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**Support in enhancing regional and territorial dimension in programming documents for EU Funds 2014-2020**

**CROATIA**

**EU COHESION POLICY 2014-2020**

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| **Proposals on procedures and selection criteria****for targeting territories/areas** |

**PROJECT TASK 1.3**

**June 2014**







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**CROATIA**

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1. Context

These proposals were produced by Transtec and HCL Consultants for Croatia’s Ministry for Regional Development and EU Funds (MRDEUF), financed by the EU under the project ‘**Support in enhancing regional and territorial dimension in programming documents for EU Funds 2014-2020’.** This document is part of a suite of studies delivered under the project, which examine options for integration of the territorial dimension in Croatia’s programming of European Structural and Investment (ESI) Funds for the 2014-20 period. The following proposals relate specifically to Task 1.3 of the project.

When looking at the selection of target areas for territorial development approaches under EU Cohesion Policy 2014-2020, Croatia needs to bear in mind from the outset:

* the obvious need to comply with the provisions of the Cohesion Policy Regulations for 2014-2020;
* whether there is a realistic possibility of obtaining significant added value from targeted approaches beyond the basic regulatory requirements.

Underlying these key considerations is the need for the Republic of Croatia, as a new EU Member State, to keep its implementation arrangements for Cohesion Policy as simple as possible.

Croatia has a variety of areas of different special priority concern, some of which overlap with one another to a certain extent. Possible delivery approaches for these areas are explored under Task 1.2 of this project – including a relatively simple ‘horizontal’ approach based on additional ‘points’ in the project selection system and/or modulation of the own co-financing which Beneficiaries would need to provide for projects in particular places.

This paper focuses principally on selection of target areas for integrated delivery approaches – the type of approaches which would be based on a system of joint management of EU Funds under different Priority Axes and possibly under different Operational Programmes (OPs).

1. Complying with the EU Cohesion Policy Regulations for 2014-2020

The EU Cohesion Policy Regulations for 2014-2020 were finally adopted and published on 20 December 2013. The focus of this Task is on the integrated territorial approaches which the Regulations make possible within Member States’ Partnership Agreements and OPs[[1]](#footnote-1).

***Compulsory – principles for selecting target areas for ‘Sustainable Urban Development’***

The key compliance focus here is the only main compulsory territorial element for regional /territorial development type interventions set out in Article 7 of the ERDF Regulation 1301/2013. This is the requirement for Member States to adopt a genuinely integrated delivery approach for ‘Sustainable Urban Development’, in defined target urban areas, for at least 5% of their ERDF allocation under the Investment for growth and jobs goal.

In order to comply with this regulatory requirement, each Member State must describe in its Partnership Agreement (PA) the principles for identifying the urban areas to be targeted.

***Optional – other integrated territorial approaches***

The other integrated territorial approaches mentioned in the Regulations for 2014-2020 are all optional for ERDF/ESF in Member States, namely:

* Integrated approaches in geographical areas which suffer from severe and permanent natural or demographic handicaps;
* Integrated approaches in areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, persons with disabilities, the long term unemployed and young people not in employment, education or training;
* *Community-Led Local Development (CLLD)* – a strictly bottom-up integrated approach delivered through Local Action Groups – although this is compulsory for EAFRD in specific rural areas designated by each Member State.

For Croatia, the degree to which these optional integrated approaches are taken up really depends on how far they might offer significantly added development value over simpler alternative approaches.

1. Proposals for target area selection criteria

A. Compulsory integrated intervention – ‘Sustainable Urban Development’

In order to comply with the EU Cohesion Policy Regulations, as outlined earlier, Croatia is required to clarify its intentions regarding ‘Sustainable Urban Development’ for at least 5% of its ERDF allocation. Of the three implementation options allowed by Article 7 of the ERDF Regulation for ‘Sustainable Urban Development’ (specific OP, specific Priority Axis, or Integrated Territorial Investment), Croatia has already chosen the Integrated Territorial Investment (ITI) approach. Croatia now needs to develop criteria for the selection of target areas for integrated ‘Sustainable Urban Development’ interventions.

