfer and support for a knowledge-based economy	Support to development of technology transfer capacities Support to development of R&D infrastructure
Increasing regional potential for economic development	3. Development and upgrading of the regional infrastructure and raising the attractiveness of region	Support to public infrastructure
Internal country cohesion and balanced regional development	Horizontal priority that shall be accomplished through implementation of the strategic objectives interventions and a positive impact thereof	

Most important features of the Croatian economy and the sectors have been identified as follows:

*In terms of general competitiveness*, Croatia lost positions since the first version of the OP had been drafted. As to the Global Competitiveness Reports, prepared by the World Economic Forum, ranking of Croatia fell from 51st place of 2006-7 to 76th in the 2011-12 report. In terms of weaknesses and opportunities, the main conclusions of the analysis emphasize structural weaknesses that hinder the improvement of Croatia's competitiveness, although at macro-economic level the national economy's situation have been assessed as generally positive.

The global economic crisis has a negative impact on Croatia's economy, too. After a long trend of steady growth of real GDP by 4,9 – 5,1% in 2006 and 2007, a slower growth started in 2008 (2,2%)



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that then turned to recession in 2009 and 2010, resulting in figures of -6,0% and -1,2% respectively.

*Identified main structural weaknesses* in the sectors affected by the OP are as follows:

*Regional disparities:* in terms of GDP per capita the difference between most and least developed counties was 3,2 times according to 2004 data used in the IPA OP. By 2007, the difference slightly decreased to 3,13 times. Existing disparities between prosperous city areas and the more remote areas as well as between Zagreb and the rest of the country show an increasing trend.

A more detailed analysis can be found on this topic in section 5.1.2., linked to describing the changes in the policy area of regional development.

*Development of SME's:* The share of SME's in terms of the number of enterprises have been stabilized in the past years: 2006 figures show 180.799 SME's that count for a 99,76% share of the total number of Croatian enterprises in 2006, while in 2009 these figures are 180.850 and 99,76%, respectively (total of small and medium-sized companies, crafts and cooperatives). The contribution of the small and medium enterprises to GDP follows an increasing trend, from 44% by the end of 2006 having reached a 51.6% in 2010 (SME Report for Croatia 2011, CEPOR, 2011). Contribution by SME's to Croatia's exports was 60% in the time IPA OP 2007-2009 was drafted, while by 2010 their participation has been reduced to 41% and the large enterprises' contribution reached 58.9% (SME Report for Croatia 2011, CEPOR, 2011).

*Research and Development:* Based on results of a Global Entrepreneurship Monitor study in Croatia 2002-2010, main areas for a need for improvement of conditions for entrepreneurial activities were identified as education, government policies and transfer of results of research and development activities to the small and medium enterprise sector. Above average investments in R&D until 2005 resulted that Croatia became a regional leader in science and technology development, but decreasing investment figures until 2006 undermined this position. Investments have been showing a vaguely growing trend again since 2007. Public sector investment plays a predominant role; however, private sector investments are growing.

*Business-related infrastructure:* In spite of substantial investment in business zones between 2004 and 2009 from both domestic and EU resources, the quality of available infrastructure still limits the evolution of economic activities and the growth of enterprises. Emphasis is on the quality of business infrastructure, as the occupancy rate has been considered low (34, 75% for the large and 40,84% of the medium sited zones). In all categories registered demand exceeds supply, mainly due to the inadequate quality of infrastructure in the zones.

*Tourism:* Concentration of tourism-related businesses is overwhelming at the Adriatic coast, and, to a lesser degree Zagreb. However, the tourism season is restricted to the summer period even at the coastline. The other inland areas, in spite of the richness and diversity of attractions, play only a marginal role in tourism. Most important obstacles of development are the lack of tourism-related and of complementary tourism products and events.



## **Assessment of the analytical part of the OP: Baseline Analysis and SWOT**

Assessment has been focusing on the aspects of “meaningfulness” and “internal consistency” of the analytical parts of the OP. The analytical chapters have been defined as the baseline analysis, the Key Challenges identified (understood as conclusions of the baseline analysis) and the SWOT analysis.

For the purposes of the Ex-Ante Evaluation the analysis is meaningful if:

- Its scope is relevant from the point of the interventions (covers the topics that have influence or possible impact on the strategic choices, objectives and investment priorities of the Programme);
- Uses qualitative and quantitative data that support and prove conclusions of the analysis in a convincing manner;
- Has a European perspective that makes issues and conclusions comparable with the status of the topic in EU.

Similarly, the analytical chapters are internally consistent, if:

- Analytical part provides arguments for each of the Key Challenges identified;
- Various factors of the SWOT are identified either as Key Challenges or clear concluding statements in the analysis;
- Various factors of the SWOT are correctly classified, taking into account the overall development goals as well.

### *Introduction of regional differences in competitiveness and the key challenges identified*

The Chapter sufficiently supports the identification of challenges “growing disparities between and within regions” and “progressive depopulation of some regions and concentration of inhabitants in cities and their hinterlands”, and also outlines some specific features of the economy of NUTS III regions. Analysis, however, fails to deliver evidence on the statement (formulated as Key Challenge) that basic business and tourism-related infrastructure would be “insufficient” as no data on infrastructure provision regarding the regions have been provided. Although the conclusion has been reported to be based on the results of questionnaires received from the counties, the content of the regional OP’s and the outcomes of partnership consultations, the text of the OP document itself does not provide the necessary analysis that supports the need for the intervention.

In terms of the development status of the regions, no EU level comparisons have been provided.



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It's recommended to demonstrate the infrastructure gap (international benchmarking is one of the tools) and provide comparison of region's development at EU level.

*Sector analysis: SME development and key challenges identified*

Detailed analysis has been provided on the structure of enterprises in Croatia, with a focus on SME's and also a detailed presentation of the business environment and the various regulatory and development-related actions and Programmes of the government. Status of business infrastructure has been presented thoroughly, but with no reference to territorial disparities.

EU level comparison has also been referred to, however, no comparative data has been provided in the analytical part.

Analysis, however, fails to explain or support the key challenges identified as follows (the content, but not full description of the identified challenges has been quoted below):

*"The economy lacks access to finance."* No analysis supports this statement, although, indirectly, the great interest by SME's for government support schemes and the current generally modest willingness of banks to provide credits – especially for high-risk groups as SME's, could implicitly explain the challenge identified.

*"The capital market is not developed...."* Analysis does not contain data that relates to this statement and it is also questionable, that this challenge is relevant at all in light of the scope of the OP.

*"sectors with substantial growth capacity are not sufficiently involved in business activities"*. Analysis does not cover the area of sectors with high growth capacity, therefore, evidence on the validity of this statement has not been provided, either, similarly to "lack of connection between entrepreneurship and R&D...".

Previously mentioned statement ("sectors with substantial growth capacity...") could also be moved under the heading "Innovation, research and Development", as actions that intend to address these challenges have been grouped under investment priority "technology transfer and support for the knowledge-based economy".

*"small productivity, low technological content of products and lack of export-orientation in SME sector"*. Statement not supported by any analysis, thus its validity is not proved.

*"Large number of SME's located in big cities or their vicinity...."*: Although mentioned in the analysis, it fails to provide data on the proportion of the SME's around cities, with the only exception of showing the great difference between Zagreb and the two counties with the lowest SME density.

*"motivation of index of entrepreneurs shows deviation from the ideal..."*. The analysis does not cover this topic; therefore its validity is not proved. Footnote that refers to the source of this statement cannot substitute analytical description of the problem.

The Key Challenge *"insufficient basic business and tourism-related infrastructure"* appears at the end



of section 1.1.2., however explanations of this statement are not provided. Section for “SME development” refers to problems associated with the provision of BRI, but no territorial diversity of the problem has been spelt out.

*Sector analysis and the key challenges identified: Innovation, Research and Development*

Key Challenges “insufficient research infrastructure” and “brain drain affecting the research workers” have not been sufficiently explained and supported with data in analysis.

*Sector analysis and the key challenges identified: Tourism*

The dual nature of the attractiveness of Croatia for tourists in terms of seashore and inland has been explained. Also, data is provided on the structure of accommodation facilities and statements regarding the lack – and thus, further need for - complementary attractions are made, too.

Previous attempts for tackling the problems mentioned have also been explained, with special focus on arguments that support the importance of cultural tourism.

While reference is made that the country has “much unused potential” –which is evident, the tourism opportunities of the specific territories (or regions) are not explored in any detail in the analysis. Also, the reasons behind the not used potential are not explained. Exploring reasons of why potential is not used would provide information to define appropriate interventions that tackle these reasons. Existing County Development Strategies – that serve as reference documents for the selection of the tourism-related projects under the BRI Grant Scheme of the IPA OP could be a good starting point of the proposed analysis.

Analysis of both the resources potentially exploitable by tourism and the availability of tourism-related services should go beyond the “inland vs. seaside resorts” distinction. Thus, availability of potential attractions and accommodation services that lends itself appropriate for the purpose of tourism shall be analysed by territories (regions or by other specific territorial breakdown).

More 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. (However, balance of concentration for greater impact and wide definition of eligibility for better chances of absorption shall be maintained, thus, concentration in all cases is advised to be accompanied by strong efforts to develop fundable projects in the segment or area subject to the concentration of resources.)

EU-level comparison is lacking from the analysis. An analysis of possible competitors of the Croatian brand of tourism (such as Greece, Italy, as possible examples) might provide more justification for the need for development in this sector.



Related to the “key challenges identified” the following observations can be made:

*“insufficient market orientation and recognisability of Croatia as a state of tourist destination”*. The area of national level image regarding tourism has not been analysed, thus, the given statement has not been supported by any analytical evidence in the text.

*“dispersed and unrelated tourism offer...”* and *“lack of distinctive, individually specialised offer”*, *“insufficient quality of tourism-related products and services”*. While reference is made on the “TOMAS 2010” market survey by Croatian Institute of Tourism, it is not clear whether it contains sound justification of these statements made as Key Challenges.

*“Relatively low level of integration of natural potentials and cultural heritage into the tourism offer”*. As assessed above, level of exploitation of potentials has not been analysed, thus, whereas statement seems to be valid, still requires evidence to be supported as basis of interventions.

*“unused possibilities in the field of selective tourism and special interest tourism segments”*. As outlined above, analysis does not explain in enough detail what possibilities on the basis of what resources exist, and on a basis of what market opportunity (demand) could these possibilities be exploited.

*“Mostly outdated or poorly equipped tourism infrastructure”*. Analysis does not describe – not even defines – the status of “tourism infrastructure”, apart from the analysis of the structure and, to certain extent, the quality of accommodation facilities. In order to properly justify that this is a real challenge, a more detailed analysis, including the definition of “tourism infrastructure” would be needed.

