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COMPETITIVE  
CROATIA

*Investment in the Future*

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

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# Analytical Study on Sustainable Urban Development

June 2014

## Research method

- Socio-economic analysis using national statistical data
- Analysis of questionnaires issued to 67 cities / towns and returned by 43 of them
- Fieldwork covering all regions of Croatia and involving meetings in 13 cities / towns with urban and county authorities and other bodies
- Four two-day training workshops attended by 9 cities / towns and a range of stakeholders

# Towns as part of local government – context

## Town (Grad)

- *Population + urban unity – 10.000*
- *Administrative seat of a County*
- *Special criteria* – special historical, geographic and geo-traffic reasons. Almost 50% of towns Croatia received that status due to this criteria
- 103 towns
  - 60 towns – population less than 10.000

## Big town (Veliki grad)

- 35.000 inhabitants + centres of development of wider area – 16
- County seats with less than 35.000 – 8 (Pazin, Gospić, Krapina, Čakovec, Koprivnica, Virovitica, Požega, Vukovar)
- 2 additional tasks: building permits, road maintenance

## Zagreb

- capital, special status, town/county
- 18% of overall population

# Urban characteristics of Croatia

- 4 main urban agglomerations:
  - Zagreb (including Velika Gorica, Zaprešić, Samobor, Dugo Selo + municipalities)
  - Split (including Trogir, Solin, Kaštela, Omiš + municipalities)
  - Rijeka (Kastav, Bakar, Kraljevica + municipalities)
  - Osijek (+ municipalities)
- Towns with more than 50.000
  - Zadar, Pula, Slavonski Brod
- Towns with more than 20.000
  - 11 towns (Varaždin, Koprivnica, Bjelovar, Karlovac, Sisak, Požega, Đakovo, Vukovar, Vinkovci, Šibenik, Dubrovnik)
- Real urbanisation – 54%
- 1 smaller (1.2m) monocentric metropolitan area (Zagreb fringe)



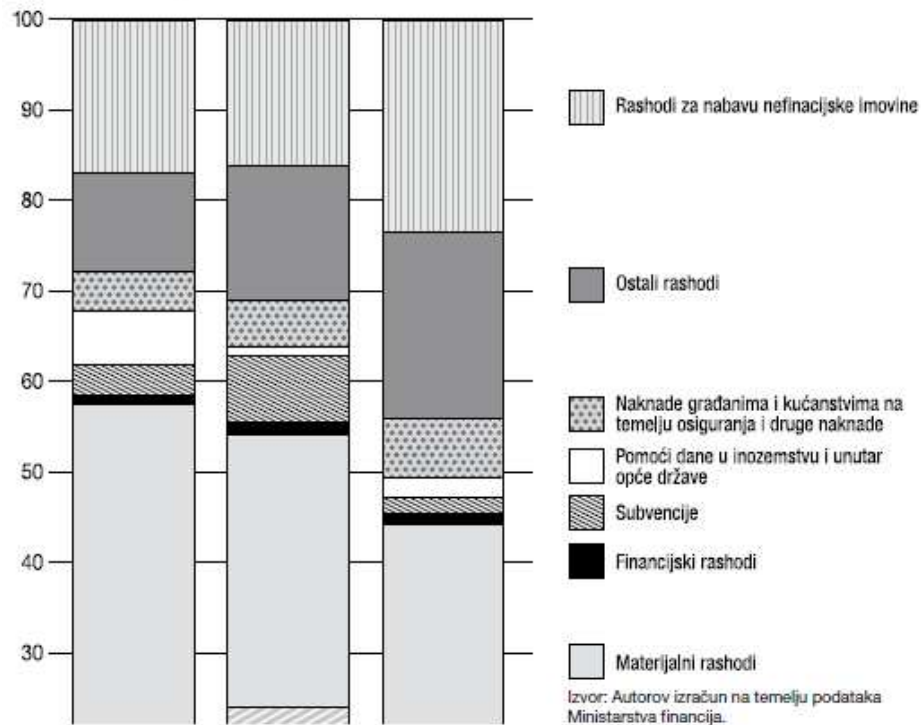
## Capacities of towns

<i>Local units</i>	No. of units	Budget 2011 (b kn)	Budget 2012 (b kn)	%
<b>Zagreb</b>	1	6.3	6.4	29,1
<b>Counties</b>	20	3.5	3.5	16,1
<b>Towns</b>	<b>127</b>	<b>8.6</b>	<b>8.6</b>	<b>39,4</b>
<b>Municipalities</b>	428	3.4	3.4	15,4
<b>Σ</b>	576	21.9	22	100,0