A.1 Suggested area selection criteria for ‘Sustainable Urban Development’

A first idea of possible basic selection criteria and ways in which they might be determined are suggested below.

1. **Size of urban area**

e.g. according to Croatian population classification - over 100,000, over 35,000 etc. Could refer to cities, or cities plus functional areas.

1. **Existence of complex urban development issues**

i.e. interlinked economic, environmental and social problems, as well as identified development opportunities affecting relatively large numbers of people.

1. **Effective urban development partnership in place**

…to be judged by evidence of breadth of membership, status of constitution and maturity, records of meetings held, operational nature of issues discussed/handled etc.

1. **‘Sustainable Urban Development’ strategy for at least the 2014-2020 period in place**

Strategy would need to meet certain quality criteria and be capable of use as a comprehensive and practical tool for guiding project selection.

The urban area(s) collectively chosen should be easily capable of absorbing 5% of Croatia’s ERDF allocation on interventions which will be delivered territorially as opposed to nationally.

The above criteria would still allow flexibility – particularly with regard to the size bracket of urban area to be chosen. It would seem possible to comply with the EU regulatory requirements and choose any of the following targeting options:

* a single city (or even an area within that city);
* the four largest cities with population over 100,000 (or areas within them);
* 7-10 cities with population over 35,000 (or areas within them).

Since a joint management approach is needed for effective implementation of ‘Sustainable Urban Development’, the decision on how to apply the size criterion therefore becomes strongly linked to OP management issues, in addition to the political questions certain to arise. Under the final option presented above – the choice of 7-10 cities with population over 35,000 – the joint management approach might even become the norm, rather than the exception, of implementation arrangements for ERDF/ESF in Croatia.

An outline of the likely ‘pros’ and ‘cons’ of different choices of this kind for ‘Sustainable Urban Development’ is presented in the table below.

|  |
| --- |
| **Pros and cons of different targeting approaches** |
|  | **Main advantages** | **Main disadvantages** | **Comment** |
| ***Sustainable Urban Development*** |
| 1. Targeting single city (or area[s] within one)
 | * Achieves regulatory compliance (assuming > 5% ERDF allocation)
* Relatively simple - minimal ‘disruption’ to status quo of thematic delivery approach
* Piloting possibilities to guide later integrated interventions
 | * Difficulties in selection of city
* Relatively low level of integrated activity financed overall
* Risk of not spending full 5% of ERDF if selected urban area does not perform sufficiently well
 | * *Non-targeted cities/towns could be supported under ‘horizontal’ approach*
 |
| 1. Targeting 4 largest cities (or areas within them)
 | * Achieves regulatory compliance (as above)
* Strategic justification
* Possibly easier public acceptability than choosing single city, but still open to challenge from larger medium-sized towns
* Benefits of significant level of integrated interventions financed
* Eventual benefits for implementation system arising from ‘joint management’ experience
 | * ‘Joint management’ arrangements needed for substantial proportion of OPs
* Significant disruption to thematic delivery (depending on management structures under consideration)
 | * *Could account for well over 40% of Croatia’s population if functional area approach followed – ITI resources should be commensurate*
* *Smaller urban areas would be supported under ‘horizontal’ approach*
* *The issue to be determined is should the target cities also be able to access support under horizontal approach prior to Integrated Strategies being approved? If so, should this affect indicative financial allocations?*
 |
| 1. Targeting 4 largest cities – plus 7-10 urban areas +35,000 inhabitants (or areas within them)
 | * Achieves regulatory compliance
* Potentially high public acceptability
* Benefits of integrated interventions in more areas (as in 2 above)
* Eventual benefits of ‘joint management’ experience (as in 2 above)
 | * Doubtful critical mass in smaller target areas might reduce added value of integrated approach there
* Challenge of setting up ‘Joint management’ arrangements on this larger scale
 | * *If functional areas approach followed, could account for over 60% of Croatia’s population – could only be feasible if ITIs resourced accordingly*
* *Joint management might then become the norm rather than the exception*
* *Same issues (as in 2 above)*
 |