*“insufficient number and quality of tourist accommodation facilities”*. Analysis does not justify that in general, the number of facilities would be insufficient. It refers to a shorter than optimal season on the coastline and a general lack of attractions, therefore low number of tourists in the inland areas. Some more detailed information regarding, for example, the regional (territorial) breakdown of the occupancy rates of accommodation facilities would help justify the existence of this challenge.

#### *Some comments on the use of global and regional competitiveness index*

The analysis provides sufficient justification of the necessity and usefulness of the Programme. It identifies the baseline situation of the Croatian economy in a great variety of fields, based on 2010 data. Analysis includes national level comparisons on competitiveness based on the 2011-2012 Global Competitiveness Report of the World Economic Forum. Analysis therefore gives 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 analysis, however, fails to point out those underlying factors that contribute to the actual figures that characterize the competitiveness of the economy and what mechanisms of causal connections exist that result in these figures. These factors could be – as examples, 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.

The same applies to the description of the regional level differences of competitiveness: differences in competitiveness are described, but no analysis has been provided, regarding what the reason of these differences could be and how various underlying factors that determine the competitiveness relate to each other. Without this analysis, the various components of the development problems and opportunities are not identified, thus the relevance of the interventions - to be expected to change these underlying factors – can only be evaluated superficially.

It is therefore recommended that a short, problem-oriented analytical section is to be inserted in Section 1 (Analysis) that reveals also the driving forces behind the data provided by the section now. For explaining the regional differences, the specific chapter devoted to this topic is also to be amended accordingly. A more detailed analysis of the factors, which actually explain the differences in performance on a causal relation basis, would not only help better understand but more importantly better address specific structural and regional problems.

#### *Some comments on the structure of the analysis*

Although containing relevant information in most of the cases, analytical parts have not been structured in a way that best supports the quick and clear review of these parts of the document.

It's recommended to review the structure of the analysis. A possible improved structure can be as inserted below:

#### I. Entrepreneurship

General environment (challenges of EU accession, competitors or country-benchmarks relating the performance of the SME sector and the FDI flow).

##### SME's:

- Development trends, status and problems of the sector
- Territorial differences within the sector
- Interventions underway

##### FDI:

- Trends, general obstacles of FDI inflow
- Territorial differences within the sector
- Interventions underway (regulatory and development projects)

##### Business infrastructure:

- Summary of institutional setup
- Analysis of supply and demand, gap identification, in territorial breakdown

Summary (Entrepreneurship): Key challenges

#### II. Tourism

General status and problems

Territorial differences within the sector

Interventions underway (regulatory and development projects)



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## Summary (Tourism): Key challenges

### III. Research, Development and Innovation

General environment (challenges of accession, competitors or country-benchmarks relating the performance of the R&D)

National systems and key institutions

Development trends and identification of obstacles

- Infrastructure and equipment
- Human resources
- Investment
- Regulatory or/and other problems

Interventions underway (regulatory and development projects)

## Summary (R&D): Key challenges

### *Some comments on the SWOT analysis*

#### (i) The structure of the SWOT

The structure of the SWOT follows the structure of the Priority Axes of the Programme. In theory, however, investment priorities shall be determined on the basis of the SWOT analysis as the SWOT's main purpose is to help identify crucial needs and challenges to be dealt with by the Programme. Selection of investment priorities in the current Programme, however, is also a subject of considerations that are not based on the analysis of the relevant socio-economic environment. These issues – as identified in the Section “Strategy” of the Programme – include that only a short period (6 month, plus 3 years) will be provided to implement the Programme due to the date of Croatia's accession to EU.

Another important factor to consider is the availability of projects (the “project pipeline”, as also identified in Section “Strategy”). These two factors are also interconnected, as the availability of projects was mostly influenced by the investment priorities of the IPA OP, but as Croatia's expected accession date was postponed various times, there was no clear initiative to develop possible alternative priorities and related projects, or widening, or adjusting the scope of the original ones. The relatively slow start of IPA Programme implementation also contributed to this, as implementation results could not provide enough feedback related to the results of interventions that could have led to their content's revision.

As a consequence of all above-listed factors, selecting the objectives and investment Priorities of the OP is limited to the most and probably only feasible solution, which is to continue the intervention logic (objectives, priorities, types of actions) that have been devised and implemented under the IPA OP, unless major problems or obstacles have been identified that prevent this. This is definitely not the case, as also the Interim Evaluation of the IPA OP has concluded. Thus, the structure of SWOT in reality does not have a pre-emptive effect on the formulation of the objectives and investment priorities. However, the clarity of the Programme document would improve if a short explanation has been given to explain why the SWOT has been structured according to the investment priorities



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of the Programme.

It is recommended that a short explanatory part is introduced – e.g. as part of the sub-chapter “SWOT Analysis” – that refers to the obvious constraints regarding the process of selecting the strategic options of the Programme. Alternatively, a more clearly understandable SWOT could be produced by grouping the various factors under the headings of the “Analysis” part, as these factors have rather originated in the analysis and not in the investment priorities. In this case the sections of the SWOT are recommended to be organised as: (i) attractiveness for investors (FDI), (ii) SME’s, (iii) Tourism, and (iv) R&D, with inserting in each part statements regarding the regional or territorial aspects (such as specific regional features, or differences in the level of development in general) of the given sector.

#### (ii) The methodology applied

Traditional SWOT methodology separates “internal” and “external” factors in the composition of the SWOT table. Internal factors are the ones that can (at least in theory) influenced by the interventions of the Programme while external ones are the ones that the strategy is not expected to change. These are typically longer term tendencies, or expected major changes – also projects – in the Programme environment that may have an either positive or negative influence on the achievability of the long term goals or values.

In proper applications of SWOT analysis, “internal” factors are grouped under the heading Strengths and Weaknesses, while external ones under Threats or Opportunities.

The OP follows a different approach. “Opportunities” box contains various items that cannot be considered as external factors but rather as possible strategic options, or even ideas of projects, or interventions. Examples of statements formulated this way are: “prolonging the tourist season by developing selective types of tourism...”, or “development of tourist centres...” or “improvement the supply of tourism services...”. Additionally, “great number of tourist attractions” can be considered as an internal factor, too, practically a strength in light of development goals.

As the SWOT is supposed to be 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 Programme’s environment will not be taken into account and, on the other hand, the ideas for projects that are put into the SWOT analysis might lack their linkages to real strengths or weaknesses.

#### **Consistency of the analysis, the key challenges and the SWOT**

In general, coherence across the various above-mentioned various elements that support strategic objectives is weak. Previous points have already addressed the issue of coherence between Key Challenges and the analysis. As far as the SWOT is concerned, a very similar conclusion can be made. Without quoting one by one all the statements within the SWOT, the Evaluation finds that a number of statements classified as either strengths or weaknesses are not justified by the descriptive



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analysis of the document (just some pretty randomly selected examples to this are “*favourable geographic location...*”, “*...slow growth of high-tech companies*”, “*extraordinary biodiversity and landscape diversity*” or “*lack of sectoral specialization in Croatian regions...*”).

The remarks made above are in no case questioning whether these statements are valid or not. It is also acknowledgeable that some of the referred statements may be based on findings of some background surveys or other documents. The issue raised by the Evaluator here is rather the weak level of consistency across the various parts of the Programme document.

It is recommended, in summary, to re-draft the SWOT analysis, in a way that strengthens its coherency with the analysis and increase its methodological rigorousness. More clarity of presentation could be achieved if the factors identified would not be grouped under headings of the names of the Priority Axes of the strategy, and, to this end, a grouping under the headings of the analytical part is recommended to be considered.

### **The strategy**

For the purpose of the Ex-Ante evaluation, the following aspects of the strategy have been focused on:

- Consistency with the outcomes of the analysis.
- Sound policy basis.
- Clarity of the definition of its strategic choices.
- Clarity of its objectives and that the interventions are clearly conducive to the achievement of them.

### *Strategic options*

The specific issues of programming environment that mostly limit the variety of realistic strategic options are:

- The short period of availability of financing of the ERDF due to Croatia’s accession just before the end of the 2007-13 programming period.
- The lack of experience of the persons and institutions with managing Structural Funds.
- The delay in the implementation of IPA funds and the deficiencies regarding institutional capacities and project pipeline.

These three constraints are interrelated in the following way. The short period of the availability of ERDF and the delay in IPA implementation, together with the availability of the funds of the next (2014-20) programming period place great pressure on the system having experience in the management of IPA but not of Structural Funds. Also, the project-generating and -development



capacities of the institutions are weak – or, at least match with the size of funding from IPA. Project pipeline relies heavily on TA services and project proposals in the pipeline have been developed mostly with the intent of fitting to the priorities of IPA. For certain Grant Schemes however, new project development schemes have been made available by the responsible Ministries (e.g. for SIIF), or through intermediates (e.g. for SME's "Consultant's Network" project implemented by HAMAG). Thus, realistically no other basic strategic option than the continuation of the strategy of IPA OP could have been selected. This is reflected in the selected investment priorities (Priority Axes) of the SF OP.

As the availability of fundable projects has been mentioned as key issue taken into account when making strategic choices regarding the selection of priorities, it would be useful to carry out a brief but systematic analysis of the operation of the project pipeline (covering topics as institutions, funding, development activities to enhance the capabilities of the beneficiaries, etc...), broken down by Priority Axes, or in more details as institutional structures and thematic project development mechanisms require and attach the summary of this to the justification of the Priority Axes. Such an analysis would serve as a useful tool to reinforce the project pipeline even if not conducted before but after the approval of the OP, in this latter case its results could be incorporated in the documents used to support the management of the OP (such as Action Plans, Programme Complement, according to the choice of the Managing Authority of the OP)

#### *The overall objective of the Programme*

The Programme seeks to achieve both a higher competitiveness of the economy at national level and a reduction in terms of regional disparities ("*achieve balanced regional development*"). This twofold goal is expected to be fulfilled via "*making better usage*" of regional territorial capital.

The objective itself:

- is in line with the broad conclusions of the analysis;
- takes into account the above-listed constraints regarding the realistic options available for strategic choices.

The concept of regional territorial capital can be considered as relevant framework that can harmonise the tools that would be used to effectively promote both objectives of a more balanced regional development on one hand, and increasing competitiveness on the other. It shall be noted, however, that the objective has been formulated in a bit over-ambitious way: by its limited scope the Programme will only be able to develop certain elements of the regional territorial capital, thus, the original statement might lead – at least in theory – to unachievable expectations.

It is recommended therefore to use the phrase "certain elements of territorial capital" to reflect the limited scope and impact that can be realistically expected from the OP.

#### *The strategic objectives*



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The strategic objectives have also been devised in a way that takes into account the above-identified circumstances. Investment priorities (Priority Axes) clearly contribute to the achievement of strategic objectives. The linkages of the Priority Axes to Strategic Objectives is simple, each objective will be promoted by each Priority Axis, except for the Horizontal Priority “Internal Country Cohesion and balanced regional development”.

