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IMPLICATIONS OF EUROPEAN UNION ACCESSION FOR LOCAL GOVERNMENTS IN CROATIA: REGIONAL POLICY AND THE ENVIRONMENT

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Publisher: The Urban Institute
Zagreb, 2005.

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REGIONAL POLICY AND THE ENVIRONMENT

OCTOBER 2005

This publication was produced for review by the United States Agency for International Development. It was prepared by Katarina Ott, Alida Ban and Jasminka Pecotić, Institute of Public Finance with contributions by William Kugler, Pat Dusenbury and Juliana Pigey, The Urban Institute.

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Implications of European Union Accession for Local Governments in Croatia:

Summary

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Introduction:

This text summarizes the results of the project on the implications of the EU for local government in Croatia related to (1) Regional Policy and the Coordination of Structural Instruments; and (2) Implementation of Chapter 22 – the Environment. Compliance of the Croatian legislation with the European Charter of Local Self-Government has also been analyzed as part of the project and the results have been disseminated separately.

Within the project we wanted to learn more about the requirements of the EU, acquaint ourselves with EU experience and the experience of some relevant member and candidate countries, analyze the situation in Croatia, draw

attention to its possible advantages and disadvantages and make the relevant conclusions and recommendations.

The project is not academic in nature; its principal use is rather a learning process and a means to create a group of people acquainted with the issues and willing to work further in the field of decentralization and the implications of the EU for local governments in Croatia. The intention is to contribute to the knowledge base and the understanding of the issue in the academic community, in the public administration at both the national and the sub-national levels, among politicians, the media and interested citizens.

Regional Policy and Coordination of Structural Instruments

Jasminka Pecotić and her colleagues analyzed the implications of the EU for local government in Croatia regarding regional policy and the coordination of structural instruments. Croatia is one of the few countries aspiring to become an EU member with no clearly defined regional policy. And yet such a policy is not only a requirement for EU membership but is also a vital Croatian national interest. The present legislative framework contains no instrument that explicitly refers to regional development, although there are a number of laws regulating the issues, such as the Law on Areas of Special State Interest, the Law on Islands, the Law on Highland-Mountain Areas, and the Law on Spatial Planning. There are also the Law on Local and Regional Self-Government and the Law on Financing Local and Regional Self-Government.

Although there are numerous laws, Croatia still lacks a regional development strategy, a defined regional policy and the necessary administrative capacity. The government

should adopt a strategic document on the principles of regional development, with a definition of the basic objectives and underlying principles of regional policy, general organizational, institutional, instrumental, programming and resource possibilities securing regional development activities, the role of programming within regional policy, and the coordinating role of the national authorities.

To address these problems, the Department of Regional Development in the Ministry of Sea, Tourism, Transport, and Development (in cooperation with a Partnership consisting of representatives from concerned ministries, local and regional government and other stakeholders) has been given responsibility to coordinate and facilitate the development of recommendations to the Government for the establishment of a regional development planning process and supporting institutions. A concept for the National Strategy for Regional Development (NSRD) is scheduled to be completed in October 2005 and the most salient points from the current drafts are:

- The NSRD does not envision the creation of new "regional" level planning institutions at the NUTS 2 level. Rather, it proposes a much stronger and institutionalized linkage between national ministries and county-level institutions.
- The existing county-level Regional Operational Plans (ROPs) will be broadened into the County Development Strategy (CDS) which will incorporate (1) what the county needs to do internally to achieve its strategic objectives and (2) what the county needs to do externally (between counties, across borders) to achieve its strategic objectives.

- A strong linkage will be established between the National Development Plan, the NSDP and CDS; both in planning and implementation. The CDS will be ***the primary instrument*** for planning and allocation of all national administered funding sources for development programs for counties, local governments and other local stakeholders. This includes programming of national and county budget funds, EU pre-accession funds (and ultimately Structural and Cohesion Funds), and donor funded programs, among others.
- Extensive institution building will be required, especially at the county level, to implement this approach.

The NSRD also envisions an integrated Assisted Areas Program, a Cross Border Cooperation Program, implementation of a more coherent legal framework and establishment of an effective policy management and institutional framework.

The paper describes how local governments can better prepare and position themselves to participate as equals in this evolving system. This should be done primarily through full and active participation in the ROPs/ CDS processes. Developing a local Economic Development Strategic Plan and focusing on preparation of competent project proposals that meet the criteria and fit the measures adopted on the ROP / CDS should put local government in good position to exploit the opportunities offered them through the new system and EU accession.

Implementation of Chapter 22 – the Environment:

Alida Ban and her colleagues analyzed the implementation of Chapter 22 – the Environment in Croatia. Croatia has

already taken the preliminary legislative steps regarding the harmonization process related to environmental protection. All new legal acts, proposals, strategies and relevant documents recognize the role of the regional and local levels. Many of them already have some significant activities prescribed for those levels, such as municipal waste management. However, there are serious problems regarding: (1) the weak position of environmental protection within the public administration, (2) the distribution of environmental protection authorities among numerous departments and institutions without efficient horizontal cooperation, (3) the non-existence of a sustainable development body, (4) inadequate organization and human resources in the environmental administration, (5) inadequate education of civil servants, (6) lack of sectoral coordination because the areas are regulated by different and non-coordinated legislation.

Lack of clear authorities and their division among partners impedes the implementation of the principle of subsidiarity and shared responsibility. Any integrated and sustainable approach to environmental protection is problematic because the sector is regulated by different administrative bodies with strictly delineated authorities. A particular problem is the quality of personnel (at all levels of government) and a lack of educational and administrative traditions.

Recommendations encompass the necessity of strengthening human resources, organizational improvements, fulfilling the tasks of the National Environmental Action Plan regarding the objectives within the sector, measures for accomplishing the objectives, activity levels (national, sub-national), the actors responsible, and time frames. Probably the easiest and quickest way to gain the proper skills and adequate experience in handling the new requirements

could be twinning projects between Croatian regional and local authorities and EU partners regarding specific problems. To make the best use of twinning projects, involving fast, relatively easy and direct negotiations and implementation, we should rapidly train and educate public administration to be capable of identifying problems and using the available financial sources.

Decentralization of the public administration accompanied by increased transparency and participation is the main force for the implementation of environmental policy. The process of decentralization might have some *advantages* including increased efficiency leading to better achievement of EU objectives, increased involvement of stakeholders leading to increased ownership, legitimacy and acceptance of EU policies, opening up possibilities of a more flexible and "tailor-made" shaping and implementation of EU policies, i.e. decentralized entities can optimize output from the local perspective. There are also *disadvantages* such as the risk of discriminatory treatment, increased costs, administrative and/or financial capacity weaknesses at local levels, increased risk of fraud or irregularities, decreased awareness of the EU dimension.

A particular question raised in this context concerns who is going to pay for the necessary changes. Since EU provides various pre-accession funding opportunities and, ultimately, structural and cohesion funds for member states, the Croatian public administration at all levels (central, regional and local) has to be prepared to absorb them.

Conclusion

This project is just a first step in researching the vast and important field of the implications of the EU accession for local governments in Croatia. Time constraints and the narrow scope of the issues encompassed within the project

– regional policy and structural instruments, Chapter 22 – the Environment – of course make it incomplete and necessitate further detailed research.

Yet even on the basis of the work done so far, we can conclude that Croatia is on the right path, constantly improving its harmonization with the EU requirements. It is still, though, lagging behind and struggling with various problems that might impede its progress towards EU accession.

There are numerous implications of this research both for government policies and for further research. Croatia should try to work much harder in understanding and applying EU requirements not just because of the possibility of accession, but because of the well-being of the country regardless of its EU status. Particularly important in that regard are improvements in the public sector, the public administration and public finance issues. Public administration reform is necessary because the civil service will be crucially important in carrying out all of the necessary reforms. It is not enough to carry out a merely normative harmonization; rather, a real and substantial institutional harmonization is necessary, one that will be reflected in everyday life and policies. The majority of the reforms should be implemented as soon as possible, without waiting for the EU to force us with its deadlines. Improvement in the education of all participants in the process at all levels of government will be indispensable for the success of the process.

Implications of the European Union Accession for Local Governments in Croatia:

Regional Policy and Coordination of Structural Instruments

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Summary

EU regional policy plays an important role in reducing disparities between the levels of development of the various regions within the Union. This aim of economic and social cohesion is implemented with assistance from the Structural and Cohesion Funds.

Having signed the Stabilization and Association Agreement (SAA) with the EU, and in light of the application submitted for EU membership, Croatia needs to expeditiously define its regional development policy priorities, harmonize its legislation with the acquis communautaire and set up an appropriate institutional framework. Such well defined regional development policies and institutional arrangements are necessary, not only as a prerequisite for EU member-

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ship and in order to access pre-accession and Member funds, but as a vital Croatian national interest.

Much progress has been made recently in preparing draft recommendations for a National Strategy for Regional Development. The proposals, if adopted and implemented, have substantial implications for local governments. In particular, local governments must put their best foot forward and actively participate in the preparation of the county-level Regional Operational Programmes (ROPs) and its likely successor, the County Development Strategy, as these will become the primary instruments for planning and allocating all nationally-administered funding for development programs for counties, local governments and other local stakeholders. This includes programming of national and county budget funds, EU pre-accession funds, post-accession Structural and Cohesion Funds, and donor-funded programs, among others. The National Strategy for Regional Development will establish a hierarchy of development planning in which local development plans will occupy the bottom rung. Local governments must adapt to the new realities and learn how to operate within that framework if they are to compete for these new opportunities.

Key words:

Regional policy,

Structural Funds,

Cohesion Fund,

accession to the EU,

harmonization of legislation,

Stabilization and Association Agreement

I.

European Union Regional Policy

1. Introduction

Alongside the single market and economic and monetary union, the goal of economic and social cohesion is one of the main objectives of the European Union (EU) and is enshrined in the Treaty which originally established the European Community[1] ('the EC Treaty'). As a policy leading to strengthening Europe's least-favored regions, cohesion is intended to promote "overall harmonious development" of the Union. As specifically mentioned in Article 158 of the EC Treaty, one of the aims of economic and social cohesion is to reduce "disparities between the levels of development of the various regions and the backwardness of the least favored regions or islands, including rural areas". This does not relate to the harmonization of economic and social policies within the EU, but to a harmonious development of economic activity in the geographical sense.

In view of the large differences in the geographical spread of prosperity both within and between EU Member States, the question of balanced economic development from the regional viewpoint forms one of the central subjects in economic policy formation by and within the Union. EU policy is aimed at the optimization of the socio-economic poten-

tial of the parts of Europe that are lagging behind in prosperity and employment, and the promotion of the necessary transformation in the sectoral or spatial reallocation of economic activities. For example, income per head at purchasing power parity in the region of Hamburg, Germany is four times that in the Alentego region in Portugal and six times that in the poorest regions of Hungary.

Europe's regional policy is a genuinely shared policy based on financial solidarity. It permits the transfer of over 35 percent of the Union's budget, which comes mainly from the richest Member States, to the least favored regions. The instruments of solidarity are the Structural Funds and the Cohesion Fund, which are intended to have a major impact on the competitiveness of regions and to contribute to improvements in the living conditions of their citizens, particularly in the poorer regions.

2. Historical Overview

- In 1957, the Founding Members of the European Economic Community referred in the preamble of the Treaty of Rome to the need "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favored regions".
- For this purpose, two solidarity Funds were established in 1958: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).
- In 1975 the European Regional Development Fund (ERDF) was established to redistribute part of the

Member States' budget contributions to the poorest regions.

- The Single European Act, amending the EC Treaty, came in force in 1986, laying the basis for a genuine cohesion policy designed to offset the single market's burden on the southern countries and other less-favored regions.
- In the 1989-1993 period, the operation of the solidarity Funds (now the Structural Funds) was overhauled. The Brussels European Council in February 1988 allocated ECU 68 billion to the Structural Funds (at 1997 prices). The Treaty on the European Union ('Treaty of Maastricht'), which came into force in 1993, designated cohesion as one of the main objectives of the Union, alongside economic and monetary union and the single market. It also provided for the establishment of the Cohesion Fund to support projects in the fields of the environment and transport in the least prosperous Member States. In December 1993, the Edinburgh European Council decided to allocate almost ECU 200 billion (at 1997 prices), one third of the Community budget, to support the cohesion policy. Alongside the Structural Funds, a new Financial Instrument for Fisheries Guidance (FIFG) was created.
- In 1997, the Treaty of Amsterdam confirmed the importance of cohesion and included a Title on Employment, which stressed the need for common efforts to reduce unemployment.
- In March 1999, the Berlin European Council reformed the Structural Funds and adjusted the operation of the Cohesion Fund. It was decided that the Structural and Cohesion Funds would receive €213 billion in 2000-2006. Subsequently, new rules were adopted by the

Table 1. The European Council, Berlin, March 1999, expenditure for the 2000-2006 period Source: Ministrstvo za zunajne zadeve, 2002.