A.2 Options for reducing ITI coverage in the event of limited financial allocations

The functional areas of the four large cities – Zagreb, Split, Rijeka and Osijek, as reported during the survey, account collectively for some 48% of Croatia’s population. Even given that a substantial proportion of the EU-financed interventions in and around these areas are likely to come from nationally-determined parts of the future OPs, a resource allocation for ‘Sustainable Urban Development’ at around 5% of Croatia’s ERDF allocation (i.e. only just complying with the regulations) does not seem adequate to finance ITIs containing significant thematic integration in all four of these large urban agglomerations. Obviously the problem is compounded if targeting of more than just the four large cities is sought.

Conceiving of ITIs on more of a ‘pilot’ basis could still financially feasible if the overall resource allocation for ITIs remain relatively small. Pilot ITIs could enable a thorough testing of the ITI mechanism, which is - after all - entirely new to EU Funds in Croatia, prior to possible roll-out to larger parts of cities and/or to more cities/towns at a later stage.

A number of options for pilot ITIs are explored below:

1. **Reduced number of ITIs**

Pilot ITIs could be implemented covering only one or two of the large urban agglomerations, rather than all four. This approach might also offer the possibility for one or two pilot ITIs covering the functional areas of selected medium-sized towns to enlarge the pilot experience.

Simply excluding Zagreb from the ITI equation would clearly have determining effect on the balance between ITI resources and target population. This could make ITIs for the other three large urban agglomerations financially feasible (and possibly still one or two medium-sized towns).

Zagreb has a more diverse and fully functioning economy than any other location in Croatia – i.e. there is less market failure. It has the levers to attract a disproportionate share of ESI Funds, without any special designation / ring-fencing of resources. There are strong arguments for excluding Zagreb from ITIs, which could be presented in relation to basic economic data relatively easily. Perhaps special soft interventions based primarily around TO11 could be considered sufficient for Zagreb in order to promote improved coordination and partnership for urban development and still be of high added value.

Obviously both of the above options could be challenging, as outlined in the table above.

1. **Spatially delimited pilot ITIs within urban areas**

Although we have argued elsewhere that the ‘Sustainable Urban Development’ strategy for each target city/town should cover its full functional area, the same does not necessarily need to apply to ITIs, as long as they are an integral part of that strategy.

If there is reticence to allocate much more than the 5% minimum ERDF stipulated in the EU Cohesion policy Regulations for 2014-2020, a **spatially-delimited ‘pilot’ ITI approach** in each of the selected urban agglomerations could have many attractions:

* Depending on their size, spatially-delimited ITIs could be implemented in all four large cities, possibly as well as in a small number of medium-sized towns;
* Limited spatial approach offers potentially easier demarcation from rural development investment under EAFRD – but also good possibilities for significant complementary interventions;
* Smaller ITIs would be easier to manage and likely to have higher acceptability in the existing administrative culture, yet could still offer valuable institutional learning opportunities at both national and local levels.

A spatially focused approach within urban areas is fully in line with the EU Cohesion Policy principle of *concentration.* The pilot ITIs would be beacons of good integrative practice in area-based development and would play a leading role in fulfilment of the objectives of their parent Sustainable Urban Development strategies for the urban agglomerations concerned. Even though the target areas would be smaller, that extra element of focus could offer additional communication and promotional opportunities on the role of EU Funds in leading good urban development practice.

1. **Thematically limited pilot ITIs**

Under this option, the approach would be to reduce the thematic scope of ITI content, but for the ITIs still to cover the entire functional area of the urban agglomerations selected. The ITIs would then focus only on certain aspects of integrated urban development.