It’s worth noting, however, that there are minor overlaps of these direct links between objectives and Priorities, notably investment in regional business-related infrastructure also may impact on the development of the entrepreneurship and foster innovation among SME’s. These are positive “cross-effects” and rather be assessed as synergic effects between the investment priorities.

The horizontal objective has a cross-priority nature and it will be achieved to the extent the investment priorities will consider the criteria, relevant from the point of view of territorial cohesion.

### *The territorial aspects of the strategy*

Territorial aspects will be assessed from two angles: one is the specific regional socio-economic characteristics (linked to the concept of territorial capital), that focuses on whether the Programme promotes the development of the specific assets of the territories in a way that ensures the best exploitation of them. The second aspect is the territorial cohesion, which focuses on whether the Programme promotes the reduction of territorial disparities in the best and most effective way.

Exploitation of territorial capital would require a strong differentiation of supported actions between territories (not necessarily between the NUTS II or III regions), in order to give support to activities that develop the specific combination of elements of territorial capital of a given territory. As territorial capital is by definition different region by region, the most efficient combination of the interventions must also be different.

The objectives of the Croatian regional policy call for interventions that aim to decrease the development gap between regions and, in the same time, build as strongly as possible on the indigenous resources of the regions, is also expressed in the overall objective of the OP. This latter consideration requires a territorially differentiated approach to development. On the other hand, the risks of weak absorption would justify a more uniform approach that focuses on the identification and selection of as many thematically eligible and prepared projects as possible and deliver those as simply as possible. To the extent the effectiveness of the management system and the project development capabilities of the local and regional stakeholders develop, the more room for a differentiated set of interventions becomes available, increasing this way the effectiveness of those interventions. The right balance between these two approaches should be carefully examined during further programming activities. Following this approach, a more differentiated approach can only be applied to the same extent as the project development capabilities of the regions develop.

Thus, efforts are recommended to be made on two strands as follows: (i) introduce knowledge associated with the ways of managing the territorial diversities and with the regions and territorial development into the management system of the OP; (ii) increase systemic capabilities of local and



regional stakeholders and their partnerships to identify, generate and develop relevant projects and develop pro-active measures that encourage the generation and development of the projects in lagging behind areas.

### *Consistency of the interventions with the objectives*

The proposed interventions are all conducive to the strategic objective of the Programme. Bearing also in mind that the specific constraints of the Programme do not leave much room for introducing any new elements, the followings should be considered:

For SME development priority (Priority Axis 1):

- Introduce the project under development “South East European Centre for Entrepreneurial Learning” as possible element of the Key Operation 2.
- Attach territory-based sectoral preferences to “main goals” section (based on updated territorial strategies).

For the R&D priority (Priority Axis 2)

- Include private sector companies and joint public-private initiatives as target groups.
- Include the support of the establishment and development of technology- and innovation transfer intermediates, both from private and public sector.

For BRI (Priority Axis 3)

- Attach territory-based sectoral preferences to “main goals” section (based on updated territorial strategies)

The extent the strategy has been based on sound territorial and thematic (sectoral) policies is analysed in the next 5.1.2 section.

## **5.1.2 Strategy’s External Coherence with other Policies (national, NSRF, EU)**

### **The changing Regional Policy context**

#### *Indicators for the lagging behind status*

The regional approach followed by the ERDF OP builds mainly on the document Regional Development Strategy of the Republic of Croatia 2011-2013, adopted in June 2010 and the Law on Regional Development of the Republic of Croatia, in 2009 (this latter followed by secondary legislation regarding important elements of the Law, also influencing the Strategy).

Based on the Law and its by-laws, the Strategy introduces a model to define supported areas. The model is based on a complex indicator called “*development index*”. It is composed by 5 indicators: income per capita, own source revenues per capita in local units, unemployment rate, changes in population numbers and in the level of education.

Based on the development index, pursuant to Articles 24 and 25 of the Regional Development Act the categorization of the regional self-government units (NUTS 3 Counties) goes the following way:

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Categorisation of Regional Self-Government Units (RSGU)	Criteria
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Group 1	Counties with development index value lower than 75% of the national average
Group 2	Counties with development index value between 75% and 100% of the national average
Group 3	Counties with development index value between 100% and 125% of the national average
Group 4	Counties with development index value higher than 125% of the national average

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Source: Strategy for Regional Development, Table 3

The status of supported areas – on the level of the territorial self-government - will be assigned to the units belonging to the Group 1. According to their Development Index, following counties belong to group nr. 1: Bjelovar-Bilogora, Brod-Posavina, Karlovac, Koprivnica-Križevci, Lika-Senj, Osijek-Baranja, Požega-Slavonia, Sisak-Moslavina, Šibenik-Knin, Virovitica-Podravina, and Vukovar-Srijem.

The horizontal objective of the ERDF OP “Internal Country Cohesion and Balanced Regional Development” is planned to be achieved via preferences given to projects in counties falling in Category I according to Act and Strategy on Regional Development. Planned preferences are:

- Extra points within competitive application process;
- Differentiated intensity of assistance that includes increased share of national co-financing.

Additionally, less developed municipalities are planned to be supported in project preparation (financed through State Budget), but no reference can be found to this possibility in the text of the OP.

The ERDF OP draws on a *regional competitiveness index* model. All the ten lowest ranking counties according to this model are all in Group 1 according to the categorization of the national strategy for Regional Development. Šibenik-Knin is the 12th less developed according to the competitiveness index model (the 11th Krapina-Zagorje County is in Group 2, according to its Development Index).

Applying the criteria as above provides slightly different results, than the use of criteria in the precursor IPA OP, based on ASSC's.

Comparing the outcomes of the two approaches differences are the followings:

- Zadar ranks high in terms of share of land area (3rd), covered by ASSC's, but its overall competitiveness' rank is also high (6th best according to 2010 data). So, it is eligible under ASSC-based classification but would not be supported using new methods.
- Šibenik-Knin also ranks high according to ASSC criteria (4th), but not among the worst 10 counties according to calculations based on the competitiveness index (10th rank). For both above-mentioned counties, values of statistical ranking of their business environment are relatively high – meaning that business sector activity and perceptive factors compensate for the low quality of business environment.





- In contrast, Koprivnica-Križevci and Bjelovar-Bilogora counties have not been positioned among the 10 counties selected according to ASSC territories (the former having the less share of its area covered by ASSC, 2%) but according to their competitiveness index they would be qualified for assistance.
- In terms of GDP per capita seven counties fall below the 75% of the national average, (source: Table 20 of the OP), out of them Krapina-Zagore (74%) has not been positioned among the assisted areas neither by ASSC's (only 4%) nor by the competitiveness index (11th worst index). Bjelovar-Bilogora's index is the 3rd lowest with 69,3% whereas Koprivnica-Križevci's index is close to national average (94,7%).

In summary, there are more, nearly parallel systems of classification for the under-developed status of the counties. Although geographical concentration is not a key issue in the current draft of the ERDF RCOP, a uniform approach to the regions preferred shall improve the clarity of the strategy. In parallel to this, more importance is advised to be given to territorial aspects, as argued by the Evaluator before.

It is recommended that uniform classification shall be introduced for 2014, on the basis of the renewed National Regional Development Strategy. Until then, in current programming period additional assistance and preference should be given to all counties belonging to the lowest 10 according to any of the classification methods used (Regional Competitiveness Index, Regional Development Index, Area of ASSC's and per capita GDP)

#### *Specific regional socio-economic characteristics*

The National Regional Development Strategy provides evidence that regions do have characteristic socio-economic profiles and territorial strategies (County Development Strategies) that have devised specific priorities and measures that correspond to these specific profiles (however, evaluation of the coherence of these programmes are outside the scope of Ex-Ante Evaluation).

In spite of the number of references made on the regional development strategy of Croatia that demonstrate a variety of territory-based differences, the draft ERDF OP provides for only relatively vague intentions to promote its objective for the balanced development of the regions. The Programme fails to promote specific solutions to the specific regional or territorial issues, such as problems, opportunities, bottlenecks, many of them identified in the analytical part and also in the referred National Strategy for Regional Development, thus, the concept of the development of the territorial capital can only be implemented with compromises, meaning that substantial development potential might remain unused due to lack of stronger differentiation of support preferences and criteria in line with territory-bound differences. Strategies for "smart specialisation" have been foreseen to be prepared, but under current estimations these strategies can only influence the developments in the next (2014-20) programming period.

It is proposed that stronger territorial preferences should be introduced to the Programme. These, besides planned preferences, shall entail the maintenance of the indicative financial allocations that



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prefer lagging behind regions and also shall focus on identifying and applying territory- specific activities that are supposed to fit the specific socio-economic profile of the regions and identified by County Development Strategies.

Project ideas and proposals that support best these strategies should also receive extra points in assessment process and also could be subject of prioritised assistance for project development.

It is also recommended to provide technical assistance and guidance for the counties to update their County Development Plans and harmonise them in regional context, with the involvement of the regional Partnership Councils.

### **Relevant sector Strategies**

The Croatian Strategic Development Framework – as main strategic framework for the socio-economic development for the 2006 – 2013 period - has not been changed since the outset of the Programme. In general, underlying national sector strategies are intended to be renewed for the 2014-20 period of Structural Funds, in line with the Europe 2020 strategy and the ongoing evolution of the Cohesion Policy framework. Renewal process for most of the relevant sector strategies is in progress.

#### *Strategies for SME's*

No comprehensive “SME Strategy” exists for the time being for Croatia. The Programme of Incentives to Small and Medium-Size Enterprises 2008 – 2012 of the Government of the Republic of Croatia (as of April 18, 2008) establishes key development goals for small businesses as follows: (i) strengthening competitiveness, (ii) uniform (balanced) regional development, (iii) raising the quality of entrepreneurial infrastructure, (iv) decrease of administrative obstacles, (v) improving the entrepreneurial climate in the society and (vi) encouragement of the use of internet and electronic business operations (PEP 2009). The Programme has been implemented on an on-going basis through annual operational plans (PEP 2010).

Loans were granted at a subsidized interest rate to small and medium-size business entities in tourism sector too, and implementation of incentive measures for small and medium-size business entities in tourism through non-refundable grants is planned to be continued until 2013 (PEP 2010).

A renewed national strategy for the development of the SME sector is being prepared. First background study will be available by the end of May. Then drafting of the strategy and consultation process with various partners will be launched. New strategy will then have its influence on the Programmes of the post-2014 period of the EU Cohesion Policy.

#### *Strategies for Research and Development*

The interventions have been based on the document Science and Technology Policy of Croatia 2006-10. This document has also been incorporated within the Strategic Development Framework 2006-13 for Croatia and its validity has been extended until a new strategic framework is devised (until



2013).