- Counties – average budget for 2012 was 176.7 million kn (€23.5m)
- Towns – average budget around 68.2 million kn (€9.1m)
- Municipalities – average budget 7.9 million kn (€1.1m)
- Financial and economic potential of Croatia's towns varies greatly
- All local government units together contribute 18% to public incomes and around 19% in all public expenditures
- High centralisation

# Structure of expenditures in local government

Slika 3. Struktura proračunskih rashoda lokalnih jedinica, ekonomska klasifikacija, 2010., u %



## Critical issues

- Capacity for regular functioning
- Spending on development
- Borrowing capacity
- Co-financing of EU projects

Source: Jurlina-Alibegović, 2012

# **Sustainable Urban Development – What it's all about...**

- Since the industrial revolution towns and cities have experienced continuous change impacting on:
  - the appropriate scale and specification of infrastructure
  - the number of jobs and the skills in demand
  - provision of public services
  - the distribution of wealth and inclusion
- Towns and cities face a challenge of reinvention
- In Croatia, this situation is compounded by the transition from centrally planned to market economy.

## Research Conclusions 1

# Economy

- Large cities, particularly Zagreb, are focus of high value-added services, but also remain strong centres of manufacturing
  - elsewhere, the degree of industrialisation is polarised



Private sector-led development – Radnicka area, Zagreb

- Research and innovation activity is unequally distributed
  - local access needs to be improved while avoiding fragmentation and dilution



## Research Conclusions 1

# Economy

- **Croatia's towns have a gross shortage of jobs overall, with considerable variation by urban size and region**
  - Few openings in the labour market is reflected in high youth unemployment



- **Croatia's towns have experienced differential structural adjustment**
  - some war-affected towns face additional challenges to regeneration

Vukovar town centre. Source: [thefullwiki.org/vukovar](http://thefullwiki.org/vukovar)

## Research Conclusions 2

# Environment

- **Substantial volume of brownfield land available for development**
  - but many cities / towns reported problems with related legal issues
- **Urban renewal is often rendered complex and expensive by the extensive built heritage and archaeological remains**
- **Modern waste management are underdeveloped**
  - high reliance on landfill is foreseen for future



Karlovac – location of key brownfield sites 10

## Research Conclusions 2

# Environment

- **Larger cities need significant investment in sustainable public transport**
  - elsewhere, progress mainly takes the form of re-equipment with low emission buses
- **Progress with renewable energy generation frustrated by quota systems**
- **Substantial investments are needed to improve energy efficiency**



Extensive, but rare photovoltaic array at BIOS business incubator, Osijek

## **Research Conclusions 3**

# **Demography and Social Inclusion**

- **Economic and place competitiveness factors have driven a redistribution of population with 3 trends notable:**
  - **reduction in the population of towns in eastern Croatia**
  - **movement into Zagreb region with its relatively buoyant economy**
  - **movement towards the coast, particularly the Central and South Adriatic coast**
- **Croatia's cities and towns report only limited spatial concentration of deprivation and social exclusion**
  - **mainly in old town areas and areas with a high Roma population**
- **Certain war-affected towns continue to face challenges of social integration which are contributing to a slow pace of regeneration**

## Research Conclusions 3

# Demography and Social Inclusion

### Example: Pula – micro areas of severe deprivation

#### Area behind the Pula amphitheatre

- 1ha with about 5,000 inhabitants
  - Roma minority
  - high level on social welfare assistance
- Unsafe housing conditions, poor environment



#### „Stari Grad“ area

- 1.8ha with 4,800 inhabitants - degraded old buildings (some from C16)
- Lack of job opportunities – area known for criminal behaviour

#### Monte Turko and Mornarica

- Area of about 60ha - illegal construction – mainly during late 1990s
  - Building amnesty in progress