The obvious drawback of this option is that integration of a range of thematic interventions is one of the key purposes of setting up an ITI in the first place. The added value to be brought by a thematically limited ITI approach would be more questionable and the visibility of the integrated intervention likely to be lower.

A.3 – Options for relating approval of Urban Development Strategies and/or ‘ITI Action Plans’ to the selection of areas

The selection criterion proposed above that the areas concerned have an acceptable integrated sustainable development strategy *in place* – could also be interpreted flexibly.

1. **Formal approval of Urban Development Strategy prior to area selection**
* There is an option to make formal approval of strategy by central OP authorities a condition of area selection. This would mean that only areas with an approved strategy in place would be selected for integrated interventions.
* A possible alternative to this option could be to allow target area selection prior to formal approval of the strategy, but to require formal approval of the strategy before investment projects can be selected and approved in the area(s) concerned.

At all events, whichever option were chosen, a strict time limit would need to be applied for formal approval of the Urban Development Strategies by the national authorities so that investments can begin, which will need to contribute to OP-related targets.

1. **Possible competitive approach for selection of pilot ITI**

In the context of a pilot ITI approach, one option could be to set up a competition in which, say, the four large city agglomerations and certain medium-sized towns are each asked to prepare a pilot ITI proposal. The number of cities/towns asked to prepare bids would be larger than the number of ITIs ultimately financeable with available resource allocations, so there would be winners and losers in the competitive process. Maximum total value for the pilot ITI proposals could be stipulated.

Each pilot ITI proposal could take the form of an ITI Action Plan required to follow a standard template. Possible criteria against which the quality of the ITI Action Plans could be judged might include:

* Recognisable spatial de-limitation of the ITI target area – e.g. one strategic site or specific development area per urban agglomeration;
* ITI proposal of exemplar nature, which is seen to tackle the urban agglomeration’s most significant problems and build on its key opportunities;
* ITI proposal with the potential to create ..xx long-term, high quality, full time jobs in the urban agglomeration as a whole (possibly scaled towards population of cities/towns concerned);
* ITI proposal which demonstrates thematic integration between economic, environmental and social dimensions (e.g. between minimum 3 mainstream TOs) and integration between ERDF and ESF interventions;
* ITI proposal which demonstrates linkage with other interventions planned in the context of the broader Sustainable Urban Development strategy for the whole urban agglomeration;
* Degree of maturity of project proposals contained in the ITI proposal and/or quality of plans for scheduling the different components of the ITI;
* Operational multi-sectoral partnership in place (or demonstrably under construction) for implementation of ITI, including structure for collective decision making on project selection;
* ITI proposal which contains measures for institutional and/or administrative capacity building to support partnership-based implementation.
1. **Merging Urban Development Strategy and ITI Action Plan in the selection process**

A combination of the two approaches outlined above is also possible – i.e. for the national authorities to request a pilot ITI proposal as part of the Integrated Sustainable Urban Development Strategies required from urban agglomerations. In the *Analytical Study on Sustainable Urban Development* carried out under Task 1.1, it is argued that these strategies should be prepared in parallel with the County Development Strategies. This would have the potential advantage of streamlining the relevant processes and ultimately strengthening the linkage between strategies and ITI.

The key risk associated with both of these approaches is the time likely to be needed before investments can begin in earnest under the ITIs. Efforts would therefore need to be made to ensure formal approval of ITI proposals by, say, mid-2015. Allowing the moment of approval of ITI proposals to slip much beyond this deadline does not seem a realistic option if investments undertaken within ITIs are to contribute significantly to OP results and related benchmarks in Performance Frameworks.

B. Optional integrated interventions

As regards the optional targeting of integrated interventions, possible selection criteria for geographical areas suffering from severe and permanent natural or demographic handicaps are suggested in the list below.