Strategy – among others – aims at: (i) investing in science research infrastructure and knowledge transfer institutions in order to build research capacity and provide access to business solutions, and (ii) introduce measures to promote commercialization of academic research in order to encourage universities and research institutions to work more closely and effectively with business (Science and Technology Policy of the Republic of Croatia 2006 – 2010).

By the time of Ex-Ante Evaluation the development of the new strategy has been launched. A working group has been formalized, a broad list of strategic issues and directions have been drafted and are the subject of the stakeholders' discussion, in order to define clear, focused strategies for the sector. According to the current status of preparations, new strategy would put more emphasis on the involvement of the private sector in the R&D policy. Interviewees also stressed the need to support the private entities in participating in the R&D schemes; however, difficulties with legal and procedural issues still hinder the sufficiently quick launch of such a scheme.

It has already been envisaged to include both private and public sector for R&D schemes. However, taking into account the short Structural Funds period and the lack of expertise with schemes for private R&D sector, the intention is that the focus in 2013 remains on the public sector, while the private sector will be included from 2014 onwards.

### *Tourism*

Strategic Development Framework – under heading “Space, Nature Environment and Regional development” refers to Strategy for the Croatian Tourism until 2010. Strategy has been referred to in ERDF RCOP, too. Validity of the sector strategy has been extended until 2013 and renewed strategic document is being drafted currently.

*Annex 3* of the RCOP (“Reconciliation of Croatian Strategies and RCOP operations”) includes detailed tables that establish clear linkages between valid and relevant thematic (sectoral) strategic documents and the content of the interventions on Priority Axis level, partly broken down by Key Areas of Operation (KAO). However, tables might be compiled on the basis of earlier versions, as KAO's do not correspond to the ones indicated in the main text.

It is recommended therefore, to update present tables of Annex 3 in a way that reflects current decisions on KAO's.

### **National Strategic Reference Framework (NSRF) and Community Strategic Guidelines (CSG)**

#### *Compliance with the CSG*

CSG 2007 – 13, as relevant guidance document for the RCOP identifies areas where Structural Funds



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can identify the most effective manner to the EC-level priorities originated from the renewed Lisbon Strategy. Growth and jobs are in the focus of the guidelines. RCOP mainly focuses on the main guideline “Improve knowledge and innovation for growth”, especially through Priorities Axes 1 and 2, which clearly promote the main guideline “increase and improve investment in R&D” and “facilitate innovation and promote entrepreneurship”. Priority Axis 3 (BRI) promotes these guidelines indirectly, by providing infrastructure for an increased level of business activities. All Priority Axes clearly contribute to the job-creating strategy of the CSG, by facilitating the creation of better and economically more sustainable jobs. The OP also satisfactorily fits to the territorial dimension of the cohesion Policy, mainly by having elements that support territorial cohesion and the diversification of economic activities in rural areas. However, this dimension could be strengthened by better alignment of the priorities of the OP to National Strategy for Regional Development, as explained before.

The RCOP in its Chapter 2.4 clearly explains the way it relates to the CSG.

#### *Compliance with the NSRF*

All Priority Axes of the OP have a clear linkage to the thematic priority “Increasing competitiveness of the Croatian economy”. The OP can have a positive impact on “employment” priority by the job-creating ability of its interventions and also apparently improves administrative capacities through the use of its TA priority.

#### **Horizontal issues**

##### *Equal Opportunities*

To implement the principle in practice during the implementation of the RCOP the demonstration of the conformity of the project application with the principle and the method of awarding preference points in the project selection process are foreseen. Procedures to be adopted in the implementation phase have also been listed in the OP. These include: (i) the information and publicity campaigns and materials to be provided during calls for proposals; (ii) that applicants shall demonstrate how their project promotes equal opportunities; (iii) the requirement to observe equality of opportunities during project implementation shall be built into agreements with beneficiaries and shall be checked; (iv) that project indicators shall be broken down by gender where appropriate; (v) that commentary shall be prepared on operations linked to equal opportunities in the Annual Implementation Reports.

In general, planned measures are expected to sufficiently promote the principle of equal opportunities. However, it shall also be noted that the Interim Evaluation of the precursor IPA 2007-11 OP revealed some deficiencies regarding the implementation of planned procedures (such as collecting gender-related monitoring data, etc.) that calls into attention the importance of the attentive implementation of planned activities for the RCOP as well.

Equal opportunities are expected to be particularly important for Grant and other support Schemes



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for SME's (mostly for KAO "Improvement of SMEs' competitiveness, but also for "Improvement of public business support" in Priority Axis 1) and for the scheme that supports technology transfer capacities in Priority Axis 2. In these Schemes the equal participation of women and the promotion of the participation of vulnerable groups shall be secured and closely monitored.

### *Sustainable Development*

To implement the principle in practice during the implementation of the RCOP the demonstration of the conformity of the project application with the principle and the method of awarding preference points in the project selection process are foreseen. Procedures to be adopted in the implementation phase have also been listed in the OP. These include: (i) the information and publicity campaigns and materials to be provided during calls for proposals; (ii) that applicants shall demonstrate that their project will not have harmful environmental impact; (iii) that consequences of the appraisal of environmental impact during the selection stage will be reflected in agreements with beneficiaries, and will be checked as part of the internal controls and audit process; (iv) that commentary will be prepared on operations linked to environmental protection and sustainable development in the OP's Annual Implementation Reports.

In general, planned measures are expected to sufficiently promote the principle of sustainable development. However, it is also worth calling the attention on that the Interim Evaluation of the precursor IPA 2007-11 OP revealed some deficiencies regarding the implementation of planned procedures (such as monitoring and commenting on environmental sustainability issues) that calls into attention the importance of the attentive implementation of planned activities for the RCOP.

Sustainable Development issues are expected to be particularly important and require careful and close monitoring in relation to Grant Schemes with projects involving building activities (implemented by relatively large works contracts). These are the KAO to support public – business and tourism – infrastructure in Priority Axis 3 as well as the KAO for the development of the R&D infrastructure, in Priority Axis 2. In these cases environment-friendly design and energy-efficient operation of buildings, avoidance or proper management of the increased traffic due to the results of the development can be the activities that promote sustainability best.

Sustainability of tourism related activities shall be examined, with special emphasis on the load-bearing capacity of cultural and natural resources that are affected by the increased traffic of the visitors.

For the support of SME's sufficient emphasis has been placed on environmental sustainability by foreseeing the co-financing of activities that improve the environmental record of the beneficiaries of the grants.

The chapter also declares that "The impact of RCOP on environmental protection and sustainable development has been considered as part of its ex ante evaluation." The Evaluation Report presently however, was not able to build on the results of the Strategic Environmental Assessment process and document as the SEA process is intended to launch after the completion of the OP's Ex-Ante



Evaluation.

### *Information society*

The aspect related to the OP's contribution to the goals of information society have been properly drafted, however, no plans to monitor interim achievements are foreseen in the text.

It is recommended to extend the planned monitoring activities (including data collection and regular commentary, in similar ways as for environment and equal opportunities) to the achievements related to the information society area.

## 5.1.3 Adequacy of System of Indicators

### Continuity in terms of indicators

In order to measure the combined outcomes of interventions funded by the IPA OP and those by the ERDF, a certain level of continuity is required in terms of the definition of indicators. In this respect, certain – although small - differences exist between the indicators currently used by the IPA OP and the ones planned for the ERDF OP.

Most of the proposed indicators of the ERDF OP are identical to the result indicators that the Operating Structure proposed to use in the IPA OP 2011-13 (submitted as part of the 2nd request for modification of the IPA OP), with minor exceptions as follows:

- *Priority Axis 1* (Increasing SME's economic activity...) of ERDF OP broadly corresponds to IPA Measure 2.1 (Development of Business climate), while *Priority Axis 2* (Technology transfer.....) to IPA Measure 2.2 (Technology transfer and support services for knowledge-based start-ups).
- Indicator of the IPA OP "*Turnover of SME's increased*" has been identically inserted in the Priority Axis 1 of the ERDF OP, including identical targets, while indicator "*Cooperation agreements between HEI's and PRO's and business/industry signed*", "*Start-up companies occupying the BioCenter*" and "*Jobs created in start-up companies*" has been assigned to the Priority Axis 2. New indicators have only been assigned to Priority Axis 1, one of them measures the increase of the jobs in the assisted SME's, the other two reflects the increased importance of tourism in this Priority (increased overnight stays and increased visits in assisted facilities).
- For *Priority Axis 3* (Development and upgrading of the regional infrastructure and raising the attractiveness of the regions) the corresponding IPA Priority Axis is number 1 (Improving the development potential of lagging regions). In ERDF OP two more indicators have been introduced, indicators "*Jobs created within targeted regions*" and "*SME's established within targeted regions*" are identical with the ones of the IPA OP, including their target values. Both new indicators refer to the increased importance of tourism-related infrastructure



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within the Priority.

Thus, in general continuation in terms of indicators exists, however, recommendations formulated in relation to those indicators should be taken into account.

### **Assessment of the indicators**

The most important evaluation questions concerning the indicators are the following ones:

- To what extent indicators measure the progress toward the objective? (Do the indicators express the meaning of the objective?)
- To what extent target values measure the achievement of the objective? (Are objectives achieved if targets are met?)
- Are targets realistically achievable? What process has been resulted in setting the targets?

#### *Some general comments on the proposed indicators*

In general the proposed indicators fulfill the requirements set out by the Commission's relevant Working Document (Monitoring and Evaluation Indicators. Commission's Working Document No. 2, August 2006). It's worth noting, however, that all proposed indicators are of "impact" nature. As such, a number of external factors (factors that are not influenced by the interventions of the Programme) may have an influence on the actual values of the indicators, in addition to the normal lag time associated with the materialization of any impact. In cases of all defined indicators, macro-economic or sector-specific changes in the Programme environment may have a decisive effect on the actual indicator values, thus distorting the actual impact of the funds spent on the planned interventions. Some illustrating examples are that e.g. due to favorable macro-economic conditions the average turnover of Croatian SME's increases by more than 2%, or, the contrary, unfavorable conditions limit the growth substantially, or cooperation agreements might not be made, in spite of projects implemented with successful outputs. Another such example on the effect of external factors is that e.g. the BioCentre would be perfectly built and equipped, but start-ups still might be disinterested due to the lack of favorable economic conditions for growth.

#### *The definition of the indicators*

For the indicators of Priority Axis 1 and Priority Axis 2 the relation of the objective and the set of selected indicators is clear, thus positive changes in indicator values show a shift towards the objective. However, it shall be noted that the notions of both the *competitiveness of the SME's* and the *commercialization of technology and R&D* has a more complex nature and encompass factors well outside the boundaries of the Programme. These factors have been explored in the analytical part of the OP (Section 1, Analysis). Thus, if indicators change positively, they indicate the increase of competitiveness of the assisted companies with a high probability, but their competitiveness depends also on a great number of other factors, therefore it might change independently from



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whether they have been assisted by the Programme or not.