Financial instruments	in billion euros	
Structural Funds:	195.00	100%
Objective 1 – regions lagging behind	135.90	69.7%
Objective 2 – economic and social cohesion	22.50	11.5%
Objective 3 – training and employment promotion	24.05	12.3%
Community Initiatives (Interreg, Urban, Leader, Equal)	10.44	5.4%
Fisheries	1.11	0.6%
Innovative Actions	1.00	0.5%
Cohesion Fund	18.00	
Pre-accession Assistance (Phare, ISPA, SAPARD)	45.00	

Council of Ministers regulating the functioning of Structural Funds.[2] Regarding EU candidate countries, it was decided that the Instrument for Structural Policies for Pre-accession (ISPA) and the Special Program for pre-accession measures for agriculture and rural development (SAPARD) would complement the Phare program in order to promote the economic and social development of these countries.

3. General Principles

Legislation in the area of EU regional policy is based on four main operating principles: concentration, "additionality," programming and partnership.

Concentration Resources are principally concentrated on a limited number of priority objectives, namely the areas and obstacles where the problems are greatest and the Union contribution is likely to be most effective.

Additionality Existing national policies should be aimed at the same or comparable objectives in order supplement the actions of the Union.

Programming Initially, Community Funds financed mostly individual projects, but this did not assist the mutual coherence of Community actions and their coherence with national actions. In the early eighties, for the first time, the Commission attempted to give such actions a programmatic character in order to strengthen their mutual coherence.

Partnership EU action takes place through close consultation between the Commission and the competent national, regional or local authorities designated by each Member State.

4. The Three Priority Objectives for Structural Funds

The greatest share (93.5 percent) of structural funding for 2000-2006 is concentrated on three priority objectives.

Objective 1 *Regions lagging behind (territorial)*

This objective focuses on helping regions whose development is lagging behind to catch up, i.e. providing them with the basic infrastructure that they continue to lack, or encourage investments in business economic activity. Some fifty regions, home to 22 percent of the Union's population, are supported and they receive 69.7 percent of the funding available.[3]

These areas include regions whose per capita Gross Domestic Product on a Purchasing Parity Power basis does

not exceed 75 percent of the Union average, as well as several special cases.[4] All these regions have problems in the following areas: low investment levels, a higher than average unemployment rate, lack of services for people and businesses, and poor basic infrastructure.[5]

Objective 2

Economic and social cohesion (territorial)

Supporting economic and social conversion in industrial, rural, urban or fisheries-dependent areas facing structural difficulties. These crisis-hit areas account for 18 percent of the Union's population, and receive 11.5 percent of total funding.[6]

The difficulties facing these regions may be of four very different types: industrial or service sectors subject to restructuring, loss of traditional activities in rural areas, declining urban areas, and difficulties in the fisheries sector.

Objective 3

Training and employment promotion (thematic)

Modernizing systems of training and promoting employment (human resources). The young and long-term unemployed, those suffering from social exclusion and under-skilled workers are the main social groups covered by this Objective. They do not have to live in a region whose development is lagging behind or an area undergoing conversion but may be assisted wherever they may live in the Union.

Measures financed by Objective 3 cover the whole Union except for Objective 1 regions where measures for training and employment are included in the catching-up programs. Objective 3 receives 12.3 percent of total funding.[7]

5. Structural Funds

European financial solidarity is expressed primarily through the four Structural Funds, outlined in the table below.

Structural Funds	Acronyms	Thematic Area
European Social Fund	ESF	Promotes the return of unemployed and disadvantaged groups to the work force, mainly by financing training measures and systems of recruitment aid
The "Guidance" Section of the European Agricultural Guidance and Guarantee Fund	EAGGF – Guidance	Finances rural development measures and aid for farmers, mainly in regions lagging in development (the "Guarantee" Section of this Fund also supports rural development under the Common Agricultural Policy in all other areas of the Union)
European Regional Development Fund	ERDF	Finances infrastructure, job-creating investments, local development projects and aid for small firms
Financial Instrument for Fisheries Guidance	FIFG	Helps adapt and modernize the fishing industry

Table 2. Focus of EU Structural Funds

The Structural Funds finance multi-annual regional development programs drawn up together by the regions, the Member States and the Commission, and do not finance separate individual projects.

Experience shows that regional policy can be successful only if it concentrates its efforts on a limited number of fairly large areas in accordance with the principle of concentration. That is why the rules on the Structural Funds

adopted in 1999 attempted to reduce the scattering of funds and clarified the criteria for selecting regions with the greatest need of public support for development.

Part of Structural Fund resources is earmarked for social groups throughout the Union who face difficulties, without any particular geographical criteria being defined. The principle of "greater concentration" is meant to help the Union gradually integrate new Member States while continuing to provide substantial assistance to the less-favored regions.

Table 3.
The Structural Funds

	ERDF	ESF	EAGGF	FIFG
Objective 1 Regions lagging behind	×	×	×	×
Objective 2 Economic and social conversion	×	×		
Objective 3 Training and employment promotion		×		
INTERREG III	×			
LEADER +			×	
URBAN II	×			
EQUAL		×		

6. Four Community Initiatives

The Union has also devised four special programs, known as Community Initiatives, to find common solutions to problems affecting the whole Union. These four programs absorb 5.4 percent of the budget of the Structural Funds, and each Initiative is financed by only one Fund.

Community Initiative	Focus	Financed by
Interreg III	Promotes cross-border, transnational and interregional cooperation, i.e. the creation of partnerships across borders to encourage the balanced development of multi-regional areas.	ERDF
Interreg III "A"	Intended for all border regions of the Union to improve cooperation with their neighbors. The aim is to establish genuine cross-border zones of economic activity and devise joint strategies for spatial development.	
Interreg III "B" and "C"	Intended for all local authorities in the Union that might take part in transnational and interregional cooperation measures co-financed by these programs. Strand "B" seeks to improve the spatial planning of large areas, while Strand "C" promotes cooperation and experience exchanges among those involved in regional and local development projects. Regions in non-Member States, particularly those that have applied for membership, are invited to take part in these cooperation measures by using the Community development assistance they are entitled to receive.	
Urban II	Concentrates its support on innovative strategies to regenerate cities and declining urban areas.	ERDF
Leader+	Aims to bring together those active in rural societies and economies and encourage new local strategies for sustainable development.	EAGGF Guidance Section
Equal	Seeks to eliminate the factors leading to inequalities and discrimination in the labor market. It targets social groups that are in a disadvantaged position in the labor market, principally because of discrimination and inequalities caused by gender, race or ethnic origin, religion, physical or mental handicap, age or sexual orientation.	ESF

Table 4.
Focus of Community Initiatives

7. Beneficiaries of the Structural Funds

The different groups of beneficiaries of the Structural Funds are:

- less-favored regions:
  - regions whose development is lagging behind (Objective 1);
  - regions undergoing conversion (Objective 2);

- areas with specific handicaps:
  - border areas (Interreg III "A",);
  - declining urban areas (Urban II);
  - rural areas (EAGGF-Guarantee Section and Leader +);
  - fisheries areas (FIFG); and

- vulnerable groups in society:
  - people facing difficulties in the labor market (Objective 3);
  - people suffering discrimination and inequalities in the labor market (Equal)

- local and regional authorities:
  - transnational and interregional cooperation (Interreg III "B" and "C")

8. Innovative Actions

To improve the quality of regional development strategies, the Commission intends to support the latest ideas that have not yet been adequately exploited. They are expected to provide the regions with the scope for experimentation they need to meet the challenges of the information society and to make their economies more competitive.

The Commission has laid down three working topics for ERDF innovative actions in 2000-2006:

(1) Regional economies based on knowledge and technological innovation;

(2) e-EuropeRegio, the information society at the service of regional development; and

(3) Regional identity and sustainable development.

Other innovative actions are also planned for employment and training (financed by the ESF) and the fisheries sector (financed by the FIFG). With a budget of about EUR 1 billion, representing 0.5 percent of the budget of the Structural Funds, the innovative actions programs finance the drawing-up of new strategies and the experimental phase of projects. If the initial stage is satisfactory, projects may then be included in strategies under the different Objectives.

9. The Cohesion Fund

A special solidarity Fund, the Cohesion Fund, was set up in 1993 to help the four least prosperous member states: Greece, Portugal, Ireland and Spain, all of which have a per capita GDP of less than 90 percent of the Community average, to meet the convergence criteria for economic and

monetary union and, at the same time, to continue to invest in infrastructure.

The Cohesion Fund provides assistance to finance major projects in the fields of the environment and transport. Its support is addressed to a country, not to regions.

The Cohesion Fund support is conditional. If a beneficiary state is running an excessive public deficit (more than 3 percent of its GDP), no new projects are approved until the deficit has been brought back under control. The maximum proportion of aid granted by the Cohesion Fund varies between 80 percent and 85 percent of the total project expenditure. The percentage of the budget allotted to each of the then eligible Member States was fixed by the European Council in Berlin (March 1999): Greece 16-18 percent, Ireland 2-6 percent, Portugal 16-18 percent, Spain 61-63.5 percent.[8]

From the period from 2000 to 2006, the annual budget of the Cohesion Fund will amount to EUR 2.5 billion, or EUR 18 billion over seven years.[9]

Examples of major projects partially financed by the Cohesion Fund between 1993 and 1999 include drinking water supply to Athens from the Evinos River and wastewater treatment in the environs of Salonika; the ring road around Madrid in Spain; upgrading the road network around Dublin, making it easier to reach the airport and drive north; supplying and distributing water in Dublin, Tuam and Limerick; the Vasco Da Gama bridge over the Tagus in Lisbon

and controlled disposal of solid waste in Oporto, in Portugal.

Countries that have received Cohesion Funds have moved considerably towards the Community average in terms of per capita GDP. Ireland is the clearest example of this, with a per capita GDP rising from 64 percent of the Union average in 1988 to 119 percent in 2000.[10]

10. Management of the Funds

The Structural Funds are not directly allocated to projects chosen by the Commission. While the main priorities of a development program are defined in cooperation with the Commission, the choice of projects and their management are solely the responsibility of the national and regional authorities. This greater decentralization was one of the main innovations in the 2000-2006 programming period.

Once projects have been selected, program budgets are always composed of Union funds as well as public or private national sources. EU funding is always added to national funding so that the country may overcome the limits imposed by its own financial capacity, but is not provided as a means for countries to make savings in their own national budgets. The Member States bear the main responsibility for the development of areas in difficulty. The Union helps them achieve more and obtain better results than they could acting on their own.[11]

Steps in the management and oversight of the Structural Funds can be summarized as follows:

(1) The Council, acting on a proposal from the European Commission negotiated with the European Parliament, decides on the budget for the Structural Funds and the basic rules governing its use.

(2) The Structural Funds are broken down by country and by Objective, and the areas that may benefit from this funding are laid out by the Commission in agreement with the countries concerned.

(3) The Commission proposes common thematic guidelines.

(4) Following these decisions, each Member State or region draws up its proposals and groups them in a development plan of areas in difficulty or of vulnerable social groups, taking into account the Commission's thematic guidelines. Actors in economic and social affairs are involved in this exercise.

(5) Once they have been completed, these plans are sent to the Commission. The Member States and the Commission discuss the contents of these documents and the appropriate national and Union funds to be used to implement them.

(6) When both sides have agreed on all these issues, the Commission adopts the resulting plans and programs. These plans are known as *Community Support Frameworks* (CSFs) or *Single Programming Documents* (SPDs), depending on whether a Commission decision is required to implement the programs. The details of these programs, the "Program Complements", are decided by the national or regional authorities. The Commission does not partake in these negotiations, but is kept informed.

(7) Once they have been approved, these documents enable the authorities to launch projects according to their operating methods (calls for project proposals, calls for tenders for the construction of infrastructure, etc.). The programs then become operational.