B.1 Suggested selection criteria for areas with permanent natural or demographic handicaps

1. **Size of area**

i.e. large enough for significant volume of investment activity to be possible under integrated approach, whilst sufficiently compact for integrated interventions to have an added value over ‘horizontal’ approaches.

1. **Existence of complex, area-specific development issues**

i.e. issues falling outside scope of ‘horizontal’ approaches, such as exclusive *eligible actions* foreseen for this type of area.

1. **Administrative homogeneity and capacity of target area**

i.e. political and administrative coherence throughout target area with (at least basic) capacities to enable integrated interventions to flourish

1. **Effective development partnership in place in the target area**

…to be judged by evidence of breadth of membership, status of constitution and maturity, records of meetings held, operational nature of issues discussed/handled etc.

1. **Integrated sustainable development strategy for at least the 2014-2020 period in place**

Strategy would need to meet certain quality criteria and be capable of use as a comprehensive and practical tool for guiding project selection.

These suggested criteria are similar in spirit to those proposed earlier for ‘Sustainable Urban Development’. The key differences relate to size (less clear-cut than for urban areas with higher population densities) and administrative homogeneity/capacities, which would be vital for genuinely integrated interventions to succeed.

In Croatia’s case, the most likely candidates for selection under this category would be the islands. It is accepted that the islands require a strategically distinctive approach. It is also clear that there could be investment fields exclusive to the islands, such as actions relating to transport links, water supply or ICT etc.

However, the islands cover a large territorial area and are highly fragmented politically and administratively. In terms of administrative capacity for potential development, the main concentration is at County level in the related coastal areas. There is no island town large enough to be required to produce an integrated urban development strategy. If a coast-and-islands approach were to be favoured for area selection, it would could make the target area significantly larger and possibly overlap with other development approaches.

One option could be to divide the islands into distinct geographical groups to make a number of smaller target areas. Another could be to draw the distinction between groups of islands that are - for example - undeveloped, developed, populated, periodically populated etc. and fix target areas for each type.

The key question is whether the islands would gain any real development value from targeted integrated interventions of this type, or whether their needs could be met equally well from a ‘horizontal’ approach, such as that discussed in Task 1.2 of this assignment, under which the islands could be favoured by the project selection system and possibly also benefit from geographical Calls for Projects relating to their specific needs.

An outline of the main potential advantages and disadvantages of targeting all the islands, or groups of islands, for integrated interventions is set out in the table below.

|  |
| --- |
| **Pros and cons of different targeting approaches** |
|  | **Main advantages** | **Main disadvantages** | **Comment** |
| ***The Islands*** |
| 1. Targeting all islands for dedicated integrated intervention
 | * Strategic recognition of the distinctiveness of the islands
* Could add impetus to ‘big idea’ approach for islands
* Could help bring forward more conceptually difficult projects in island context

  | * Fragmented nature of target territory lessens likelihood of sucessful integrated interventions
* Would require joint working across local administrative boundaries of different political complexion
* Doubts that the content of relevant actions is sufficiently *different* overall to require distinct approach
 | * *Questionable added value in integrated approach for the islands*
* *Any actions exclusive to islands (e.g. transport links, water supply, ICT etc.) might be delivered equally well through island-specific Calls as part of ‘horizontal’ approach*
* *Possible strategic dilution If focus of integrated intervention were to be coast and islands – e.g. coast might well take bulk of resource*
 |
| 1. Targeting groups of islands for dedicated integrated interventions
 | * Sharper strategic focus / relevance than in 1 above
* Help for more conceptually difficult island projects (as in 1 above)
 | * Same disadvantages (as in 1 above)
* Greatly increased complexity likely in implementation framework (than for 1 above)
 |

Mountain areas, another possible candidate for selection for integrated interventions in this category, are not explored in any detail here. They would be highly likely to fair less well than the islands against the suggested criteria. Moreover, the needs of mountain areas are likely to be more directly addressed by actions supported by the EAFRD.