*For the indicators of Priority Axis 3* the objective itself has been defined quite broadly, combining the desire of increased attractiveness for both tourists and businesses. Thus, it is difficult to grasp the entire objective with a combined indicator. Still, relationship between the objective and the set of selected indicators is clear, positive changes in indicator values very probably show a shift towards the objective. It also must be noted, that attractiveness itself depends also on factors others than influenced by the interventions of the Programme (e.g. provision of transport or environmental infrastructure, employability of human resources, etc.), and thus, attractiveness in general may change independently from the actual achievements measured by the defined indicators.

*For the indicators of Priority Axis 4* indicator “OP funds absorbed” clearly express the objective as the objective only focuses on the use of the IPA funds. However, relation of the indicator and the objective is similar to the previously outlined linkages between the objectives and other indicators: while the changes of target values very probably express positive changes in terms of the achievement of the objective, the actual level of achievement can depend on other important factors, not related to the effective or ineffective use of the TA funds. Also, meaning of “allocation” should also be more accurately explained.

#### *Target values*

The OP, especially for indicators of Priority Axis 1, does not reveal any information about the way the target values have been estimated, whether they are based on any benchmarks, sector surveys, studies, drawn from results of previous interventions, input-output type of modeling, etc.

*For Priority Axis 1* indicators are more expressed in percentage of changes that would normally require the baseline value to be set, but baseline values have not yet identified in the course of programming (the text contains zero as value).

*For Priority Axes 2 and 3*, the target values might have been established as a result of experts’ estimation, based on the projection of expected results of the IPA Grant Schemes already being implemented (Business Related Infrastructure and the Science and Innovation Investment Fund), thus are expressed in changes in physical units, such as jobs, companies and agreements. In case of all these targets, the degree of realism in terms achievable challenge they represent is uncertain, because values are too strongly bound to the concepts of the projects already implemented. Both the facts that the estimation has been based on the limited number of projects and the initial figures have been drawn from project promoters’ initial commitments further contribute to the vagueness of these estimations. Effect of external factors on the values of indicators, as outlined above, just add further source of uncertainties. As a result, targets are more an outcome by the implementation process, instead of providing a realistic but also challenging objective to the management.

The OP does not contain any information regarding the relationship between the inputs and outcomes broken down below the level of Priorities, most importantly how funding is intended to be split between tourism and other businesses. Even though some estimation can be drawn by the





analysis of the spending and commitments of the earlier commitments for IPA funding, it still does not provide sufficient information with regard the assessment of the validity of the targets set below the Priority level in Priority Axes 1 and 3.

#### *Summary recommendations*

In summary, it is recommended to outline and refer to the method according to which the target values have been set, including the description of the underlying assumptions the estimations have been based on, in order to justify that targets are realistic and help forthcoming evaluations as well.

It is also recommended that an indicative split of resources to be allocated to the tourism sector and those for other service or manufacturing-oriented businesses is to be established, both within the Priority Axes 1 and 2.

In Priority Axis 1 it is also recommended to formulate indicators in a way that express changes in the status of the assisted beneficiaries in comparison to the non-assisted ones. In order to make these differences measurable, introduce comparative surveys as information sources. (E.g. indicator would look like *“increase in the turnover of SME’s assisted compared to national average growth of turnover in the sector”*).

In Priority Axes 2 and 3 the estimated targets are recommended to be cross-checked e.g. through benchmarking with comparable analysis of ex-post evaluations of similar schemes.

Given the fact that proposed indicators contain context-related factors, it is recommended to devise also some result type of indicators in each Priority that could help to measure the direct, immediate effects of Programme interventions (as *“number of SME’s assisted or number or/and capacity of accommodation facilities assisted”* or *“number of research projects facilitated”* or *“number of new or upgraded research units/ research worker’s units created”*). For even better transparency of the indicator system, these result type indicators are advised to clearly link to the Key Areas of Operations (KAO), identified by the OP. These indicators should not necessarily form an integral part of the text of the RCOP, however, it is recommended to attach to it for informative purposes.

As an illustrative example for the logic of the system of the indicators, the following set of indicators could possibly support the management of for KAO for *“Support for Business Infrastructure”*

#### *Outputs:*

- Square meter of buildings built/renovated (both for tourism and industry)
- Square meter of public and private basic infrastructure built (both for tourism and industry)
- Number/value of production/other equipment installed
- Number of investment-promotion-campaigns implemented (both for tourism and industry)



*Immediate results* (not depending on anything but the programme and it's management)

- Square meter of net available (rentable/sellable) area ready for industrial/service occupation
- Number of tourism-related products/amenities/services created
- Number of potential new investors reached by marketing campaigns

*Longer term results* (influenced by factors outside the power of the management of the programme):

- *as in the draft OP* (additional description of underlying assumptions regarding the foreseen changes of main factors outside the programme is recommended)

As no geographical limitations of eligibility exist in the ERDF RCOP, leave out adverb “within targeted” regions in Priority Axis 1.



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## 5.2 MAIN FINDINGS WITH REGARD TO EXPECTED OUTCOMES & IMPACTS

### Desired impacts of the Programme

From the outset of the precursor IPA OP 2007-11 the strategy of the Programme has been seeking to achieve continuous improvement in the preparedness of institutions for the management of Structural Funds after accession and, at the same time, address effectively some development problems and opportunities of Croatia. ERDF OP can stabilise and further develop the institutional performance on the fields of programming, management and implementation of the ERDF. Impact in this field encompass an:

- Improved cross-sectoral cooperation between sectors and with territorial actors affected by the Programme's priorities;
- Improved and more confident management of the OP and its Priorities and Measures, most importantly the setting up and operation of the Monitoring Committee according to the regulations of Structural Funds, the establishment of Managing Authority and acquiring the first set of experiences with the OP's management and the related cooperation with the EU and the Intermediary Bodies.

Due to the limited amount of the funds available for this OP, it would not be able to finance the necessary amount of needed for substantial changes regarding the performance of the targeted sectors, let alone achieving perceptible changes in the competitiveness of the Country or its regions.

The investments planned in the framework of this Programme, however, have been expected to contribute to the following changes in various fields of the economy:

- in terms of territorial cohesion, to a more balanced regional development, by reducing disparities mainly at county level, but, also, to integrate the economic potential of the urban centers with the "rest of the country",
- in terms of development of the SME sector, to a more attractive business environment and to a more productive SME sector, including a more effective support system of SME's,
- in terms of development of research and development activities, to an enhanced role of R&D activities and institutions in economic development.

### Likely socio-economic impacts

#### *Impacts on the management structure*

According to recent deliberations of the Croatian authorities the Operating Structure for the IPA RCOP would continue to carry out the management tasks of the ERDF OP. This way, on one hand, the risk of management problems associated to the change from IPA to ERDF regulatory and institutional environment would be indeed minimized. On the other hand, the institutional structures that would be prospectively part of the management system receive less attention in their



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preparations. These institutions are primarily the prospective sectoral intermediary bodies such as HAMAG, BICRO and the Agency for Regional Development, but this also may affect to a certain extent, the way the “project pipeline” would be formulated, continuing to rely more on large TA service contracts, as opposed to a more systemic preparation of institutions for the project development task, possibly closer to where local demand materializes. Thus, in general, the RC OP’s impact on developing capacities of the sub-national level would remain low and its potential to support the next generation of the OP’s for the 2014-20 period remains unexploited.

### *Impact on the sectors affected*

In terms of *territorial cohesion*, the expected impact remains very limited. It is on one hand an easily understandable consequence of the limited amount of available funds that is well below the amount that would be suitable to bring about discernible changes. Concentration on the lagging behind areas has not been very strong in IPA either, and has been planned to be further reduced for ERDF. Still, certain operations may have a positive impact on the territorial cohesion provided that territorial aspects in the implementation phase will be vigorously built in the system of the project selection preferences. The Ex-Ante Evaluation also includes recommendation in this respect, based on the analysis of the OP’s fit to the National Strategy of Regional Development.

For the *SME sector*, clear positive impacts are expected. Currently running projects and schemes target relevant bottlenecks both at national level and at the level of companies. For example, the Grant Scheme launched (Support for increasing competitiveness...) still under IPA is most likely that it will provide a lot of useful experience both for the potential applicants and the implementing organizations as well. Based on the experiences of the IPA call for proposal, SME’s have shown a massive interest in participating in the scheme.

In the field of *Research and Development* an encouraging impact on the public research and higher education institutions is expected, that might further develop their initial projects and would enable them to deliver real services to businesses on this basis. However, it is important to note, that the OP’s impact will not reach actors of the private sector in research and development, nor in the field of development of technology transfer intermediates, or innovation transfer institutions. Thus, the impact in terms of its sector coverage remains limited, and, additionally, might result in a lack of openness and low level of competition of ideas and project holders for the funds, that might hamper to fully take advantage of the Priority and maximize its impacts.

Likely impact of the developments under heading “*Development and upgrading of the regional infrastructure*” will depend on the actual use – occupancy of spaces, interest of visitors – of the establishments constructed or equipped. In general, a more active business activity can be expected (with more companies, more and better jobs), but – as a negative scenario – the chance of the infrastructures remain unused could not be totally rejected at current stage of preparedness. As these infrastructures are mostly of local (sometimes of regional) importance, a differentiated impact on the local economy can also be expected, according to the extent the planned occupancy rates (or visitors’ appearance) are managed to be realized in the given locality.



In general, the greatest share of the spending on tourism raises the issue of more potential environmental risks (analyzed in section 5.1.2.) and places more the issues of achieving financial viability and economic sustainability of public projects to the forefront of the management's thinking and actions. The latter issue is also relevant for the other ("non-tourism-oriented") projects, together with possible considerations of taking advantage of the income-generating ability of the business-related infrastructure that would allow for reducing support rates and increasing therefore the number of beneficiaries and thus the overall impact.

### *Possible synergies*

Impacts could be robustly enhanced by exploiting possible synergies that would come from the coordinated programming and implementation of certain interventions. At the level of programming the OP refers to the possible synergies but no detailed description regarding the way they are actually intended to be exploited can be found in the text. Especially, the description of the coordinative measures is lacking. Besides the clear synergies between the OP HRD and operations of RCOP, also internal synergies between SME development and R&D development alongside with the development of the business-related infrastructure shall be exploited.