(8) Based on project proposals received, the relevant authorities select the projects which best correspond to the goals of the program and inform the applicants of their choice.

(9) The bodies selected may then implement their project, which must be completed before the deadline laid down in the program, as the timetable for disbursement of European aid is fixed at the start.

(10) The appropriate authorities monitor the progress of programs on a regular basis, keep the Commission informed and provide it with proof that the money is being used in the best way possible (certification of expenditure).

(11) The Commission keeps track of the audit systems put in place and gradually pays out the remainder of the contribution from the Structural Funds. It analyzes the development of the monitoring indicators and evaluation studies and conducts thematic exchanges.

(12) The persons responsible for programs are notified when any new priorities that have an impact on regional development are adopted.

(13) The Commission transfers Union funds to Member States only when the development programs it adopted are actually being implemented. To encourage the launch of a new program, it makes an ad-

vance payment of 7 percent when the program is officially adopted.

(14) The Member States must then apply for payments to the Commission which reimburse only certified expenditures.

(15) For each program, the Member State designates a managing authority responsible for selecting projects. The "paying authority" is responsible for certifying expenditure and applying to the Commission for reimbursements. The paying authorities must guarantee that all expenditures declared to the Funds comply with eligibility rules and Union policies on, for example, the environment, equal opportunities and state aids. If the Commission finds that national checks are inadequate or if it finds irregularities, it may suspend payments or even require the reimbursement of amounts already paid out.

11. What has been achieved

Recent reports on the socio-economic situation and development of the Union's regions show that the Structural Funds and the Cohesion Fund contributed substantially to the reduction of regional disparities among the pre-2004 EU members. Achievements include:

- *Reduction in income disparities.* According to Commission reports, the reduction in the gaps between average per capita incomes between regions, and still more between Member States, in the 1987-97 period was particularly encouraging. In the poorest regions, where 10 percent of the Union's population lives, per capita GDP rose from 54.2 percent of the average in 1987 to 61.1

percent in 1997. At the national level, convergence was still more marked for the least prosperous countries of the Union (Greece, Portugal, Ireland, Spain), with average per capita GDP rising from 67.6 percent in 1988 to 78.8 percent in 1998. This progress is all the more noteworthy in that it was achieved in comparison with dynamic regions where growth was naturally swifter.

- *National GDP growth.* In the Objective 1 regions, the Funds contributed about 0.5 percent per year to GDP growth between 1989 and 1999. The cumulative effect added about 10 percent to GDP in Greece, Ireland and Portugal and over 4 percent in Spain. In other words, a third or more of the economic convergence of these countries would not have happened without the Structural Funds.

- *Job growth.* It is estimated that in 1989-99, in all the assisted regions of the Union, some 2.2 million jobs were maintained or created and these were attributed to the Structural Funds.[12]

But while the economic progress of the least prosperous regions is quite remarkable from a medium term point of view, the gaps between the richest and the poorest are still considerable and will not be lessened for a long period of time.

Despite recent improvements, unemployment remains a pressing concern. In the worst affected regions, the rate rose from 20 percent in 1987 to 24 percent in 1997 although it leveled out at around 4 percent in the 25 most favored regions. In the 25 worst hit regions, 60 percent of those out of work were long-term unemployed, youth un-

employment was 47 percent and only 30 percent of women working age had a job.[13]

There is a reduction in regional disparities at the level of the EU-15, but it is less marked than at the national level. Within the Member States, these disparities have sometimes even been aggravated. Looking at the EU as a whole, even if the situation of the weakest regions improves, the process of catching up will remain a long-term objective for most.[14] This hasbeen complicated by the addition in 2004 of ten new members, most of which lag behind the rest of the EU in terms of economic development level (but not in terms of growth rates).

12. Regional Statistics Used to Determine Funding Eligibility

The nomenclature of territorial units for statistics (NUTS) was created by the European Office for Statistics (Eurostat) in order to create a single and coherent structure of territorial distribution and to determine program eligibility. It has been used in Union legislation on the Structural Funds since 1988.

The NUTS classification is used only for statistical purposes. Although the countries that are not yet members of the EU bear no obligation to introduce this kind of classification, some kind of regional classification is necessary for accession negotiations. This is an issue for Croatia, which is developing proposals for definition of NUTS regions.

Prior to the 2004 entry of ten new Member States, the nomenclature subdivided the 15 previously existing countries of the European Union into:

- 78 NUTS level 1 territorial units: e.g. the German Länder, regions in Belgium, Denmark, Sweden, Ireland, Wales and Scotland.
- 210 NUTS level 2 territorial units: e.g. the autonomous regions in Spain, French regions and overseas departments, the Belgian and Dutch provinces, the Italian regions, the Austrian Länder.
- 1093 NUTS level 3 territorial units: the Nomoi in Greece, the Maakunnat in Finland, the Län in Sweden, the Kreise in Germany, the French departments, the Spanish and Italian provinces etc.

Eligibility for Objective 1 is principally defined with reference to NUTS level 2; Objective 2 areas are generally defined with reference to NUTS level 3.

Table 5. Territorial Units Statistical Categorization Source: EUROSTAT, 2002.

NUTS level	Population (minimum)	Population (maximum)
NUTS 1	3 million	7 million
NUTS 2	800,000	3 million
NUTS 3	150,000	800,000

In addition, NUTS 4 and 5 levels are used in the area of state aid and some other Community measures. The NUTS 5 level corresponds to the level of municipality.

13. Regional Aid and Structural Funds

EU regional policy is not the same as regional aid, which is by far the largest category of state aid in the EU, representing more than half of all state aid granted to industry and services.

The EC Treaty prohibits Member States from granting state aid in any form which distorts or threatens to distort competition by favoring certain undertakings that affect trade between Member States. Paragraph 87 (3)(c) deals with regional aid and is, in practice, the most important statement on this issue. It permits the development of certain areas without being restricted by the economic conditions laid down in Article 87(3)(a), provided such aid "does not adversely affect trading conditions to an extent contrary to the common interest". That provision gives the Commission power to authorize aid intended to further the economic development of areas of a Member State that are disadvantaged compared to the national average.

Regional aid may be considered to be compatible with the common market when it promotes the economic development of areas where the standard of living is abnormally low, or where there is serious underemployment. This provision relates to the underdeveloped areas of the Union and covers only "areas where the economic situation is extremely unfavorable in relation to the Community as a whole."[15] In case law, it is interpreted less widely than the provision of paragraph 3(c).

Current Views on Regional Aid

The current convergence tendency, expressed in the conclusions of the Lisbon European Council in March 2000 and Stockholm European Council in March 2001, is that the overall level of state aid should be reduced and that aid should be redirected towards horizontal objectives of common interest, including economic and social cohesion. The intention is significantly to increase the coordination of the objectives of economic and social cohesion and the Community's policy towards regional aid. Again, this has been affected by the addition in 2004 of ten new members, most of which lag behind the older EU members in terms of economic development.

14. The Future of Cohesion Policy

The debate on the future of cohesion policy was launched by the Commission on 30 January 2001, with the adoption of the *Second Report* on economic and social cohesion.[16] The Second Report included an analysis of disparities in a Europe of 25 for the first time, anticipating the enlargement to include the 10 new member states in 2004. The intention was also to outline the state of the debate on future cohesion policy for the period after 2006, for the 2007-2013 programming period, and to prepare the next steps.

A consensus was established on the priorities for future cohesion policy:

(1) It was concluded that a cohesion policy is vital, above all in the context of an enlarged Union with greater disparities.

(2) Developing the least prosperous regions must remain the priority, with eligibility set at 75 percent of the Union's average per capita GDP.

(3) An equitable solution has to be found for regions subject to the "statistical effect" and faced with losing their eligibility simply because the Union's average per capita GDP will decline upon enlargement.

(4) More should be done to increase cross-border, trans-European and inter-regional cooperation on projects with structural impact (making areas more accessible, expanding networks, etc.).

(5) There must be scope for assisting towns and urban areas and a better integration of regional policy with rural development.

EU enlargement will have an undoubted impact on future cohesion policy because there will be an unprecedented widening of economic disparities within the Union and because there will be a geographical shift in the pattern of disparities and a worse employment situation.[17]

II.

Regional Policy and Candidate Countries

1. Pre-accession Programs

The 2004 enlargement of the EU drastically increased the geographical differences in prosperity because the new members lag behind the previous Member States in terms of economic development.

In the Agenda 2000, the Union drew up its financial perspectives for 2000-2006 and expressed concern for the situation in the then applicant countries, especially those from Central and Eastern European countries (CEECs).[18] This was reflected in the creation of two new pre-accession Funds, ISPA and SAPARD, and by the setting-up of a reserve of EUR 40 billion for anticipated structural expenditures following accession. It was the first time in history that the EU provided structural assistance before accession.[19] The candidate countries drew up "Accession Partnerships" with the Commission, which set out the main problems to be overcome by each country. These strategy documents provided a framework for programming pre-accession aid.

Pre-Accession Programs	Focus
Phare	The oldest instrument, which began in 1989.[20] It is intended to improve institutions, administrations and public bodies; to ensure the correct application of EU law; and to assist new investments in the social and economic sectors where they are most needed (infrastructure, business, and social measures). One of the most important aspects of Phare is the requirement that each candidate country has a National Development Plan (NDP). Each candidate country has a development strategy, with priorities to be decided and implemented based on active cooperation and coordination in the country (e.g., between Ministries and other government organizations), in a partnership in which different players (private sector, social partners, specific interest groups, the regions, municipalities, etc.) can have a voice, and express their needs and expectations.[21]
Special Accession Program for Agriculture and Rural Development (SAPARD)	Set up in 2000 to support the efforts made by the applicant countries to join the Union's Common Agricultural Policy.[22] It includes a wide range of measures concerning the adjustment of agricultural structures, the quality of foodstuffs and consumer protection, rural development, the protection of the environment and technical assistance.
Instrument for Structural Policies for pre-Accession (ISPA)	Also established in 2000, follows the lead of the Cohesion Fund in financing the construction of large projects in environmental protection and regional transport.[23]
Instrument for Pre-Accession (IPA)	In 2007, the Phare, SAPARD and ISPA will be consolidated into this one new instrument. IPA is expected to continue to support the same objectives and types of programs at the same aggregate level of funding.

Table 6.
Focus of Pre-Accession Programs

The Case of Slovenia

The experience of the previous ten CEEC candidate countries in the process of harmonization with the acquis in the area of regional policy is valuable for Croatia, which has yet to create and implement its regional policy development strategies and structures. The case of Slovenia can be especially useful because that country has a very similar historical, legal and cultural background.

The basis for regional policy. Prior to becoming a candidate, Slovenia had a well-defined legislative and structural basis for implementing an efficient regional policy, which Croatia does not have at this stage. The Law on balanced regional development, adopted in 1999, was the basic legislative instrument defining regional policy goals, principles for implementation of regional policy and an institutional framework for the promotion of balanced regional development.[24] The goals pursued by the Law include promotion of balanced economic, social and spatial aspects of development, reduction of differences in the level of economic development and living standard among regions, and prevention of the formation of new regions that have substantial development problems.

Key documents. Within this strategic framework, there were a number of documents important for the development of regional policy. In 1995, the Strategy on Economic Development was adopted. Simultaneously, the main long-term national strategic document, the Strategy of Regional Development of Slovenia (SRD) was drafted. At the same time, it was aligned with the Slovenian Spatial Plan. The SRD is based on the 1995 Strategy of economic development, the 1998 National Strategy on EU accession and the 1999 Law on balanced regional development and it is valid until 2006 (Strategija regionalnega razvoja Slovenije, 2001). In addition, at the regional and local level, a Regional Development Program was adopted containing development priorities of the regions and financially evaluated projects and programs.[25]

Key institutions. The main institution entrusted with the issues of regional policy development is the Agency for Regional Development, a body within the Ministry of the Economy. Established in 2000, it is the main institution for the coordination of structural policy in Slovenia. In addition, a number of regional development agencies exist providing input in creating regional development programs. Other bodies such as the Ministerial Council for Structural Policy and the Fund for Regional Development have a specific role within the institutional framework.