B.2 Areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, persons with disabilities, the long term unemployed and young people not in employment, education or training

With regard to this type of area, Croatia has various territorial categories of special status – notably less developed areas.

Croatia already has criteria to define the less developed areas embodied in the Development Index, which tracks up to trends at Municipality and County levels in:

Population;

Budget revenues;

Incomes (per capita);

Unemployment;

Education levels.

The assisted areas correspond to Counties and Municipalities where the Index is under 75% of the Croatian average.

As for the areas most affected by poverty, the Croatian authorities have stated that they are undertaking research to help define these according to additional criteria such as:

employment status and opportunities;

incomes;

age and health status;

educational attainment;

ethnic backgrounds;

availability of good housing and social services;

infrastructure endowment.

All of the above collectively appear to be sound criteria for determining areas of disadvantage. We would not seek any substantial alteration in Croatia’s proposed criteria for this. Nevertheless, some possible additions to the list for areas most affected by poverty could be suggested, such as:

high level of persons receiving social benefits (i.e. not only relating to unemployment, but additional factors such as disability, long-term sickness etc.);

high level of crime.

There already appears to be some crossover between the Development Index and the proposed criteria for areas most affected by poverty. One suggestion could be to merge them in the future in order to provide a single composite index which is sensitive to a wider range of factors than the current Development Index.

However, as in the case of the islands discussed above, the key question is not so much the criteria themselves as whether there is sufficient justification for specific integrated approach for these areas vis-à-vis the ‘horizontal’ approach explored under Task 1.2. This ‘horizontal’ approach, which could be made to favour certain areas through ‘additional points’ in the project selection system and/or variable rates of own co-financing for projects, might be similarly effective whilst simpler to operate.

If specific integrated interventions were to be set up for both Assisted Areas and areas most affected by poverty, the necessary ‘joint management’ arrangements would be likely to become extremely complex and possibly even of doubtful feasibility.

The main ‘pros’ and ‘cons’ of selecting such areas for integrated interventions are discussed in the table below.

|  |
| --- |
| **Pros and cons of different targeting approaches** |
|  | **Main advantages** | **Main disadvantages** | **Comment** |
| ***Assisted Areas*** |
| 1. Dedicated integrated intervention – all Assisted Areas, groups of them, or for each individual area
 | * Opportunity for area-specific integration (where relevant)
 | * Unlikely that content of actions is sufficiently *different* overall to require distinct approach
* Management complexity (dramatically increasing if split down into groups or individual areas)
 | * *Potentially complex management arrangements for marginal strategic gains over ‘horizontal’ approach (with ‘extra points’ and co-financing modulation possibilities)*
 |
| ***Areas most affected by poverty*** |
| 1. Dedicated integrated intervention – all areas most affected by poverty, groups of them, or for each individual area
 | * Very high degree of targeting for area-specific integration where relevant and if feasible
 | * Similar disadvantages as in 1 above
* Small population/size of target areas (i.e. lack of critical mass for development) threatens overall feasibility of larger integrated intervention
 |

B.3 Community-Led Local Development (CLLD) areas

The CLLD approach is only known in Croatia in the form of the currently embryonic LEADER areas and Local Action Groups in rural areas. This will continue with EAFRD financing in 2014-2020.

If Croatia were to pursue CLLD using ERDF/ESF in non-rural areas under the new Financial Perspective, broad criteria for area selection might be:

1. **Size of area – between 10,000 and 150,000 inhabitants**

…in line with Art 33(6) of Common Provisions Regulation (unless special case status sought by Croatia)

1. **No overlap with a LEADER, or fisheries CLLD area / or scope for synergy with LEADER or fisheries CLLD**

…could also be adjacent to a LEADER area, or fisheries CLLD area

1. **Area of extreme deprivation**

e.g. <50% of Development Index and/or severely war-affected area and/or satisfying criteria for areas most affected by poverty