### **The expected European added value**

Most important elements of the likely benefits that are related to financial support that has been provided by the EU are the followings:

1. General awareness of the issue of Croatia's EU membership will be raised among stakeholders typically active at local level, mainly via the Grant Schemes and the TA support schemes for the SME sector.
2. Common European standards and values have been promoted and enhanced among participants of the Programme, as the following:
  - a. In the field of development planning and management the principle of well regulated and transparent management of public interventions has been promoted and an adequate system put in place at all level of the management structure (projects, Grant Schemes, investment Priorities, Programmes) and covering the whole Programme cycle (planning, delivery, monitoring and evaluation). Through Grant and other Schemes that allowed a participation of typically local stakeholders a wide sphere of people of various organizations became acquainted with the requirements and implementation of good management practices.
  - b. Through various TA contracts a great number of potential and selected grant beneficiaries received assistance and learned to develop effective and economically viable project proposals.
  - c. The principle of fair competition has been promoted effectively through the application of adequate procurement rules, regulation and procedures and open



and transparent Grant Schemes mechanisms.

- d. The principle of equal opportunities and environmental sustainability has been introduced in planning and project selection within the Grant Schemes and also became known by grant beneficiaries.
- e. Further results of European good practice have been put in place by the inclusion of relevant EU sector policies to programming documents and projects
- f. For SME policies, such as the European Charter for SME's, the Multi-Annual Programme for Enterprise and Entrepreneurship, or the alignment of the definition of the SME with the relevant EU legislation and the preparation for the use of Regulatory Impact Assessment can be considered as of greatest value.
- g. For R&D, the most important added value has been that the potential benefits of the projects that are in line with the "Lisbon objective" of investment in knowledge and innovation have been demonstrated in practice for a relatively wide circle of public stakeholders, practically for the whole of the Croatian research community. Experiences will most likely encourage these stakeholders to strengthen their links with private sector users and to become more oriented to commercial needs of their partners.

### 5.3 APPRAISAL OF STRUCTURES AND PROCEDURES FOR PROGRAMME IMPLEMENTATION

*Section 4 of the evaluated draft RCOP specifies clearly that the institutional setup for the management of the OP is subject of further decisions. Still, in the absence of these decisions the text of the OP (based on the valid decision of the Croatian Government of 6 October 2010) remained the main source of official information for the purpose of present Ex-Ante Evaluation.*

*Thus, the following observations refer to descriptions of management structures and processes included in the March 2012 draft of the SF OP, though it is understood a new institutional setup is under preparation and will be adopted perhaps within 2012. However, as with any other Ex-Ante Evaluation criteria, our findings are provisional upon the official text of the programming document currently available.*

#### **The management structure as today**

Currently, the management structure has been set up according to IPA implementing regulation and has been described in Annex A of the Framework Agreement between the Commission and the Croatian Government. The Operating Structure of the RC OP 2007-11 is an integral part of the



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system and fits also in the wider institutional environment of the Croatian administration.

*The Body Responsible for OP (BROP)* is the Ministry of Economy (ME), through its Directorate for Investments and Competitiveness; within this the immediate responsibility lies with Sector for Regional Competitiveness Operational Programme. This Sector also acts as Body Responsible for Priority Axis 3 Technical Assistance through its Unit for RCOP Implementation.

The structures have been formulated in a way that would enable the Ministry to effectively prepare for the management of the Structural Funds as Managing Authority (MA) of the ERDF RCOP. Besides this, the involved Sector has worked out the renewed rules and procedures with the intention of following these procedures after EDIS is granted. Procedures will be the subject of upcoming audit of the Commission related to EDIS and also these procedures would serve the basis of the preparation for the Compliance Audit for the Structural Funds (ERDF) as MA for the RCOP.

As of June 2012, the structure employs 22 staff and the institutional development plan foresees to increase this to 32 by the end of 2013. While detailed analysis of workloads and future tasks are beyond the scope of the Ex-Ante Evaluation and since the role of the MA can be influenced by a lot of yet unknown factors (e.g. level of tasks delegation to IB's, or role of financial departments of Ministries in ERDF management), the following are suggested at this stage, with minimal reservations:

- The total staff number of 32 seems to be sufficient to manage the OP, however, it should be reached well before end 2013;
- The description of the Units' tasks – especially for the Unit for Strategic Planning and OP preparation – shall be brought in line with the tasks of a Managing Authority. If forward-looking strategy-building and other policy development issues remain under the responsibility of this Sector, the staff has very probably to be increased;
- Staffing of the Implementation Supervision Department (and, very probably Financial Management and Control Department) would need to be increased.

The Ministry for Economy, following the reorganization of the government in 2011 does not have any direct sectoral responsibilities of the RCOP, thus, MA functions rather support other ministries' sectoral objectives than the ones of the ME.

*Body Responsible for Business-related infrastructure* is Ministry of Regional Development, and EU Funds (MRDEUF), through its Directorate for Regional Development; immediate responsibility lies with the Sector for Regional Development Policy.

The structure has been accredited to carry out its tasks (similar to "first level IB" in Structural Funds systems) under IPA. It has good institutional linkages with local partners (County Development Agencies and regional partnerships) and also to National Agency for Regional Development. Effectiveness of the execution of strategic tasks (such as orientation of planning, ensuring territorial aspects to be included with sectoral Programmes) is greatly hindered by the lack of proper staff in



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the related departments. The Ministry also operates an IT-supported system that allows for local and regional project promoters to submit ideas for development projects. It then uses this database in its activities related to building up project pipeline for various upcoming measures. No official structure has been created to cooperate on tourism-related investments of the Priority, however, inter-ministerial linkages have proved to work properly.

*Body Responsible for Improvement of business climate* is the Ministry of Entrepreneurship and Crafts (MEC), through its Directorate for EU Programmes, Bilateral Assistance Programmes and Other International Institution Projects; immediate responsibility lies with Sector for EU Programmes and Projects.

The structure has been accredited to carry out its tasks (similar to “first level IB” in Structural Funds systems) under IPA. It is capable to carry out its current tasks, however, the management of the SME Grant Scheme and the proper preparation of prospective new interventions under the Structural funds OP will require to increase its human capacities.

Besides its pivoting role in formulating SME-related policies, the Ministry itself has experience in the management of various national development programmes for the SME sector that includes co-operation with HAMAG, the Croatian Agency for Enterprise Development. HAMAG also run programmes that help SME’s to develop projects for prospective new Grant Schemes.

*Body Responsible for Technology transfer and support service for knowledge-based start-ups* is Ministry of Science, Education and Sports (MSES) through Directorate for Science and Technology; immediate responsibility lies with Unit for EU Programmes and Projects in Sector for International Cooperation, EU Programmes and Projects.

The structure has been accredited to carry out its tasks (similar to “first level IB” in Structural Funds systems) under IPA. Within the unit separate sub-sections are responsible for preparation and implementation of the interventions and carry out monitoring activities. Current staff is 23 in the Sector, out of this 9 is in Unit for EU Programmes and Projects. The structure is capable to carry out planning and current monitoring tasks, however, certain tasks – such as evaluation – cannot be carried out properly. Also, increasing number of beneficiaries of the SIIF would justify the need for involving more human resources. Currently monitoring of the beneficiaries is being assisted by TA services on a contractual basis, but a gradual shift towards the use of more of in-house resources of the Ministry would enhance the chances of organizational learning to improve future performance of the scheme. Plans to increase staff are in place, but no action has taken place to carry out these plans yet.

The Unit has excellent relations with representatives of the (relatively small) target group of the interventions of the Priority, the higher level educational institutions and public research institutions, thus it is able to maintain frequent and personalized connections with the potential (and actual) applicants. For securing the supply of further projects, to be funded from ERDF, the Ministry also operates a Call for proposal system that provides TA to elaborate promising project



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ideas.

*Implementing Body (IB) for all the measures of IPA* is the Central Finance and Contracting Agency (CFCA), an independent Agency of the Croatian Government, supervised by the Minister responsible for the Ministry for Regional Development and EU Funds. CFCA is an accredited institution under IPA as Implementing Body, which is experienced in the implementation of all types of contracts and has all the technical capabilities to carry on as IB with project implementing responsibility in the Structural Funds period. By its position in the administrative system, its organizational level knowledge of the various sectors of the economy is limited to some personal knowledge gathered by the implementation of the BRI and the SIIF. For the particular task within the Regional Competitiveness OP only 7 project managers are available in a specific department of the CFCA, however, increase of staff is underway.

### Availability of systems (MIS)

Monitoring and Information system for the IPA RCOP – developed at early stages of the implementation period of the OP - is operational and stores and provides basic data of both financial and physical nature in a reliable manner. The system is being continuously upgraded and adjusted to evolving needs under the coordination of the Ministry of Finance. However, this system is intended to be further developed to serve better the needs of the daily and strategic management tasks of the participating institutions. To this end, a new contract has been made under IPA Component I to develop a new, more user-friendly and more comprehensive management system that would support the management of the Structural Funds from 1<sup>st</sup> of July 2012. Twinning advisors also help both Ministry of Finance and MRDFEU to best specify the system to the needs of the users and the requirements of the ERDF. IPA data are intended to be migrated to the new system as soon as it is operational.

### Constraints and options of related to the institutional setup

The version of the ERDF 2007-2013 RC OP, which has been the subject of present Evaluation, designates the Ministry for Economy – its Sector for Competitiveness - as Managing Authority for the ERDF RC OP. The preparation to this function is continuous in the affected organisational units and the process is being also assisted by a TA project with comprehensive tasks in this area.

MA intends to delegate the implementation of designated Priority Axes to Intermediary Bodies (IB's). These IB's have some skills at various levels in Programme - and project management and have experience with interactions with beneficiaries in their particular sector. Preparedness of these designates organisations is at different stages, as summarised below:

Intermediary Body	Priority axis/Key area of operations	Preparedness for to act as IB
Croatian Agency for Small and Medium Enterprises (HAMAG)	Operations in the sector of SME support	Preparations for accreditation suspended. Relatively wide range of experiences with domestic support schemes exist.
Business Innovation	Operations in the sector	Preparations for accreditation have not



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Agency of Croatia (BICRO)	of R&D support	started yet. Some experience with domestic support schemes exist.
Agency for Regional Development (ARD)	Operations in the sector of regional infrastructure support	Accredited IB for IPA Crossborder programmes. Good links with County Development Agencies and possible project holders.

In summary, IB's designated in the OP have not been prepared to take over the role of implementing body from the CFCA. Involved line ministries have neither capacities nor even intentions of developing internal capacities for the tasks of implementation. Preparation of any new structure for the remaining 6 month financial period of ERDF 2007-13 for Croatia would not be sensible. Therefore, no other realistic and effective option exists than transforming existing and operational OS from IPA to the management structure of the ERDF RCOP 2013. Although several partners made a reference on such a decision being prepared, it has not been formalised in the period of the Evaluation.