Statistical classification. Slovenia introduced legislation on territorial statistical classification harmonized with NUTS levels.[26] During the accession negotiations relating to regional policy, the EU did not officially accept the proposal to define at the NUTS II level two units, the Ljubljana Urban Region and the remaining territory of Slovenia. The problem was that, if Slovenia as a whole was represented as one unit, it might not be able to use funds from the Structural Fund as an Objective 1 region as the per capita GDP of Slovenia as a whole was approaching 75 percent of the EU average. This issue was resolved and the EU accepted the Slovenian proposal regarding the NUTS II level. At the NUTS III level, Slovenia is now divided into 12 statistical regions, at the NUTS IV level there are 58 units and at the NUTS V level there are 192 units (Strategija regionalnega razvoja Slovenije, 2001).

Issues and lessons learned. Even with the above-noted head-start versus the current level of preparedness of Croatia, Slovenia had difficulty in fully utilizing the pre-accession funds available to them. An analysis of Slovenia's experience with the pre-accession funds[27] recommends the following key areas for new candidates to concentrate on in order to increase their absorption capacity:

- Create an institutional set-up with clear segregation of functions
- Select well elaborated and "ready to go" projects
- Assure co-financing
- Hire adequate number of qualified staff
- Establish close inter-ministerial cooperation

III.

Regional Policy and Croatia

1. EU/Croatia Stabilization and Association Agreement

The Stabilization and Association Agreement (the SAA) concluded between Croatia and the EU in 2001 established an association between the parties which provides a legal basis for the harmonization of legislation, trade liberalization and an appropriate framework for political dialogue.[28] The SAA confirmed the status of Croatia as a potential candidate for membership in the EU and, subsequently, the European Commission gave a positive decision to Croatia's request for EU membership on 20 April, 2004. The European Council promoted Croatia to an official candidate for EU membership on 18 June, 2004. Meanwhile, the SAA stays in force until accession.

Title VIII of the SAA ('Cooperation Policies'), identifies regional and local development as one of the important areas where strengthening of cooperation b is needed. Article 105 of the SAA provides that cooperation between the parties in the area of regional development will be strengthened to contribute to economic development and reducing regional imbalances. Specific attention will

be given to cross-border, transnational and interregional cooperation.

This issue of regional and local development, i.e. regional policy, must be distinguished from the so-called 'regional cooperation' regulated in Title III of the SAA, providing for cooperation between Croatia and countries involved in the Stabilization and Association Process as well as candidate countries, by means of regional cooperation agreements.

2. Current Status of Regional Development in Croatia

Croatia is one of the few countries aspiring to become an EU member that does not have a clearly defined regional development policy and strategy. While the promise of EU accession provides strong incentives (including fulfillment of agreed SAA provisions and preparations to more effectively utilize pre-accession funds and ultimately funds for Members), the development and implementation of a National Strategy for Regional Development is, in itself, of vital national interest for Croatia.

The legislative framework. The current body of law in Croatia contains no statute that explicitly refers to nationwide regional development. However, there are a number of laws that regulate development issues in specific areas: Law on Areas of Special State Concern, Law on Islands and Law on Highland-Mountain Areas.[29] Those laws enable a myriad of grants and ministerial programs for development in the target areas, which are defined as having special needs. In addition, the Law on Spatial Planning deals with the issue of planning at a national, regional and local levels.

The Law on Areas of Special State Concern (now referred to as Areas of Special State Interest) was passed in 1996 and covers areas of Croatia that were occupied until 1995 plus some other areas that were subsequently defined. Today, about 30 percent of all cities and municipalities in Croatia are in areas of special state interest. This law has characteristics of a regional development policy instrument because it affects particular areas of Croatia with specific development problems ('war affected areas'). Generally, however, measures pursuant to this Law were introduced *ad hoc* without prior analysis of possible effects and without any definition of the role of local and regional self-government as crucial carriers of development.

The Law on Islands is another piece of legislation introducing specific measures for a geographically defined area with special needs; in this case the islands. It provides a number of measures intended to stimulate sustainable development and encourage the inhabitants of the islands to remain.[30]

Implementation of legislation regulating regional development. One of the main problems in the implementation of this legislation is that its application is not monitored. Another is that funding allocations have not been made in a strategic and transparent manner, and that regional development bodies have been established in an *ad hoc* way. Without an analysis of effects, all of these factors can be perceived as part of the broader problem: the lack of a coherent regional development strategy. For example, the Fund for Regional Development was established in 2001 and started work in 2002. Its objectives were to stimulate development of disadvantaged areas (war-torn areas, islands, mountain areas, etc.). However, its activities were not well coordi-

nated with other institutions that have a certain mandate for regional development.

The institutional structure for regional policy and programming. At present, national ministries have direct responsibility for the policy development, programming, assessment of the sectoral programs and plans, implementation and evaluation at county and local level. At the county level, there is a county administration involved in the county policy development and programming and partly involved in the implementation (see below, about the recently introduced Regional Operational Programmes). Cities and municipalities are the main programmers and implementers of local development plans, through their local development budgets. What is lacking is a coordinating body at central, regional and even local level in order to allow the sharing of information that is necessary for integrated national, regional and local development.

Institutions dealing with issues relevant to regional policy are present at all levels. At the Government level, there is the Government Coordination for the areas of special state interest. Relevant ministries include: Ministry of Environmental Protection, Physical Planning and Construction; Ministry of Finance; Ministry of Justice; Central State Administration Offices; Ministry of Sea, Tourism, Transport and Development (MSTTD), and other ministries. The regional level incorporates the county administration; while at the local level there are municipal and city institutions of local self-government. In addition, there are currently 30 institutions and entrepreneurial centers (support for the SMEs, local economic development agencies, etc.) that

have already established a partnership and co-financing relation with Government institutions.

Issues in policy and institutions. A recent study by CARDS-financed consultants to MSTTD finds that "there was no connection between development policy objectives and the types of measures typically offered by ministries and other institutions".[31] This largely resulted from lack of a competent legal and institutional basis for regional development, the absence of competent multi-sectoral regional development plans, the single-sectoral approach used by many of the ministries and their programs, the lack of coordination between the various ministries and between the ministries and county and local institutions and stakeholders.

The document "Principles of Development of the Republic of Croatia" (2001), which is an integral part of the Development Strategy Project "Croatia in the 21st century", states that regional development has to take into account the regional differences of Croatia. Optimal development of all regions, sustainable use of resources, and social cohesion are defined as important objectives. It is emphasized that regional policy must be gradually decentralized in order for the regions to be able to accomplish their own development policies. This document provides a general basis for defining a regional development policy and priorities. Still, strategies, institutional framework and implementation mechanisms which respond to EU requirements in the field of regional and structural policies have not yet been formulated and implemented in proper legislative procedures.

In anticipation of the requirements for a regional planning system based on a "top-down / bottom-up" approach

which would link a National Development Plan to a National Strategy for Regional Development to regional plans, the MSTTD (with UNOPS and EU CARDS support) has focused initially on developing the capacity at county-level to prepare and implement Regional Operational Programmes (ROPs). ROPs are developed at the county-level with participation of local governments and other local stakeholders in a Partnership and supported technically by county-level Project Implementation Units and their supporting external consultants.

ROPS Status	Region
ROPS prepared and being implemented with technical assistance and limited project financing from CARDS 2003 funds	Sisačko-Moslavačko, Vukovarsko-Srijemska, Zadarska and Šibensko-Kninska Counties
ROPs completed in summer 2005; implementation is being supported with technical assistance and limited project financing from CARDS 2004 funds	Karlovačka, Ličko-Senjska, Brodsko-Posavska, Požeško-Slavonska Counties
World Bank-financed Croatian Social Recovery Project will fund ROP preparation to begin soon within Areas of Special State Concern	Osječko-Baranjska, Virovitičko-Podravska, Bjelovarsko-Bilogorska and Dubrovačko-Neretvanska Counties
Beginning to prepare ROPs without outside financial support	Splitsko-Dalmatinska, Medimurska and Istarska counties
In preparatory stages and seeking some financial support for ROP preparation from MSTTD.	Koprivničko-Križevačka, Varaždinsko, and Krapinsko-Zagorska Counties
In early discussion stages	Primorsko-Goranska and Zagrebačka Counties and Grad Zagreb

Table 7. Regional Operational Programmes in Progress in Croatia

The ROPs are very much a "work in process" and are evolving based on lessons learned during both the planning and implementation processes. The major observed shortcomings of these initial ROPs are:

- There is no linkage of the ROPs to higher-level policies and plans because of the lack of a National Strategy for Regional Development and the very weak institutional linkages between central government ministries and county level institutions.
- Weak linkage between the ROPs and sectoral ministerial plans for development programs and projects being implemented in the county jurisdiction.
- The ROPs are focused entirely on development within the boundaries of the county and neglect the need for inter-county cooperation in regional development
- The original four ROPs contained so many "priorities" that there was a lack of concentration. The next four are more focused and have a narrower prioritization.
- The ROPs Program Implementation Units in each county need additional capacity building.
- Participation of local governments in the strategic planning process and in the identification, prioritization and development of well prepared projects needs much improvement if the ROPs are to be successful

At the local government level, much progress is being made in introducing local development planning methodologies. The MSTTD has recently supported the development of Island Strategic Development Plans (ISDPs) involving 26 local governments located on islands, with technical

assistance provided by the Economics Institute Zagreb. The USAID-financed Local Government Reform Project had assisted 25 local government to develop Economic Development Strategic Plans (EDSPs) by December 2003 and, by March 2006, will have assisted an additional 46, bringing the total to 71 EDSPs. The LGRP is now working with participating local governments to enhance the linkage of the EDSPs to the ROPs as a means to attract investment funds.

3. National Strategy for Regional Development and Supporting Institutions (status as of May 2005)[32]

To address the problems described above, the Department of Regional Development in the Ministry of Sea, Tourism, Transport, and Development has been given responsibility to coordinate and facilitate the development of recommendations to the Government for the establishment of a regional development planning process and supporting institutions. This section provides a very brief overview of the current proposals being developed and discussed.

A first preliminary draft *National Development Plan* (NDP) was prepared by the Government Office for Strategic Planning in early 2005. This draft NDP recognizes the need for a *National Strategy for Regional Development* (NSRD). A concept for the NSRD is scheduled to be completed in October 2005 by the MSTTD, in cooperation with a Partnership of representatives from concerned ministries, local and regional government and other stakeholders. The most salient points from current drafts are:

1) Development Planning and Budget Allocation:

The NSRD does not envision the creation of new "regional" level planning institutions at the NUTS 2 level. Rather, it proposes a much stronger and institutionalized linkage between national ministries and county (NUTS 3) level institutions.

- Existing county-level ROPs will be broadened into the *County Development Strategy* (CDS)[33] which will incorporate (1) what the county needs to do internally to achieve its strategic objectives and (2) what the county needs to do externally (between counties, across borders) to achieve its strategic objectives.
- A strong linkage will be established between the NDP, the NSDP and CDS; both in planning and implementation.
- The CDS will be ***the primary instrument*** for planning and allocation of all national administered funding sources for development programs for counties, local governments and other local stakeholders. This includes programming of national and county budget funds, EU pre-accession funds (and ultimately Structural and Cohesion Funds), and donor funded programs, among others.
- Extensive institution building will be needed, especially at the county level, to implement this approach.
- Local governments and other local stakeholders must actively participate as equals in the CDS planning and implementation processes.

2) Assisted Areas Program

- Existing programs for war-affected areas, islands and highland-mountainous areas, which are administered by different offices within MSTTD, will be consolidated in an integrated Assisted Areas Program.
- This will be an integrated multi-sectoral, multi-year program specifically targeted at the development needs of those parts of the country designated as lagging behind.

3) Cross Border Cooperation Program

- Recognizing the current lack of attention to cross-border issues, and the fact that 17 of the existing 21 counties struggle with such issues, a specific Cross Border Cooperation program will be designed and implemented.

4) Implement a coherent legal framework

- As "The existing legal instruments for regional development are partial, uncoordinated, lack effective means for management and provide few substantial remedies to meet the overall development challenge", an "umbrella" Law on Regional Development will be enacted as a basis for NSRD future policy development and implementation.[34]
- This law will provide "basic concepts of regional policy, unified definitions and principles of regional development, basic institutional and management framework, basic monitoring and evaluation procedures, financial resources of regional policy, etc".[35] This is essential to rectify shortcomings of the exist-

ing laws on war affected areas, islands and highland-mountainous areas and set the framework for effective, flexible development and implementation of the NSRD.