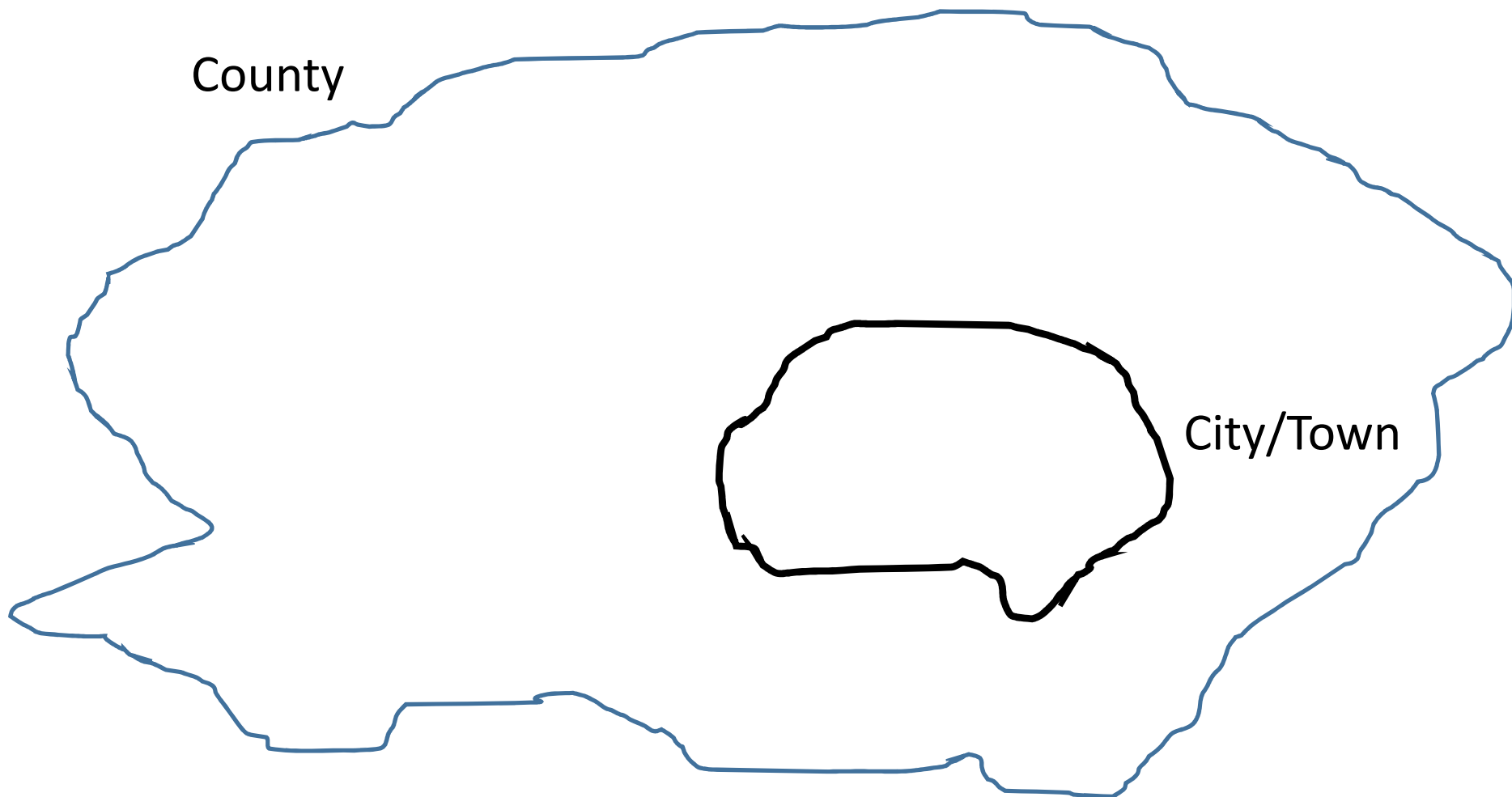


## **Research Conclusions 4**

# **Sustainable urban development strategy**

- **In cities and towns with a population of around 35,000 and above, the scale and complexity of urban development issues lend themselves to an integrated approach**
- **Integrated urban development strategies would appear relevant to the full functional areas of Croatia's larger cities and towns**
  - functional areas of the 4 large cities equate to some 48% of Croatia's population
- **A sustainable urban development strategy should seek to integrate economic, environmental and social dimensions**
  - this will require strong partnership for strategy building and subsequent implementation
  - the strategy should be robust enough to guide investment decisions effectively

# Urban Functional Area?



## **Research Conclusions 5**

# **EU Funds 2014-2020**

- **Cities / towns reported priority investment needs broadly in line with EU Thematic Objectives (TOs)**
  - However – over-heavy emphasis on tourism-type investments evident
- **Many priority investment ideas could not easily be attributed to any of the 11 TOs – and included:**
  - congress centres / hotel development
  - sports and local leisure facilities – including spas and indoor swimming pools
  - non-heritage or environment-related tourism development / marina development
  - relocation of local government bodies / relocation of fire stations
  - parking garages
- **Value of relevant projects managed by urban authorities in the last 5 years were generally only a small fraction of their investment aspirations for the future**
  - 14% for the four large cities, 8% for the medium-sized towns and 4% for the small towns



# Research Conclusions 5

## EU Funds 2014-2020

### SUMMARY

#### The four large cities (population over 100,000)

Reported priority investments (€m estimates) – Consolidated revised versions received Feb-April 2014