1. **Needs and proposed interventions which would benefit from a bottom-up approach**

i.e. traditionally delivered top-down actions unlikely to be successful without strong local ownership and community involvement

1. **Scope for building an effective Local Action Group (LAG)**

e.g. Critical mass of relevant development-oriented organisations either within or close by the target area

1. **Scope for production of an acceptable Local Development Strategy by the LAG**

… according to requirements of Art 34 of Common Provisions Regulation, by end 2017

Notable here is the close association with the Croatian authorities’ ideas on areas most affected by poverty and/or possibly with the Group 1 classification of the Development Index (Local Self-Government Units below 50% of the Index). However for such criteria to work in an urban context (i.e. for parts of cities), they would need to be capable of differentiation at very low spatial level and more work would be needed here.

A number of the types of intervention under consideration by the Croatian authorities for assisted developed areas and areas most affected by poverty could lend themselves well to the CLLD approach – such as:

* *‘support for social groups, social educational, cultural etc. infrastructure,*
* *establishment of SMEs, physical regeneration of buildings, public small scale infrastructure etc.*
* *combining actions devoted to rebuilding or adaptation of buildings (physical revitalisation) with actions for social and occupational activation of excluded persons and those at risk of exclusion (e.g. families of long-term unemployed persons, large families, the disabled, children and youth circles, women on the labour market).’[[2]](#footnote-2)*

One of the major issues for Croatia regarding CLLD will be differentiation vis-à-vis LEADER, since large areas of Croatia’s territory are already covered by LEADER LAGs. It would be important to obtain a clear picture early on of how far the scope of investment activities and scale of EAFRD resources actually available under LEADER can realistically meet the needs of some of these areas – particularly where they are also classified as areas most affected by poverty.

Another crucial issue is management complexity. Croatia should be under no illusion as to the scale of investment in capacity which would be needed to implement CLLD successfully in areas with no prior experience of this approach. On the other hand, CLLD could provide a much-needed impetus to build such capacity. If seriously deprived areas are not selected for CLLD now, there is a danger that in 2021 they will still be seriously deprived and still have no capacity to tackle their problems.

An outline of key advantages and disadvantages associated with two different extremes of area targeting for ERDF/ESF financed CLLD is set out in the table below.

|  |
| --- |
| **Pros and cons of different targeting approaches** |
|  | **Main advantages** | **Main disadvantages** | **Comment** |
| ***Community-Led Local Development (CLLD) – ERDF/ESF financed*** |
| 1. Targeting all <50% Development Index areas and areas most affected by poverty for CLLD
 | * Widespread opportunity for integration and community involvement
* Enhancing relevance of interventions and community capacity

  | * High potential for overlap with LEADER
* Many areas may be below 10,000 population threshold
* Complexity in implementation
* Major capacity building needed
* Potentially slow absorption
 | * *CLLD should not be conceived as the only way for the target areas to access ESI Funds*
* *If CLLD approach chosen, it should cover only a certain range of interventions*
* *In this way, the target areas should also be able to access funds under ‘horizontal’ approaches – CLLD would be ‘extra’*
 |
| 1. Selective targeting for CLLD - e.g :

 only in urban areas…or1 area per SUD strategy …oronly in urban areas not targeted for SUD…or only in severely war-affected areas…etc. | * Pilot-type opportunity for CLLD approach and related benefits
* Clearer distinction from LEADER
* More likely to meet 10,000 population minimum
* Lower absorption risk
 | * More limited opportunity for areas to benefit
* Implementation complexity and capacity building needs – but substantially less than in 1 above
 |

1. Proposals on procedures for target area selection

Selection of target areas for special development initiatives involving EU Funds should be done in a spirit of consultation and partnership between national, regional and local levels. This should help gain a measure of acceptance of the choices made over and above that which would be likely to result if the national authorities simply presented the choice as a *fait accompli*.