5) Establish effective policy management and institutional framework

- Government Management Guidelines will be established by the coordinating ministry, which will define annual targets, guidance and actions for government institutions to improve programming systems and structures.

The above is a cursory summary of the current proposals that are now being discussed. They are subject to change and/or refinement, but are presented here in order to better inform local governments and other interested parties of changes they can anticipate in the near future.

4. Practical Implications for Local Governments[36]

4.1 EU Funds and Croatian Local Governments - Overview:

While Croatia was a potential candidate for EU accession from 2001 to 2004, it was eligible for funding under the Community Assistance for Reconstruction, Development and Stabilization (CARDS) program. During this period, it was eligible for 255 million Euros in project funding (rising from 58 million Euros in 2001 to 76 million Euros in 2004). Projects are 100 percent financed by the EU grants, but Croatia committed only a portion of eligible funds due to limited capacity to absorb the assistance. Substantial

portions of 2003 and 2004 CARDS allocation have not yet been committed. However those funds remain available. CARDS project funding may be committed up to two years after the initial allocations, and expense reimbursements may be claimed for project expenses from the EU for three years. Thus, 2004 CARDS funds may be committed through 2006, and expenses can be claimed through 2007.

Now that Croatia has been formally accepted as a partner for negotiations for EU accession, it is eligible for various EU Pre-Accession Funds. The Pre-Accession funds are essentially meant to build institutional capability and as "practice funds" for using various funds for which Croatia will become eligible once it becomes an EU member. During the pre-accession period, the candidate country is expected to build the planning and administrative capacities that are necessary to make efficient and effective use of funds for which the country will become ***eligible*** once it becomes a member of the EU.

Building this capacity is extremely important because, once Croatia becomes a member, it will have to pay about 1.2 percent of its GDP toward dues to the EU and will then become eligible to access various funds. (These funds and their goals are described in Chapter I.) If Croatia does not develop the requisite capacities to plan, prepare, negotiate and implement programs and projects according to the EU's standards and requirements, it will not be able to secure the funds for which it is eligible. If Croatia does not build these capacities during the pre-accession period, it will face a very real risk of becoming a net payer to the EU rather than a net beneficiary. Given that the negotia-

tions for entry will probably take at least 2005-2006 to complete and ratification may take 2007-2008, Croatia will most probably use the pre-accession funds for 2005-2008, during which period it must develop adequate capacities to fully access the member funds for which it will become eligible in 2009.

The discussion below starts with an overview of the main funds for which Croatia will become eligible upon becoming a member, followed by a discussion of interim pre-accession funds available now:

4.2 Funds for EU Members:

o Common Agricultural Policy:

Primarily income subsidies to farmers of member countries, which accounts for about 45 percent of the EU Expenditure Budget or 43 billion Euros per year.

(Not discussed further as local governments themselves will not directly receive CAP funding and administration will be handled almost exclusively by Ministry of Agriculture, MOF and other related agencies.)

o Structural Funds:

Thirty percent of the EU Expenditure budget or 28 billion Euros per year are currently allocated

to structural funds to promote development of regions that lag behind the EU average. Regions with per capita GDP on a Purchasing Power Parity (PPP) basis < 75 percent of the EU average are eligible. Structural funds can be used for a wide range of investment programs including economic development initiatives, infrastructure projects, health, education, welfare, etc.

The national government must develop a multi-year National Development Plan (for the same number of years as the EU Medium Term Financial Framework consisting of a number of development programs with minimum size of 2 million Euros which will be agreed upon with the Commission as a basis for using Structural Funds. The national government then has authority to design and implement specific projects according to the general programs as long as the project design and implementation conform to the detailed requirements and procedures of the EU; which are extensive.

Structural funds could become a major source of local government investment funding in Croatia. They generally require 25 percent co-financing from the national and/or regional, local government.

o Cohesion Funds:

Three percent of the EU Expenditure Budget, or about 3 billion Euros per year, is currently allocated to Cohesion Funds intended to enhance the cohe-

sion of EU countries, primarily through trans-European transport and environmental protection projects. Unlike the Structural Funds, which are allocated to general programs, the cohesion funds are allocated to specific projects with a minimum size of 5 million Euros. Required co-financing is generally 15-20 percent.

To meet the large minimum size requirement, a number of individual city/municipality investments (e.g. for wastewater treatment plants located in one river basin system) could be packaged as a single project.

4.3 Pre-Accession Funds:

Phare, ISPA and SAPARD funds will be available for 2005 and 2006 in Croatia. In 2007, Phare, ISPA and SAPARD will be combined into one Instrument for Pre-Accession (IPA).

- **Phare:** Essentially focused on public administration reforms, institution building and "practice" funds for using the Structural Funds. Croatia must create a multi-year National Development Plan for utilization of available funds of 80 million Euros/year for 2005 and 2006. While most of these funds will probably be dedicated to Ministry-executed projects, substantial funds could also be made available to local governments through ROPS if they are prepared in all counties and if local governments prepare and implement projects that conform to EU standards.

Residual CARDS funds and Phare funds will undoubtedly provide a major opportunity for EU funding of local government projects in 2005 and 2006.

- Instrument for Structural Policies for Pre-Accession **(ISPA):** Essentially a "practice" fund for Cohesion Funds, ISPA focuses on trans-European transport and environmental infrastructure. An important aspect of ISPA is to enable candidate countries to reach compliance with EU environmental law, as the EU directives in this area are costly to implement. The sectors of focus are: drinking water supply, treatment of waste water, solid waste management, air pollution. General EU environmental principles include:

  - reserving, protecting and improving the quality of environment and human health
  - rational utilization of natural resources
  - preventive action
  - polluter should pay

Croatia will be eligible for 25 million Euros/year in 2005 and 35 million Euros in 2006. Despite the 5 million Euros minimum project size requirement, this could become a significant source of funding for city/municipality projects if they can be bundled together to meet the size requirements; either under the leadership of the Ministry of Public Works or through inter local governmental cooperation.

- **Special Accession Program for Agriculture and Regional Development (SAPARD):** SAPARD funds are typically allocated for technical assistance to the Ministry of Agriculture and other Ministries and agencies to build capacities necessary to meet EU standards for agricultural products and to use *Common Agricultural Policy* (CAP) funding; for rural development infrastructure to support agriculture; and for large scale private agricultural producers to improve competitiveness. Croatia will be eligible for about 25 million Euros from this fund in 2006. Local governments may have opportunities to finance rural development infrastructure and land consolidation activities through SAPARD.

- **Instrument for Pre-Accession (IPA)** will replace Phare, ISPSA and SAPARD in 2007. Although not yet defined in detail, IPA is expected to continue to support essentially the same objectives and types of programs at roughly the same aggregate levels of spending.

4.4 How Local Governments Can Adapt:

- Local government must recognize that there is already underway a fundamental change in the mechanisms for programming nationally administered funds for local development programs and projects. The ROPs (and subsequently the CDS) will be the primary instrument for planning and allocation of all nationally administered funding sources for development programs for counties, local governments and other local stakeholders. This includes programming of national and county budget funds, EU pre-accession funds (and ultimately, Structural and Cohesion Funds), and donor-funded programs, among others.

- Because the Phare and ISPA funds and nationally administered donor programs will most probably provide the main opportunity for 2005-2006 external funding of local government projects, it is crucial that the ROP process gives the local governments a fair opportunity for their local projects to be included in the ROPs and not automatically give a priority to county-wide or inter-jurisdiction projects which will be implemented by county government.

- At the same time, local governments must take maximum advantage of opportunities to participate in and influence the ROP development process. They need to make efforts to ensure that knowledgeable local government, business and NGO representatives are included in the sectoral groups and are appointed to the Partnership.

- Local governments that have completed EDSPs or ISDPs should officially submit them to the County Prefect and the ROP Project Implementation Unit (PIU). They should also submit any well-developed proposals for specific projects.

- Generally, the "Measures" identified in ROPs are defined in terms of general "programs" rather than discrete "implementable" projects. Therefore, local governments have two opportunities to get their discrete projects funded through the ROPs. The first opportunity is get discrete implementable projects identified in detail in the ROP Measures. The second opportunity is during the phase when the PIU and Partnership identify,

define and prioritize discrete projects for each Measure within the approved ROP. In this phase, the PIU gives a priority to funding projects that are near-ready-to-go (i.e. feasibility studies and detailed designs completed and required permits secured).

- Developing a pipeline of viable investment projects that meet EU standards of documentation and justification is typically a major problem in pre-accession and new member countries. Given these experiences, one can anticipate that the lack of suitably prepared and documented projects will become a major hurdle in Croatia's use of funds for which it will become eligible.

  There should be a ***significant opportunity*** for local governments that have prepared well documented and justifiable projects to get them funded through the pre-accession funds and, later, through the structural and cohesion funds.

- Compared to the modest funds made available for implementation of ROPs until now, massive additional funds are expected to be made available in the near future, including:
  - 2004 CARDS funds for implementation of projects in the four ROPs to be adopted soon.
  - 300 million Euros from the European Investment Bank loan-financed project administered by MSTTD for regional and local government economic and infrastructure projects. Invitation for project proposals is now officially advertised and remains open until all funds are committed.

- 60 million Euros from the World Bank-financed Croatian Social Recovery Project for projects in 13 counties and local governments within their jurisdictions that are designated Areas of Special State Concern. The project will conduct quarterly invitations to propose projects until all funds are committed.
- Portion of EU 2005 Phare funds to be dedicated to local government projects for business related infrastructure.
- Portion of EU 2005 SAPARD fund to be dedicated to local government projects for rural development.

Criteria for selecting projects for all the above funding sources, although not yet adopted, are expected to give strong preference to projects identified as priority projects within a ROP, an EDSP or similar local planning document.

o Local governments should consider developing strategies for project financing that make use to the new opportunities. Rather than using their own funds to 100% finance projects, local governments may consider dedicating some funds to preparing projects to comply with EU standards and as a counterpart contribution to EU and donor financed projects. This would help leverage local governments' own funds to implement more projects and larger projects with the same level of local government funds.

IV.

Conclusion

Regional policy in the EU has well-defined objectives and precise classifications. Structural Funds covering specific regions are key instruments, and a separate Cohesion Fund covers several Member States.

During accession negotiations, the 10 recently admitted countries went through a process of creating a strategic and institutional framework for regional development policy in alignment with EU regional policy. Although full alignment was not necessary until full membership was gained, the process resulted in a coherent body of rules and a comprehensive institutional structure for the use of funds and future membership.

A successful framing of regional development policy will lead to clarity for Croatian institutions and organizations, but also in respect to foreign donors, especially the EU. For this, cooperation of central Government authorities with the regional and local authorities is essential. The necessary regional and local self-government institutional framework has been set up through the adoption of the Law on Local

and Regional Self-Government. The next step would be to breathe life into regional development policy once the relevant legislative and interpretative instruments have been adopted and the coordinating bodies established.

In light of Croatia's application for EU membership, and the potential opening of membership negotiations in 2005, it is necessary to establish and strengthen national, regional and local development institutions now in order to prepare to efficiently manage EU funds that will be available for Croatia after accession.

Local governments must adapt to new realities and opportunities. In particular, they must put their best foot forward and actively participate in the Regional Operation Plan (ROPs) process. Preparing local Economic Development Strategic Plans and focusing efforts on preparation of better quality development project proposals and documentation conforming to EU and other donor requirements will put them in a better competitive position in the new system of regional development.

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1 Consolidated version, *Official Journal* C 325 of 24 December 2002.

2 Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund.

3 Cf. *infra*: Table 1.

4 These include: the thinly populated regions of Finland and Sweden (fewer than 8 people per sq. km.) and the outermost regions (French overseas departments, Canary Islands, Azores and Madeira); Some coastal areas of Sweden are also covered (in accordance with Sweden's Act of Accession), along with Northern Ireland and the border counties of Ireland, where there was a special program for peace and reconciliation (until 2004).

5 http://europa.eu.int/comm/regional_policy/intro/regions2_en.htm.

6 Cf. *infra*: Table 1.

7 Cf. *infra*: Table 1.

8 http://europa.eu.int/comm/regional_policy/funds/procf/stru/prcf1_en.htm.

9 Cf. *infra*: Table 1.

[10] Communication of the European Commission: First progress report on economic and social cohesion, COM(2002)46 final.