...plotted against the EU Cohesion Policy Thematic Objectives (TOs) for 2014-20

Priority Investment \ Thematic Objective	TO1	TO2	TO3	TO4	TO5	TO6(i)	TO6(ii)	TO7	TO8	TO9	TO10	TO11	UA	Total
Zagreb	78	97.6	50	462.4	8.3	398	244.7	152.5	0	64.6	78	26	475.5	2,135.6
Split						50	431.5	400		10			20	911.5
Rijeka			58.7					44.6		3.2	20.6		0.6	127.7
Osijek				450		17	20	31.00					26	505
<b>Total</b>	<b>78</b>	<b>97.6</b>	<b>108.7</b>	<b>912.4</b>	<b>8.3</b>	<b>465</b>	<b>696.2</b>	<b>628.1</b>	<b>0</b>	<b>77.8</b>	<b>98.6</b>	<b>26</b>	<b>522.1</b>	<b>3,679.8</b>

Source: Sustainable Urban Development Survey, Consultants' Assessments

## Example of integrated thinking

# Sustainable Urban Transport proposal - Sibenik

- Effectively integrating town, coast and islands through a fast and frequent ferry service.



- Levering tourism demand to cross-subsidise social and economic provision for the islands

## Example of integrated thinking

# Sustainable Urban Transport proposal - Sibenik

- Pilot project in 2014 following feasibility study.
- Advanced design and green propulsion developed in partnership with University of Zagreb.
- Potential to engage local marine industries in production, exporting and maintenance.



## **Research Conclusions 6**

### **Governance**

- **Strong sectoral bias of Croatia's proposed national management structure for EU Funds is likely to act as a barrier to genuine territorial integration**
  - large number of Intermediate Bodies may further frustrate integrated approaches
- **City / town administrative structures are generally not well matched with urban functional areas**
  - a need for local government reform is widely recognised
- **Cities / towns are constrained in managing urban regeneration by the lack of an effective legal framework and instruments for land assembly**

## **Research Conclusions 6**

### **Governance**

- **While some large cities possess significant administrative capacity (particularly Zagreb), it is not always well organised and coordinated**
- **Other large cities and medium-sized towns have some relevant capacities, but many recognise an urgent need to for further capacity building**
- **Many small town administrations do not seem to have sufficient capacities to engage in wider partnership activities**

***Against this background, the lack of any priority investment reported by the cities and towns under TO11 was surprising...***



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# Recommendations

## **RECOMMENDATIONS 1**

### **Legal provisions and guidelines**

- a) The Government of Croatia should proceed to finalise the Law on Regional Development as a matter of urgency
- b) Integrated Sustainable Urban Development Strategies should be formulated by Croatia's large cities, as well as the medium-sized towns, on the basis of guidance issued by MRDEUF
- c) These strategies should be developed:
  - in partnership at the level of pragmatic urban functional areas
  - collectively with the updating of the relevant County Development Strategy
- d) In the medium term the Government of Croatia should legislate:
  - to rationalise the structure of Local Government
  - to provide towns and cities with effective powers of land assembly

## **RECOMMENDATIONS 2**

### **EU Funding for urban areas in 2014-2020**

In developing integrated sustainable urban development strategies, Croatia's towns and cities should:

- a) reflect carefully on the structure of Thematic Objectives and Investment Priorities in Croatia's Operational Programmes
- b) engage meaningfully with business to help ensure that proposals are well grounded in market realities
- c) consider modern partnership formats including 'lead partner' project implementation (possible simplified cost options), commissioning approaches etc.

Additionally, the Government of Croatia should:

- d) urgently clarify national co-financing arrangements for EU Funds 2014-2020
- e) consider special targeted community-led initiatives for the most severely war-affected urban areas



## RECOMMENDATIONS 3

# Integrated Territorial Investments (ITIs)

- a) For a genuinely integrated 'Sustainable Urban Development' approach, each ITI should aim to cover *hard* and *soft* type investments embracing at least three TOs plus TO11/Technical Assistance
- b) If Croatia is disinclined to allocate much more than the 5% ERDF minimum, yet wants to involve more than 1 or 2 urban areas in the ITI experience, it should consider running ITIs on a pilot basis - possibly only in parts of urban areas
- c) A streamlined joint TO management structure for ITIs overall should be put in place at national level - probably best run by the Managing Authority itself
- d) Local implementation structures for individual ITIs should build an effective project development and selection partnership at their centre with all stakeholder interests
- e) The choice of whether to support a project under an ITI, or through a nationally-determined intervention, could be based on who provides the co-financing