Compulsory ‘Sustainable Urban Development’ - specific process for approval of ITI ‘Action Plans’

Whether or not a competitive process to the selection of specific target areas for ITIs is followed, the national authorities are likely to need some form of procedure for approval of ITI ‘Action Plans’ before the urban authorities and other partners in the target areas begin selecting projects within ITIs for EU Funding. The key steps needed for the national authorities to carry forward such a process would be likely to include the following:

1. Agree on limited number of *key principles* for the selection of target areas and ITI scope to be inserted into formal programming documents;
2. Prepare guidelines for ITI proposals together with detailed criteria for their coverage and scope (see suggestions in Section A.2 above)
3. Add the above ITI guidelines to the Integrated Sustainable Urban Development strategy guidelines (to be produced in line with draft Law on Regional Development) which are sent to selected urban agglomerations (as discussed in Section A.2, this might or might not involve an element of competition – i.e. inviting bids from more agglomerations than a previously agreed maximum number of ITIs to be financed)
4. Invite the above urban agglomerations to submit their ITI proposal by a fixed deadline (possibly as part of their Urban Development strategies if it is chosen to combine the two)
5. Managing Authority to discuss and assess ITI proposals together with the line Ministries involved (first step towards agreement of relevant line Ministries to project ideas contained therein)
6. Managing Authority National approval of ITI Action Plans can then represent the final choice on which ITIs are selected and give the go-ahead for their implementation.

If the Managing Authority’s approval also encompasses the approval of the relevant line Ministries to the projects contained in the ITI Action Plans, there could be a significant streamlining in subsequent ITI implementation.

1. Emerging conclusions

In this short paper, we have suggested basic criteria which could be used in the selection of target areas for integrated interventions using EU Funds. These could provide the basis for text to be included in programming documents for 2014-2020 to describe the principles for selecting areas for:

* the compulsory ‘Sustainable Urban Development’;
* optional integrated interventions in:
* geographical areas which suffer from severe and permanent natural or demographic handicaps;
* Community-Led Local Development (CLLD)

Since it is compulsory, we have detailed the section on ‘Sustainable Urban Development’ more than the other intervention types. Here, options exist not only in the basic selection of urban areas, but also in the selection of individual ITIs to be taken forward. Much depends on the number and geographical coverage of the ITIs, which itself to a large extent depends to be allocated to them by Croatia’s national authorities.

As regards other optional integrated intervention category in *areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, persons with disabilities, the long term unemployed and young people not in employment, education or training*, the Croatian authorities already have their own criteria which could be used for this purpose.

Yet in each case our examination shows that it is not so much the criteria themselves, but how they might be applied, which is the key consideration. Whether the Croatian authorities decide to target one, four or seven-ten urban areas, for example, could make a huge difference in the management arrangements for ‘Sustainable Urban Development’. Whether or not islands, less developed areas and/or areas most affected by poverty are considered better served through genuinely integrated interventions (possibly including CLLD) or through a simpler ‘horizontal’ type approach will have a major impact on implementation complexity.

The role of the integrated development strategy is likely to be crucial in the whole debate on area targeting and integrated interventions. Detailed guidance on production of such strategies and a robust quality-oriented formal approval process for them will doubtless be a worthwhile investment for the Croatian authorities. Reflection on the number and most appropriate territorial level for such strategies – taking account of the risk of overlap – should also help to guide decisions on the types of area which should be targeted for integrated interventions.

Finally, the time factor should not be overlooked since expenditure and achievement of output/results under integrated interventions must count towards OP targets, as well as possible Performance Framework milestones. It would not seem prudent to leave the selection of target area much beyond the middle of 2015.

1. In the wider territorial context, the new Regulations also contain requirements to identify priority areas for inter-regional and cross-border cooperation and to take account of macro-regional and sea basin strategies. These, however, are issues which lie outside the scope of this project. [↑](#footnote-ref-1)
2. Source: Croatia’s informal presentation to the European Commission on territorial approaches for 2014-2020 – 21.11.2013 [↑](#footnote-ref-2)