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[13] *Ibidem.*

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[16] Second Report on economic and social cohesion, COM(2001)24 final. The Commission will produce concrete proposals for the future of cohesion policy in the Third Cohesion Report to be adopted in the last quarter of 2003.

[17] Second progress report on economic and social cohesion, COM(2003)34 final. It was emphasized in the First progress report on economic and social cohesion that within the enlarged Union of 27 (including Bulgaria and Romania) the ratio between the richest 10% of regions and the least developed 10% would rise to 5.8, compared with only 2.6 in the Union of 15, COM(2002)46 final, p. 9.

[18] Separate aid programs were also drawn up in 2000 for Cyprus, Malta and Turkey.

[19] http://europa.eu.int/comm/regional_policy/sources/spee chescrauser/20000322_eu.htm, G. Crauser, Director-General for Regional Policy, 22.3.2000, High Level Meeting, Budapest.

[20] Council Regulation (EEC) No 3906/89 of 18 December 1989, Official Journal L 375.

[21] Phare projects for previous candidate countries that became EU members in 2004 that were previously agreed upon were fulfilled. Bulgaria and Romania are still receiving financial assistance from Phare program.

[22] Council Regulation (EC) 1268/99 of 21 June 1999, Official Journal L 161.

[23] Council Regulation (EC) 1267/1999 of 21 June 1999, Official Journal L 161.

[24] Uradni list RS 60/99, 29.7.1999. A number of specific regulations have been adopted regulating defined issues, e.g. criteria for gaining the status of a region with particular development problems, establishment of specific bodies implementing regional policy issues.

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[26] Uredba o standardni klasifikaciji teritorialnih enot, Uradni list št. 28, 30.3.2000).

[27] Mojca Grošlj, Head of National Fund, "Slovenia's Experience with Pre-Accession Funds", October 2004

[28] http://www.mei.hr/Download/2001/08/02/SAACouncilProposal.pdf.

[29] In addition, the Law on Reconstruction and Law on Reconstruction and Development of the City of Vukovar should be mentioned.

[30] About 50% of all towns and municipalities are areas where the state has special interest (Rašić and . Starc, ibidem:57).

[31] CARDS 2002 Programme for Croatia, Strategy and Capacity Building for Regional Development – Strategy Report (draft) 16 March 2005

[32] This entire section is essentially condensed from the CARDS 2002 Programme for Croatia, Strategy and Capacity Building for Regional Development – Strategy Report (draft) 16 March 2005 and notes from an 11 May 2005 meeting with the Head and staff of the Department for Regional Development, MSTTD

[33] The CDS is one component of the proposed County (and Wider Region) Development Programme. The CWRDP will consist of a National policy Guidelines and National Framework, County Development Partnership, County Development Strategy and the County Development Unit.

[34] *Ibidem*

[35] *Ibidem*

[36] This entire section is condensed from the Urban Institute/Croatia internal working paper on "Tapping EU Funds – Implications for Local Governments", William Kugler, updated May 2005.

Implications of European Union Accession for Local Governments:

The Environment

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Summary

This paper analyzes the general impact of the EU convergence process in the field of environmental protection in accordance with one other process, that of decentralization. Together, they entail greater responsibilities for regional/local self-government, with new and forthcoming obligations in the field of environmental protection. Over the years, the EU has developed a significant environment policy whose requirements in each sector (waste management, air quality protection, nature conservation, etc.) provide certain obligations for the regional/local authorities. However, the approach to those new responsibilities is left for the member states to decide for themselves. Croatia is already involved in many activities regarding environmental protection at the regional/local level, but many more are on

the way as a result of the need to comply with EU standards and requirements. The preliminary results of those activities show that the existing administration at those levels is not capable of fulfilling these new obligations and will need to be significantly improved. Accordingly, potential objectives and recommendations are proposed in the conclusion.

Key words:

Environmental protection,

regional self-government,

counties,

local self-government,

cities,

municipalities,

EU requirements,

Croatia

I.

Introduction

In the past, environmental protection and economic and regional development were often perceived as conflicting objectives. However, there is now an increasing awareness that environment and regional development are complementary. Furthermore, the fact that the environment itself is a major factor in regional development is often underestimated. As regional situations vary considerably, local development and employment initiatives gain increased importance in this context. Natural resources (water, air, soils, etc.) are of major environmental and socio-economic importance in that they are the basic support elements for mankind and for the ecosystems. The quality of the environment determines regional attractiveness and, as such, is an investment location factor. Over-exploitation, as well as degradation, of the natural resource base can have severe consequences, not just for the environment but for economic activity.

At regional and local levels, the environment is also an important area of new employment. In addition to the jobs generated by the construction and maintenance of envi-

ronmentally-friendly infrastructures, more and more attention is being given to the employment potential offered by eco-business, in which small and medium enterprises play an important role. Thus, in the best interests of each community, several principles were recognized when dealing with the environment and its protection.

The first part of this paper discusses environmental policy in the EU, its background, legal basis and current situation. The second part of the paper elaborates those issues as they will affect Croatia, with a special overview of the upcoming EU obligations arising within the process of accession. The last part of the text proposes recommendations and conclusions.

II.

Environmental Policy in the European Union

The principles of integrity, subsidiarity and shared responsibilities are successfully implemented as part of the environmental policy of the EU and constitute a key link among the administrative levels in a country. Those principles have also been incorporated in the Croatian legal framework, as this analysis shows, but not yet successfully implemented.

However, it is still a matter of concern, even within the Union, as to how EU policies created at a supranational level can be linked with the regional and local levels where they have to be implemented. Recently, the Commission had to address how to organize dialogue directly with regional and local authorities or their organizations in order to involve them as much as possible in the decision-making process (European Commission, 2003). The Commission had to recognize the regional and local levels as they have a major impact in their territories through implementation of policies in the areas of regional development, transport, rural development and environment.

1. Background

Due to economic growth, environmental issues were bound to be raised and it was expected that the Community would take the necessary actions regarding environmental protection, based on a vertical and sectoral approach to ecological problems. Community action developed over the years, spurred in particular by Article 6 of the Treaty establishing the European Community[1], which states that environmental protection requirements must be integrated into the definition and implementation of Community policies. Such integration is a reality for regional development and the environment which, far from being contradictory, are necessarily complementary. That was a cornerstone for the development of the environmental acquis; it is the Treaty of the European Union[2] which conferred on it the status of a policy. Finally, the Treaty of Amsterdam[3] gave the Union the task of ensuring sustainable development, with priority attached to maintaining a high level of environmental protection.

2. Legal basis

Today, the environmental acquis covers a wide range of measures established for each sector and for specific environmental issues, mostly in the form of directives. In broad terms, EU environmental legislation covers environmental quality protection, pollution and other activities, production processes, procedures and procedural rights as well as products. Apart from horizontal issues (environmental impact assessments, access to information on the environment, combating climate change), quality standards have been established for air, waste management, water, nature protection, industrial pollution control, chemicals and genetically modified organisms, noise and nuclear safety and

radiation protection (safety issues arising from the use of nuclear energy are part of the energy chapter).

Most of those activities are within the competence of the regional and local authorities (such as solid waste management, nature protection, water supply, air quality protection etc.). Therefore, it is the regional and local authorities which are responsible for implementing many of the requirements provided by the relevant directives for each sector.

3. The current situation in the European Union

The complexity of the environmental protection issue means that it has been incorporated into almost every EU policy and requires implementation at all administrative levels within each country. Due to the principles of subsidiarity and reciprocity, EU institutions define only the objectives that need to be achieved, without interfering in the measures the member states apply in order to achieve the objectives determined. Evidently, the economic development of the regions is of the greatest importance with respect to dealing with environmental issues. The link between addressing environmental problems and carrying out activities provided for in the acquis at a regional and local level is EU regional policy. To implement both regional and environmental policies properly, it is necessary to establish high-quality administrative bodies capable of recognizing problems and setting priorities in their administrative territory.

The problems are raised and recognized at a regional and local level and, therefore, it is necessary to strengthen vertical administrative cooperation within each member state

and, in parallel, to establish channels of communication and cooperation between EU institutions and local authorities. The latter strengthening could be considered a new trend within the Commission (European Commission, 2003) in order to establish more effective connections with local and regional authorities. The intent is to present the Union's policy guidelines to the regional and local authorities and to obtain their opinions and expertise in order to enable the Commission to take more effective decisions on the nature and intensity of measures to be adopted. Moreover, this will enable both the Commission and the regional and local authorities to assess the impact of the measures to be adopted. A prerequisite for successful implementation of EU policies at regional and local levels is a high level of decentralization, with broad responsibilities being given to the local authorities and quality personnel capable of carrying out all the activities properly.

The European Commission consequently ensures that projects developed under regional policies are respectful of the environment: an assessment of their environmental impact must be conducted by the member states concerned. Environmental protection per se in the regions is also financed directly by the structural funds through various projects and the Cohesion Fund has specifically earmarked transport and environment projects in the poorest states of the Union.

4. Environmental policy related to the new member states

The 2004 enlargement of the Union presented greater challenges in the environmental dimension than in any previous accession. This relates to the gaps in the level of environmental protection in Central and Eastern Europe com-

pared with the situation in the old EU Member states. On the other hand, the newly admitted countries also possess large areas of untouched nature which contribute considerably to biological diversity in the whole of Europe. The major challenge is to safeguard these assets and, at the same time, to develop and manage an economically and environmentally sustainable framework.

The cornerstone for such a framework is the environmental acquis of the EU. However, as recognized in the Commission's Agenda 2000[4], full compliance with the environmental acquis will probably only be achievable in the long term for the newly admitted countries in Central and Eastern Europe. Additionally, these countries have encountered problems of an inefficient public administration (on all levels) that is not capable of dealing with the increasingly onerous environmental standards set by the EU.

The newly admitted countries needed to find the necessary resources for transposing this environmental legislation but the Union and the member states via bilateral programs played an important role. In particular, the Commission supported a many environmental projects under the Phare[5] and LIFE programs.[6]

In Central and Eastern Europe, the pre-accession Instrument for Structural Policies for Pre-accession (ISPA)[7] allocates most of its funds to environmental projects to help the applicant countries meet the environmental standards in force in the EU. Additionally, the Union created another instrument, the Technical Assistance Information Exchange Office (TAIEX)[8], which provides information on all aspects

of the Community acquis and acts within the newly admitted countries by assisting mainly government bodies and business through the organization of specific seminars and study visits. The convergence of legislation alone was not enough: the institutions responsible for implementing and applying the Community acquis also needed to be strengthened. An essential tool in this respect is twinning, which involves the secondment of advisers from the Union to the new EU members.

It is not possible to achieve sustainable development at a global level unless it has been attained at the local level. The local level is the one at which most of the environmental concerns are identified and where the general public has the highest impact on their resolution. The local level is actually the key factor in the process of creating conditions for changing behavior, production, consumption and land-use patterns. Close co-operation is necessary among the different administration levels. The division of authorities and responsibilities must also be clearly defined.

However, it is essential to comprehend, from the candidate-country point of view, that environmental protection in EU and its requirements and activities are a *perpetuum mobile*. Once these processes start, they are ever on the move, changing and improving whenever and wherever possible. Therefore, a candidate country should engage in those processes as soon as possible, through any available EU programs designed for this field.

III.

Framework in Croatia

1. Relevant country background

One of the strategic goals of the policy of the Government of Croatia is its integration into the European structure. Croatia signed a Stabilization and Association Agreement (SAA) (OG-international treaties, 14/01) in October 2001, a far-reaching framework with mutual rights and obligations. An Interim Agreement has been in force since March 2002 and provides near-total free access to the EU-market. The Interim Agreement has served as a powerful catalyst for legislative reform. Croatia is now seriously focused on aligning its legislation with the acquis and has started to implement an ambitious program for the integration of Croatia into the EU which includes a plan for the harmonization of legislation with the acquis. Accordingly, new obligations are also provided for environmental protection, needing to be enforced at the regional and local level. Before further analysis of the current situation and the possible implications of EU environmental policy for regional and local self-government, it needs to be emphasized that Croatia is in the process of implementing public administration reform.[9] This reform is an integral part of the SAA, since administrative capacity in the Croatian public administration must

be sufficient to develop and implement new legislation and policies required by the SAA. The reform will focus on the following objectives:

- Strengthening and modernizing the current civil service regime through improved legislation and procedures for human resource management, the remuneration system and recruitment and career development systems.
- Improvement of the organization, functioning and coherence of central civil service management systems.
- Capacity building for delivery of training programs for civil servants; and
- Decentralization of public services.