### Challenges and possible responses

The fund management system shall be able to handle parallel management tasks, in current case related to IPA, ERDF 2007-13 and also very soon ERDF 2014-20. To achieve this, transition at institutional level shall be smooth; the development process should be characterised by gradual evolution and should avoid major changes regarding the roles of involved institutions. Additionally, certain level of synergy with systems that manage domestic development resources helps avoid risk of resource-consuming duplications and overlaps. A well-working delivery system is able to combine relevant sector-related knowledge with capabilities to manage efficiently Programmes or projects. It is also important that the system – rather, the institutions of the system – shall be able to fulfil all regulatory requirements and, at the same time also shall be committed to deliver physical targets that relate to thematic or sectoral objectives of the Programme or project, which they manage.

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

- Currently, the management system for IPA is on its way towards complying requirements for the extended decentralisation of management responsibilities (EDIS). An audit by the Commission's services is expected before the summer that may result in granting EDIS (meaning waiving of the ex-ante control function of the EU Delegation) as soon as the autumn of 2012. The structure of the management system will most likely remain the same for the first (until end 2013) period of Structural Funds, as other institutions appointed earlier to prepare for the functions of a thematic Intermediary Body role have not completed their preparations, mostly due to the prolongation of the pre-accession stage and, as a consequence, of the short period of the Structural Funds for Croatia within the 2007-13 programming period. In the current situation, it seems to be a sensible decision not to change existing operational institutional setup for the short period of managing ERDF 2007-13, especially because no strategies have been set up with regard to the Programme



architecture in the post-2014 period. The institutional transformation process is being assisted by a twinning project (Lithuania-Hungary). No assistance is being currently provided for the continuation of institutional improvements for the potential sectoral IB's.

- In this process also the partial transformation of the IPA Sectoral Monitoring Committee to the Monitoring Committee of the ERDF RC OP should be considered.

Besides its unquestionable strengths, the current system faces several future potential risks. Risk can materialise in loss of effectiveness and a waste of development resources if following issues are not dealt with proper attention:

- *Firstly*, how the current CFCA will fit into the new management system. It shall be done in a way that (i) preserves knowledge accumulated by the CFCA staff, (ii) further develops currently operational systems, and, at the same time (iii) creates conditions that endeavour more commitment to achieve sectoral results, (iv) maintains current level of regulatory performance and in which Intermediary Body functions are clearly subordinated to the appointed Managing Authority of the OP so that MA is able to fully control all OP-related activities of the IB. This is not the case in the currently operational system.
- *Secondly*, 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.
- *Thirdly*, 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). MA also shall be in a position that controls the activities and performance of IBs involved with the implementation. Thus, shift of focus of preparation from proper project management to preparation to Programme level management tasks is also essential.
- *Fourthly*, processes and procedures are to be streamlined substantially. To continue current enormously labour and time-intensive practice of project assessment and contracting represent an extremely high risk of losing funds under ERDF, due to the larger amounts of fund planned to be delivered through Grant Schemes.

## Main procedures

*Project selection:* Most of the funds are intended to be delivered through open calls for proposal basis. The OP also foresees the application of the direct grant awarding procedure. While in former case main procedures are in place, developed by the IPA, in the latter one the development of clear



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and transparent procedure remains to be elaborated. In general, planned procedures are appropriate for the selection of the projects to be supported. In the field of research infrastructure and business-related infrastructure - where potential beneficiaries are known, possible projects might require joint development efforts of the research community, businesses and some state actors and the project size could be of large magnitude – the direct award procedure could be used habitually.

*Management:* Current IPA procedures can serve the basis for the management of the ERDF RC OP. Special attention is to be paid on the extensions of current procedures to the tasks of: (i) communication and data exchange with the EC commission, (ii) control and guidance to be delivered for and some authority to be exercised over the OP-related operations of the IB (the CFCA), and (iii) cooperation with the Monitoring Committee, this latter on the basis of experiences with the SMC.

*Monitoring and Evaluation:* Monitoring system is foreseen to be build up on the basis of the new MIS under preparation and the Monitoring Committee to be established according to the relevant regulation. At present, the feasibility of the timely preparation of the new MIS cannot be assessed in a meaningful way, thus, the Evaluator stresses the importance of the timely availability of the system's services in relation to the timely and smooth use of the ERDF funds.

The establishment of the Monitoring Committee shall be based – besides the regulation, quoted in the text of the OP - 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 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.

Structures and processes for evaluation have not been established yet. The second component of the current project supports the ministries to develop their evaluation capabilities by assistance for creating these structures and by trainings.



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## 6 CONCLUSIONS & RECOMMENDATIONS

### 6.1 CONCLUSIONS

1. The objectives of the Programme in general respond to the needs and opportunities described in its analytical chapter. Policy choices broadly fit to the related policy environment set by the relevant national regional and sector policy frameworks, and also take into account the specific circumstances of programming, such as a clear need of continuation of the basic strategies already being implemented under the IPA IIIc programming framework.
2. The intervention logic of the Programme is valid and operational; this has also been confirmed by the experiences of the precursor interventions of the IPA IIIc OP. The presentation of this logic, however, does not have the necessary clarity and logical consistency yet. Relations between the analysis, the key conclusions drawn of it and the summarising SWOT analysis are often very weak, making the whole of this section of the document difficult to follow and understand. Additionally, while it clearly indicates persisting interventions need to improve competitiveness of the country, and does it on the basis of updated data, it fails to explain, what underlying factors contribute to the weakening competitiveness of the economy and what mechanisms of causal connections exist that result in these figures.
3. Territorial aspects have been considered by the strategy. However, in the light of the objective of the OP that targets the better exploitation of territorial capital, the measures taken to really take advantage of the diversity of resources by territories could be further strengthened. Preference to “lagging behind” regions has also been weakened in comparison to the precursor IPA RC OP, in spite the growing disparities in development terms and the clear indication of this type of policies by the national strategy. Closer links between the results of the sectoral needs analysis and the County Development Plans could help the alignment of sectoral and territorial aspects. Territory-based analysis of real needs of industries and the presence of bottlenecks in business-related infrastructure could enhance the economic viability of investments, mainly in tourism- and business-related infrastructure.
4. Increasing attention on the tourism sector raises the issue of stronger involvement of specific stakeholders of this sector in programming and management in the future. This could encompass the establishment of formalised co-operation in this field between ministries responsible, tourism-related professional organisations and representatives for local and territorial self-governments.
5. Indicators presented are largely appropriate to measure the changes in relation to the specific objectives of the Programme. However, these indicators are all of “impact” type, with a lot of context-related factors included; therefore the usability for the purpose of OP management is very limited. Additionally, methods and underlying considerations, such as assumptions and sources of comparative data require more explicit documentation.
6. Planned measures are expected to sufficiently promote the principle of equal opportunities and



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sustainable development. Equal opportunities are anticipated to be particularly important for Grant and other support schemes for SME's and for the scheme that supports technology transfer capacities. Sustainable Development issues are expected to be particularly important and require careful and close monitoring in relation to Grant Schemes with projects involving building activities, especially if implemented by relatively large works contracts. The sustainability of tourism related activities shall also be examined, with special emphasis on the effect of tourism on the cultural and natural resources that are affected by the development (e.g. increased traffic of the visitors).

7. For Priority Axis 2 (R&D), to focus exclusively on the relatively small research community of Croatia bears the risk that the lack of competition would have a detrimental effect on the quality of the projects, mostly with regard to efficiency and innovative content. Thus, the greater involvement of the private sector – including support for private sector establishments – would be beneficial already in the programming phase, so that it also includes the eligibility of technology and innovation transfer intermediates, both public and private.

8. The expected impact of the Programme is broadly in line with the objectives set. Socio-economic impacts are limited by the relatively modest amount of financial resources allocated to the Programme. Although expected to be in general highly positive, impacts might be strengthened by (i) an improved focus on the territorial differences (ii) the more substantial involvement of the private sector in the development of the R&D sector, (iv) exploiting the synergies within the different priorities of the RC OP and with the relevant priorities of the HRD OP by coordinated implementation, and (v) increasing importance of longer term financial sustainability of projects. To realise potential improvements, adequate measures are to be taken by the organisations involved in the management of the OP, mostly the MA and the Monitoring Committee, and, besides, the performance of the project pipelines shall be made more effective as well.

9. The management structure of the Programme will almost certainly follow the one established by the IPA OP (although official decision has not been made until the completion of present Report). Structure is assumed to be qualified soon for the EDIS under IPA. Sectoral IB's designated earlier have not been prepared to take over the role of implementing body from the CFCA and former Organisational Development Plans are not valid any more in practice. Thus, on one hand the system itself can be considered as being set up and operational, on the other hand, to be reliably operational under the Structural Funds period, further steps of developing these institutions are to be made, also with a view on the roles and responsibilities of this institutions in the soon-commencing first fully-fledged period of the Cohesion Policy for Croatia.

In the medium run the institutions currently involved with the management of the IPA do not have a properly clear vision with regard to their future roles and responsibilities. It is not known either, how these institutions will spread their experiences gathered until now to other bodies intended to be involved in Programmes, mainly from 2014. In the absence of these decisions accumulated knowledge can be lost and preparation of the new system cannot start in time, bringing about future delays in the implementation of the ERDF RC OP.



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10. In terms of securing the supply of fundable projects, the management of the OP focussed on developing targeted project pipelines to the Grant Schemes implemented. Typically TA contracts have been used as vehicles to deliver projects and knowledge on development issues to beneficiaries. Less emphasis has been placed on creating and developing an institutional system that might become gradually self-sustaining and deliver continuous advice and assistance for further beneficiaries. Although former Programmes as CARDS and Phare and also operations financed by domestic resources assisted, e.g. the capacity building efforts of County Development Agencies and Ministries involved with the RCOP also maintain various project databases, in the light of the absorption-related challenges of the coming accession, a more systematic approach to support project generating and developing capacities is well justified, aiming especially at those institutions that are easily accessible by local development actors, such as SME's, municipalities and civil organisations. Differentiated assistance to project holders can help overcome the handicaps of the regions lagging behind in the field of preparation of projects and also helps focus the assistance more on specific territory-based bottlenecks, whenever it is needed.

## 6.2 RECOMMENDATIONS

1. To improve efficiency of handling territorial disparities, update National Strategy of Regional Development taking into account EU2020 strategy and encourage, coordinate and assist counties to update their county development strategies accordingly, in order to provide more accurate information on territorial needs. Extend already planned preferences by targeted additional assistance to project holders in assisted regions. Assistance shall also made available for potential project holders to exploit and combine better the specific local resources and, in parallel, management of the OP could be more demanding in terms of projects' close fit to the territorial strategies. Assistance can be delivered via the current sub-national institutional structure, by providing additional resources to these institutions to deliver extra services in a subsidized manner to local beneficiaries in the assisted areas.