The Government Programme 2003-07 indicates the commitment for further decentralization under the Section "State Administration". In April 2004, the Government charged all ministries to identify tasks of the state administration which could be transferred to regional (counties) and local (city and municipality) governments. At the same time, the Government requested the Ministry of Finance to suggest the redistribution of financial revenues, which would follow the transfer of tasks from the state administration to the local and regional units. The Government further made a commitment to propose a new Law on Local and Regional Self-Government, based on the principle of asymmetrical responsibilities according to size of local self-government; thus further transfer of tasks and authorities would be targeted in particular to cities with more than 40,000 inhabitants.

Based on the responses received from the ministries, the Government adopted the Framework Decentralization Program 2004-07 in December, 2004. The program is set up in order to "find ways to selectively transfer tasks to the authority of local and regional units, followed by financial support and verifiable forecasts, in order to ensure greater independence and influence of local units in decision-making on important issues".

On December 9, 2004, the Government set up a Decentralization Commission of the Government of the Republic of Croatia, charged with coordinating the Framework Decentralization Program 2004-07. The aim of the Government is to move towards an enabling framework for decentralization which is consistent with the EU's adopted standards and practices, such as the subsidiarity principle[10] and economic efficiency. It intends to adopt a deliberate, well planned, step-by-step devolution of additional tasks to regional and local governments, supported by adequate financial and human resources. At this early stage of the process, it is difficult to determine the exact extent of decentralization to be achieved in the 2003-2007 timeframe. However, it is clear that the most appropriate level of decentralization of tasks related to environmental protection will need to be addressed.

2. Territorial structure

The territory of Croatia is divided into counties and the counties are further divided into cities and municipalities. The counties are regional self-government units, and the cities and municipalities are local self-government units.[11] At the sub-national territorial level, there are 21 counties (including Zagreb which is both a city and a county), 123

cities and 428 municipalities with elected local administrations. The City of Zagreb, as the capital of Croatia, is defined as a specific and unique territorial and self-government unit that has the status of both city and county.

The organization and work of representative, executive, and administrative bodies of local and regional self-government units, their scope of work, supervision of the legality of general acts and the work of units, as well as other issues in connection with their work, are regulated by the Law on Local and Regional Self-Government and the Law on the City of Zagreb (OG 62/01).[12]

Within the scope of self-government of the counties, there are activities of regional importance, particularly issues related to education, health, physical planning and urban development, economic development, transport and transport infrastructure, as well as planning and developing the network of educational, health care, social and cultural institutions.

Within the scope of their self-government, cities and municipalities carry out duties of local importance that directly address the citizens' needs, and which are not assigned to government bodies by the Constitution or the law. These areas of responsibility include the maintenance of urban areas and housing, physical planning and urban development, utility services, pre-school education, welfare, primary health care, elementary education, culture, physical education and sports, consumer protection, environmental protection and development, fire protection and civil defense.

3. Organizational structure on the national level

According to the Law on the Structure and Scope of Ministries and State Administration Organizations (OG 48/99, 15/00, 20/00 – amended), the Ministry of Environmental Protection, Physical Planning and Construction (below referred to as the Ministry of the Environment) was established in 2000 as a central body of the public administration performing administrative and other activities relating to general environmental policy in meeting the requirements for sustainable development: the protection of the air, ground, water, sea, plant and animal life in the entirety of their interrelations. This Ministry is also responsible for solid waste management.

Beside the Ministry of Environment, there are other bodies at a national level performing administrative and other activities regarding certain environmental components:

- the State Water Directorate: integrated water management,
- the Ministry of Sea, Tourism, Transport and Development: protection of the sea from pollution by ships
- the Ministry of Agriculture, Forestry and Water Management: protection of forests and agricultural land from pollution by harmful substances,
- the Ministry of Health and Social Welfare: protection from ionizing and non-ionizing radiation, protection of human life and health, protection from harmful effect of poisons, prevention of toxic abuse, and protection against noise,

- the Ministry of the Economy, Labor and Entrepreneurship: nuclear safety.

In 2002, the Government established the Environmental Agency[13] (OG 75/02) and the State Institute for Nature Protection (OG 126/02). The Institute exercises its expertise in matters relating to nature protection, which, among other things, include the collection and processing of data relating to nature protection, monitoring the situation relating to the conservation of biological and landscape diversity, the performance of statistical analyses and the organization and implementation of educational and promotional activities. The Agency's scope of work includes the collection and compilation of data on the environment, data processing, drafting of reports, monitoring of the state of the environment, and maintaining an environmental database.

In 2003, the Environmental Protection Law and the Energy Efficiency Fund[14] was adopted (OG 107/03). The Fund is defined as an extra-budgetary fund and a legal person with public authority, performing activities relating to the financing of the preparation, implementation and development of programs, projects and related activities in the sector of conservation, sustainable use, protection and promotion of the environment and energy efficiency and the utilization of renewable energy sources.

4. Principles of integrity, subsidiarity and shared responsibility

Integrity

The Environmental Protection Law (OG 82/94, 182/99) in Article 14 incorporates the principle of integrity. The common action and co-operation of the bodies of state admin-

istration and local (regional) self-government are indispensable for each element related to environmental protection policy and administration: adoption of the strategy: programs and plans of intervention and legislation concerning environmental protection; the issuing of permits, authorizations and approvals; the implementation of a financial supervision policy, and any other environmental protection measures.

Subsidiarity

Legal grounds for implementation of the subsidiarity principle exist in Article 19 of the Law on Regional and Local Self-Government (OG 33/01) that governs environmental protection activities at the regional/local level; regional and local units within their competencies perform all the activities of local significance for providing directly for the needs of the local community, and those activities are not in the exclusive competence of the national bodies. The subsidiarity principle plays an important role in environmental policy implementation. However, harmonization of Croatian legislation with that of the EU will unquestionably require considerable amendments related to this sector.

As concrete objectives are achieved more easily and effectively when all the partners/actors are involved, subsidiarity is always linked to the principle of shared responsibility.[15]

Shared responsibility

Shared responsibility is one of the most effective mechanisms for integrating environmental policy into other sectors. Croatian legislation does not explicitly set up the conditions for efficient implementation of the principles of shared responsibility. There is no sustainable development

body, but there is financial support to the non-governmental sector.

At the regional and local levels, and due to inadequate human resources, integration of environmental policy is almost impossible. Involvement of the business sector[16] and individuals[17] is rather formal and still open to finding adequate solutions. Priority activities include human resources capacity building and improvement in terms of the organizational and communication mechanisms necessary for an efficient dialogue among the partners.[18]

5. Legal basis for the organization of environmental protection at regional and local levels

Pursuant to articles 134-137 of the Constitution (OG 41/01) and article 7 of the Environmental Protection Law (OG 82/94, 182/99) it is the municipalities, cities and counties that establish, organize, and finance activities at the local level for environmental protection and implement environmental improvement and rehabilitation of regional or local importance. According to the State Administration System Law (OG 75/93, 92/96, 48/99, 15/00, 59/01), a public administration office must be established to perform public administration activities in more than one administrative area (rationalization of administration) in the territory of regional self-government.

Services (basic organizational units) were established in these offices for the performance of administrative and expertise-related activities for environmental protection, nature protection, physical planning and building and construction works in accordance with the Regulation on the

Internal Organization of the State Administration Office (OG 21/02).

As well, in accordance with the Law on Local and Regional Self-Government (OG 33/01), administrative departments and services (administrative bodies) must be established for the performance of environmental protection activities.

Unless otherwise stipulated by a special law, the provisions of the Law on General Administrative Procedure (OG 53/91) and the Law on Administrative Disputes (OG 53/91, 9/92, 77/92) are applied to the passing of decisions of government administration bodies and local and regional self-government authorities in deciding on interventions in the environment, granting approvals for the performance of environmental protection activities, submitting requests for the delivery of information about the environment and actions of environmental inspection.

6. Current situation in the sectors

Environmental protection in the purview of local and regional self-government generally includes:

- providing the conditions for implementation of environmental protection programs;
- preparation and implementation of rehabilitation as required;
- environmental monitoring; measuring emissions as required;

- providing the conditions for keeping an environmental pollution inventory, a registry of the state of the environment and measures for environmental protection, as well as the means to inform the public.

6.1. Solid Waste

Pursuant to the Waste Law (OG 151/03), which entered into force on 1 January 2004, measures for solid waste management are implemented by municipalities and cities (organized collection and safe disposal of solid waste in accordance with standards and the local strategy; education of population; provision for separate collection of secondary raw materials and bio-waste, organization of transport to the waste disposal site, etc.).

Measures for non-hazardous industrial waste management are the responsibility of counties, as well as the City of Zagreb, which has the status of a county. Several local and regional units of self-government may also jointly implement measures for non-hazardous industrial waste management.

The Waste Law introduces several new obligations for municipalities, cities and the City of Zagreb regarding waste charges, restoration of existing waste disposal sites and setting up regional centers for waste management.

According to the requirements of the Framework Waste Management Directives[19], the National Environmental Action Plan (NEAP) (OG 46/02) has determined certain actions to be taken at the regional/local level:

- to draft programs for the separate collection of solid waste at the county and city level
- to build regional centers for solid waste management wherever needed and appropriate
- to reduce packaging waste and to improve recycling
- to introduce the management of packaging waste, old vehicles and electrical equipment wherever necessary
- to establish a separation system, sorting at source, collection and waste management; and for this purpose to draft pilot-projects for counties
- to rehabilitate/renovate existing landfills and to build new ones
- to build installations for solid waste management and hazardous waste management, including incinerators at the regional/local level

6.2. Water management

According to the Water Law (OG 107/95), Croatian Water (*Hrvatske vode*), a legal entity for water management, was established for the purpose of managing national and local water. Administrative and other tasks in the field of water management are also performed in county offices of the State Water Directorate, local government and regional self-government, in accordance with the provisions of the Water Law. County offices of the State Water Directorate employ about 30 water management inspectors. In the economic departments of these county offices, there are also employees responsible for issuing water management permits.

According to the EU requirements for water management[20], NEAP has identified the following actions for the local and regional levels:

- to draft plans for water protection at the county level
- to build waste water installations in settlements without sewage installations where direct contact with the underground waters is possible
- to regularly inform the public on the state of water management
- to build and reconstruct existing waste water installations
- to build priority installations for waste water treatment in settlements of over 15,000 inhabitants by the year 2005

6.3. Nature protection

This activity is based on the Nature Protection Law (OG 107/03). Protected species and national parks and nature parks protection come within the competence of the national government, whereas other protected parts of nature are declared such and managed by the counties and by the City of Zagreb. Thus, a the national park is proclaimed by the Croatian Parliament, an individual plant or animal species is proclaimed protected by the Ministry of Environment, but all other categories are so proclaimed by the county assemblies or the Assembly of the City of Zagreb.

According to EU requirements[21] regarding nature protection, NEAP has identified the following obligations for the county/ local level:

- to establish a monitoring system for wet habitats
- to protect, preserve and improve the entire nature heritage within their territory
- to monitor the efficiency of the implementation of action plans
- to analyze the state of the protected geological heritage and to propose new areas for this protection where needed
- by the physical planning procedure and the procedure for issuing exploitation permits to reduce the number of new locations at which the exploitation of nature is permitted.

6.4. Air quality

The Air Protection Law (OG 48/95) regulates air quality monitoring at two levels: national and local. At the national level, it is obligatory to establish a national network for air quality monitoring. At the local level, the local self-government units are in charge of the air quality in the area under their competence and are obliged to establish local air quality monitoring networks.[22] Based on the air pollution data obtained, they adopt and implement programs for air quality improvement; in much polluted areas, they are obliged to develop rehabilitation programs in order to reduce air pollution.