2. To strengthen the input from the tourism sector representatives to programming and project selection, by a more formalized and extended cooperation with industry stakeholders, such as Ministries involved (Ministry of Tourism, MEC, MRDEUF, Ministry of Culture, and possibly others), and professional organizations, as well as representatives for local and territorial self-governments. Cooperation should aim at the joint elaboration of strategic framework, the establishment of project selection criteria and the coordinated operation of the project pipeline. Approach to be taken should have strong focus on capitalisation on the territorial diversity of resources.

3. For R&D schemes consider the extension of the eligibility to the private sector with a pilot approach, with a view of collecting and delivering experience for the gradual introduction of full eligibility of private sector representatives and the extension of the scheme to technology and innovation transfer intermediates in the coming period. To this end, prepare the ground by carrying out a comprehensive analysis of potential bottlenecks and problems, the possible remedial



measures to these, as well as of the potential of uptake of funds of this sector in Croatia.

4. Improve the quality of the main indicators for the purposes of evaluation, by (i) providing more information with regard the method and the underlying assumptions, (ii) cross-check, possibly against benchmarks of similar Programmes, that targets drawn from previous results of the Programme are realistic, but also demanding for the management of the OP. Devise and add to the Programme – for informative purposes – suitable result indicators, one or two for each Key Area of Operations.

5. Take necessary decision on the management structure. Besides further strengthening the management capacities of the designated organizations, devise and make public a comprehensive roadmap with regard to the evolution of the roles of the current institutions involved in the management of the OP, including the IB's designated earlier. The Plan should also indicate how these institutions will spread their experiences gathered until now to other bodies.

6. Devise a comprehensive set of interventions in the delivery system of the OP that include coordinated actions in the following fields:

6.1. Review and re-design the assessment and contracting procedures with the clear intention of streamlining, avoiding all unnecessary steps of control and overlaps. Assign the realistic need for human inputs for timely execution of each step of the procedure and, as a result of this, increase number of staff accordingly, mainly in relevant section of the CFCA, but also in the responsible line Ministries (BRP/M's). It shall be additionally considered, that a system of incentives is to be put in place, both, at institutional level and at the level of individuals, that awards timely implementation and penalizes delays.

6.2. For accelerating the pace of physical implementation of the projects, the reinforcement of technical assistance services for beneficiaries and a reinforced (more frequent, more detailed, more motivating for the beneficiary) physical monitoring activity is needed. While the former activity is comparatively well covered by existing TA contracts, the latter one shall be made more effective. Basically two options – and a combination of those - to implement this are available in principle, such as (i) involving additional capacities via procurement of TA assistance, and (ii) increasing number of current staff, mainly of the CFCA. It's recommended to use TA contracts to build up core in-house capabilities both in CFCU and the responsible Ministries and prepare to use further TA contracts as supplementary means that help execute these task, fully controlled by the core internal staff.

7. Extend the scope of the presently available EU-funded instruments to support the consolidation and further development of institutions in charge of assisting potential beneficiaries in generating and developing projects. Assistance is recommended to aim at creating an organized and institutionalized system (and, possibly, a network) of institutions that provide technical support at local and regional (counties) level for local development actors, such as SME's, municipalities and civil organisations.



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8. Monitor the equal participation of women and the promotion of the participation of vulnerable groups as well as environmental sustainability of the relevant operations with special care. Identify sensitive operations beforehand, drawn conclusions expectedly from the SEA on environmental and from targeted public consultations on gender equality issues.

9. Develop the analytical chapter of the OP, taking advantage of the detailed recommendations in the relevant section of present report to improve clarity and coverage of the analysis, as well as the coherence between analysis and the objectives.



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## 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.
- **Stakeholder consultation** (See Appendix B. Evaluation Consultees): A Project office has been located at the Ministry of Regional Development and EU Funds. Daily ad hoc consultations with sectoral counterparts as well as with Project Implementation Unit helped the evaluator in identifying relevant contact persons within Operating Structure and possible sources of information. Interviews have been structured according to the following topics:
  - Progress in implementation of the IPA counterpart OP Priority axis / Measures
  - Contribution of IPA to sectoral programmes and strategies and relevance of these strategies
  - Level of cooperation within the Operating Structure
  - Benefits taken from the Technical Assistance projects, including the status of “project pipeline”
  - Experiences with different contracting forms (service contracts, supply contracts, grant schemes, direct awards, framework contracts, twinning contracts)
  - Challenges and opportunities (What can be done in a better way?), including preparation for the management of the ERDF beyond 2014.
- **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.



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## APPENDIX B. EVALUATION CONSULTEES

Person interviewed	Organization represented
Ms Ana Krvarić	Ministry of Regional Development and EU Funds, Directorate for EU Funds
Ms Dinka Bujas	
Mr Saša Ljepović	
Ms Božica Horvat	Ministry of Regional Development and EU Funds, Directorate for Regional Development
Ms Franka Vojnović	
Ms Ines Franov Beoković	Ministry of Regional Development and EU Funds, Directorate for Regional Development, Body responsible for Priority/Measure within the RCOP
Ms Davorka Hajduković	
Ms Nataša Filipović	Ministry of Economy, Directorate for Competitiveness and Investments
Ms Sanja Fišer, Head of Department	Ministry for Entrepreneurship and Craft (also as Ministry for Economy)
Ms Ivana Gorički	
Ms Gabrijela Herceg-Sarajlić  Head of Department for managing EU funds and actions	Ministry of Science, Education and Sports
Ms Darija Skoko	
Ms Nada Sirotić	
Mr Stipe Marić	
Mr Marko Zupan	
Mr Vlatko Martinović, project manager BRI	National Agency for Regional Development
	CFCA



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Ms Emina Bačarka, project manager SIIF	
Ms. Ivana Varga	Ministry of Finance, National Fund
Mr. Daniel Peić	
Ms Valeria Valeri Team Leader “Support to the RCOP Operating Structure with OP Management” project	Hulla & Co. Human Dynamics K.G., Ministry for Economy



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## APPENDIX C. KEY DOCUMENTS CONSULTED

<b>I. The programme documents</b>	
<b>Document Title</b>	<b>Authored/prepared by:</b>
REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME , 2007 – 2009, 2007HR16IPO001, INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (final version: 2007. 09. 27)	Operating Structure
REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013, Draft Working Document, January 2012 (updated 12 March 2012)	MRDEUF/Ministry for Economy
Documents related to the modification of the IPA OP:	
Request for modification of the Regional Competitiveness Operational Programme 2007-2009 (CCI Nr.: 2007HR16IPO001), letter to Mr Dirk Ahner, Director general of DG REGIO, dated 14/01 2010	Hrvoje Dolenc, State Secretary, National IPA Coordinator
Documents of IPA RCOP modification I :	
Explanatory note to the Regional Competitiveness Operational Programme Modification Request	Operating Structure
ANNEX I – INDICATIVE FINANCIAL TABLES FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2011	Operating Structure
ANNEX II - MONITORING INDICATORS FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2011	Operating Structure
Documents of IPA RCOP modification II.	
Explanatory note to the Regional Competitiveness Operational Programme Modification Request, 29/11 2011	Operating Structure
ANNEX I – INDICATIVE FINANCIAL TABLES FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013	Operating Structure
ANNEX II - MONITORING INDICATORS FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013	Operating Structure



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ANNEX III - INDICATIVE LIST OF MAJOR PROJECTS FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013	Operating Structure
Letter of MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION with regard to the necessity of SEA, dated 12/09 2011	MINISTRY OF ENVIRONMENTAL PROTECTION, PHYSICAL PLANNING AND CONSTRUCTION
List of "JUSTIFICATIONS FOR OPERATIONS FOR THE NEW RCOP", requested by EC on 8/8 2011	Operating Structure
<i>Source of monitoring data:</i>	
Monitoring Report 2011 (Reporting period 1.1.2011 – 8.9.2011)	Operating Structure
Draft Sectoral Annual Report on Implementation 2011 (SARI)	Operating Structure
IPA 2007-2009: Business-Related Infrastructure Grant Scheme Guidelines for grant applicants, 2009	Central Finance and Contracting Agency Republic of Croatia
Support for Increasing the Competitiveness of Croatian SMEs Guidelines for grant applicants, 2011	Central Finance and Contracting Agency Republic of Croatia
Science and Innovation Investment Fund Grant Scheme Guidelines for grant applicants, 2010	Central Finance and Contracting Agency Republic of Croatia
ORGANISATIONAL DEVELOPMENT STRATEGY  Operational Programme "Regional Competitiveness"  (for the purpose of meeting the benchmark under Chapter 22)  Zagreb, September 2010  Final Version	CODEF
BROP Internal Organisation & HRM, version 4.1.1. (February 2012)	Ministry for Economy (BROP)



<b>II. The programme environment</b>	
Decision (2508) on the classification of local and regional self-governments according to their degree of development	Government of Croatia, 15. July 2010
Strategic Development Framework for 2006-2013	Central Office for Development Strategy and Coordination of EU Funds, on behalf of the Government of Croatia
REGIONAL DEVELOPMENT STRATEGY OF THE REPUBLIC OF CROATIA, 2011 – 2013, MAY 2010 VERSION 1.0	MINISTRY OF REGIONAL DEVELOPMENT, FORESTRY AND WATER MANAGEMENT
AN INVENTORY OF LOCAL CAPACITY FOR REGIONAL DEVELOPMENT IN CROATIA CARDS 2004 “REGIONAL DEVELOPMENT CAPACITY BUILDING FACILITY” (EUROPEAID/123369/C/SER/HR) ZAGREB, 23 SEPTEMBER 2009	ECORYS Nederland B.V.
Regional Development Capacity Building Facility (EuropeAid/123369/C/SER/HR), Final report, Zagreb, 23 September 2009,	ECORYS Nederland B.V.
English translation of the Decree “On establishment of Agency for regional development of the Republic of Croatia “, as published in Official gazette 155/08, issued by the Government of Croatia on session held on 24th December 2008	Ministry of Regional Development, Forestry and Water Management
“Compliance of the Strategy and Law on the regional development of Croatia with EU Cohesion Policy” slides of a presentation	delivered by Gabrijela Krasić, Minister Counsellor, Ministry of Regional Development, Forestry and Water Management
SCIENCE & TECHNOLOGY POLICY OF THE REPUBLIC OF CROATIA 2006 – 2010,	Ministry of Science, Education and Sports



Pre-accession Economic programme 2007-8	Government of Croatia
Pre-accession Economic programme 2010	Government of Croatia
SME Report for Croatia, 2011	CEPOR (SMEs and Entrepreneurship Policy Center), Zagreb
THE EX ANTE EVALUATION OF IPA OPERATIONAL PROGRAMMES FOR CROATIA, Regional Competitiveness Operational Programme, April 2007.	EPRC, Glasgow