According to the Air Quality Directives[23], there are many obligations for the regional/local level, as follows:

- to draft programs for the improvement of public transport in the cities
- to draft restoration plans for the existing stationary sources within the local physical plans
- to start measuring benzene concentrations at the regional/local level
- to build new thermal plants
- to reduce NO_x (nitrogen oxides) emissions from existing installations
- to reduce the emission of particulates in liquid fuel installations
- to conduct measures for the reduction of CO_2 emissions

In addition, many obligations arise from the climate change issue, directly linked with all the sectors and emissions of certain pollutants and energy consumption. In this field many very concrete measures and actions are allocated to the local level.[24]

6.5. Public information and participation

Article 49 «The Public Character of Environmental Data» of the Environmental Protection Law (OG 82/94, 182/99) says:

«1. The state administration bodies and the units of local and regional self-government, legal persons with public authority, legal persons performing activities relating to environmental protection and legal persons polluting the environment by their activity, having at their disposal data on the environment, the impact of the proposed and performed interventions on the environment, environmental protection measures and other data relevant to environmental protection are obliged to provide public access to

those data, unless a special law classifies them as a state, military, official or business secret.

2. All entities listed in Paragraph 1 of this Article are obliged immediately to inform the public about any violations of the defined environmental pollution level, as well as about environmental pollution, on a periodic basis....».

«4. The entities referred to in Paragraph 1 of this Article are obliged to inform the public and provide data to interested institutions, organizations and individuals within one month of the receipt of the request.

5. In exceptional cases when the environment is particularly endangered, the entities referred to in paragraph 1 of this article are obliged to inform the public about the situation as soon as possible through the mass media...».

Regardless of the obligations provided for by the statute, there is a need to improve information of the public and public participation in the decision-making process concerning the environment at the local level.
Therefore, NEAP has proposed the following activities:

- publishing regular information on environmental issues
- establishment of local information centers with a library of the relevant data
- informing the public regularly about environmental issues by local media
- enhancing participation by NGOs and citizens as partners in the decision-making processes
- to promote within the community new "eco-friendly" life-styles and products

6.6. Environmental protection programs

According to articles 19 and 20 of the Environmental Protection Law (OG 82/94, 182/99), the county assemblies and the Assembly of the City of Zagreb are to adopt an Environmental Protection Program containing the basic

objectives, conditions and standards of environmental protection as a whole, priority environmental protection measures for constituent parts and separate area units, elaborating environmental protection principles and guidelines contained in the environmental protection strategy, and drafting a Report on the State of the Environment.

An environmental protection program for certain restricted city areas or municipalities has to be passed by the city council or a municipality council, when special protection of the environment of a certain city or area of a municipality is needed for the purpose of conserving the cultural and historical, aesthetic and natural value of the landscape.

6.7. Environmental impact assessment

The Ordinance on Environmental Impact Assessment (OG 34/97, 59/00) is the most significant regulation in Croatia on public participation in the decision-making on certain activities. Public hearings are organized by local self-government units.[25]

Within the current process of the implementation of the Aarhus Convention[26], the public participation procedure already existing within the environmental impact assessment procedure will be improved and brought into compliance with the relevant EU requirements in this issue.

6.8. Charges

It is very important for environmental protection that, pursuant to the Law on Local Public Utilities (OG 26/03), local self-government authorities may prescribe charges for certain investments in the utilities sector for the purpose of environmental protection in their area. Relevant new pro-

visions are also provided for by the new Waste Law (OG 151/03) regarding solid waste management charges.

7. Results

Previous chapters show that there is a substantial body of laws covering this issue in all the relevant sectors. It could be stated that Croatia has already taken the preliminary legislative steps regarding the harmonization process related to environmental protection. In accordance with the decentralization process, all new legal acts, proposals, strategies and relevant documents recognize the role of the regional/local level. Many of them already have some significant activities prescribed for those levels, such as solid waste management.

However, an overall analysis of environmental protection at the regional/local level in practice, discovered while drafting the NEAP[27], has shown the following problems:

- Weak position of environmental protection within the public administration to date; the Government primarily supports other sectoral policies/objectives;
- Environmental protection authorities are distributed among numerous departments and institutions without an efficient horizontal co-ordination being ensured;
- There is no institutionalized possibility for harmonization of development policies based on sustainable development principles - no sustainable development body has been established so far;[28]
- Inadequate organization and human resources in all parts of the environmental administration;

- Inadequate education of the civil servants in charge of the environmental protection activities;
- Sectoral co-ordination is a problem even when the activities are similar (land, water, nature, environment, soil); the area is regulated by different and insufficiently coordinated legislation.

The current lack of clear authorities and their division between the partners, such as the lack of information flow, makes implementation of the principles of subsidiarity and shared responsibility almost impossible and rather rare in practice.

The sphere of environmental protection is regulated by different administrative bodies, with strictly delineated authorities, which prevents an integrated/sustainable approach to environmental protection. This primarily refers to water management (which has always been an independent unit), but also to nature conservation and environmental protection, and the waste management[29] sector.

It can thus be concluded that, like all other transition countries, Croatia is facing a serious problem of the inefficiency/deficiency of the administration, which has not been properly regulated. The counties have a maximum of one to two persons responsible for environmental issues, while the situation in the cities is perhaps somewhat better, and the municipalities generally have no environmental officials.[30] This deficiency might prove to be a source of tremendous problems in fulfilling the commitments stemming from the process of approaching the EU.

Additionally, the quality of personnel is recognized as a problem at the national and local administration level and particularly in the multidisciplinary field of environmental protection since this sector has neither an educational nor an administrative tradition.

IV.

Conclusion and Recommendations

Along with the difficulties encountered at the administrative level[31] that need resolving, improvements are necessary in bringing the business sector, individuals and NGOs[32] into the process of environmental policy-making and the implementation of that policy. Decentralization of public administration is the main force for implementation of the environment policy, which needs to be accompanied by increased transparency and participation.

However, the process of decentralization always includes certain advantages and disadvantages within each policy. Generally speaking, the advantages might be: increased efficiency leading to better achievement of EU objectives; increased involvement of stakeholders leading to increased ownership, legitimacy and acceptance of EU policies; opening up possibilities of more flexible and "tailor-made" shaping and implementation of EU policies. That is, decentralized entities can optimize output from the local perspective. On the other hand, potential disadvantages and risks related to decentralization could be identified as the following: the risk of discriminatory treatment; increased

costs-decentralized implementation does not necessarily lead to a reduction of resource needs at the central level, lack or weakness of administrative and/or financial capacity at the sub-national level (e.g., in some cases, lack of information technologies increased risk of fraud or irregularities and decreased awareness of the EU dimension in the light of accession).

It is obvious that the current administration will only be capable of playing its demanding role if its human resources are considerably strengthened[33] and its organization is improved. Hence, the National Environmental Action Plan (OG 46/02) was adopted by the Croatian Parliament.[34] The Plan was drafted with the technical and financial assistance of the World Bank. It contains detailed action plans for thematic areas of environmental protection (waste management, air protection, water management, etc.) and the action plan for each sector contains the following: concrete objectives within the sector, measures for accomplishing the objectives, the activity level (national, local, etc.), the responsible actors (ministries and other government bodies, regional self-government, etc.), the time necessary for the implementation of measures and activities for the purpose of accomplishing the objectives defined.

It is also important to point out that, because of the obligations arising from the EU accession process, reference to relevant EU directives has been specified alongside the measures in each area.

This implies the following measures:

1. Determining the authorities of local/regional administration and ensuring both horizontal and vertical cooperation
2. Re-examination and possible extension of self-government authorities
3. Ensuring permanent funding (budget or earmarked funds) for program implementation
4. Provision of sufficient environmental human resources: 2-3 employees in each city, one in each municipality to deal with environmental issues
5. Ensuring adequate financing of local government services
6. Ensuring adequate staff training
7. Ensuring access to information
8. Ensuring conditions for active participation of individuals, formal and informal groups (including NGOs)
9. Drafting regional programs (Regional Environmental Action Plans, REAPs)
10. Drafting local programs (Local Environmental Action Plans, LEAPs)

Additionally, it is clear that new obligations, their scope and complexity, have already been identified for each sector, arising from the need to ensure compliance with EU requirements. The most common question is: *who is going to pay for all those changes, since the budgetary system can not provide additional working places or additional education programs?*

However, the budgetary question should not be an insuperable problem or even an excuse for delay in progress.

The EU has developed several programs for financial and technical assistance specifically for this issue of capacity building. For example, the Commission has been the driving force in the development of the Regional Environmental Reconstruction Program (REReP). This program seeks to provide a framework in which environmental actions can be pursued at a regional level in the Balkans. Aiming to bring about the necessary reforms for sustainable environmental protection, it currently focuses on four principal themes: institution building, civil society, support to existing regional mechanisms and reducing the environmental health threat. The REReP is a major regional environmental initiative supported by the Commission for the countries of SEE and is in addition to its bilateral relations with each individual country.

Most of the technical assistance so far provided to Croatia is being implemented in the framework of the Community Assistance for Reconstruction, Development and Stabilization (CARDS) Program.[35] The CARDS program is the main channel for EU financial and technical assistance co-operation with SEE countries while they are potential candidate countries. The CARDS National Program was designed to support Croatia in 2000 – 2004 to meet its most difficult challenges and to fulfill obligations undertaken in the framework of the SAA, including the Interim Agreement. Now that Croatia has been given status of candidate county, the Phare program will be the main instrument for providing technical assistance and the ISPA program, a precursor to the Cohesion Fund, will be the main source of environmental project financing. (See further discussion under the chapter on Regional Policy and Structural Instruments).

Nevertheless, probably the easiest and quickest way to gain the proper skills and adequate experience in handling the new requirements could be the twinning projects that can be instituted between any regional or local authority from Croatia and a concerned EU partner (governmental organizations of the member states, NGOs, institutes) regarding any specific problem or area (restoration of old landfills, for instance, or old water supply installations). These programs can be easily initiated and agreed on (sometimes only a few meetings between concerned parties are enough) and their concrete implementation usually starts much sooner than one of the projects such as CARDS or REReP. Maybe the most important bonus of the twinning project is that, when it starts, it is usually implemented directly at the location concerned, with direct assistance from the relevant EU experts to the regional/local authorities concerned. Therefore, this option has to be taken more seriously into account and Croatia should benefit from this opportunity as often as possible.[36] However, in order to take advantage of EU facilities and twinning opportunities, it is of the utmost importance to rapidly educate and train existing professional staff in the public administration that would be capable of identifying the problems at the regional or local level and then could access the financial, technical and information sources available within the EU.

Agenda 2000 [online]. Available on: [http://www.europa.eu.int/comm/agenda2000/index_en.html].

Council Regulation (EC) 1266/1999 of 21 June 1999 on coordinating aid to the applicant countries in the framework of pre-accession strategy and amending Regulation (EEC) No 3906/89.

European Commission, 2003. European Commission to step up dialogue with associations of regional and local authorities. *Press release; 28.* March 2003, (IP/03/448). Available from: [http://www.euireland.ie/news/regional/0303/dialoguewithauthorities.htm].

General Administrative Procedure Law, NN 53/91. Zagreb: Narodne novine.

Nacionalni plan djelovanja na okoliš, NN 46/02. Zagreb: Narodne novine.

Pravilnik o procjeni utjecaja na okoliš, NN 34/97, 59/00. Zagreb: Narodne novine

Regulation of the European Parliament and of the Council of 17 July 2000 concerning the financial instrument for the environment (LIFE) No 1655/2000

Treaty establishing the European Community (consolidated text), Official Journal C 325 of 24 December 2002.

Available from: [http://www.europa.eu.int/eur-lex/en/search/search_treaties.html].

Treaty of Amsterdam [online]. Available from: [http://www.europa.eu.int/scadplus/leg/en/lvb/a15000.html].

Treaty of the European Union (consolidated text), Official Journal C 325 of 24 December 2002. Available from: [http://www.europa.eu.int/eur-lex/en/search/search_treaties.html].

Uredba o unutarnjem ustrojstvu ureda državne uprave, NN 21/02. Zagreb: Narodne novine.

Ustav Republike Hrvatske, NN 41/01. Zagreb: Narodne novine.

Zakon o financiranju jedinica lokalne samouprave i uprave, NN 33/01. Zagreb: Narodne novine.

Zakon o otpadu, NN 151/03. Zagreb: Narodne novine.

Zakon o potvrđivanju Sporazuma o stabilizaciji i pridruživanju između Republike Hrvatske i Europskih zajednica i njihovih država članica, NN-Međunarodni ugovori 14/2001. Zagreb: Narodne novine.

Zakon o sustavu državne uprave, NN 75/93, 92/96, 48/99, 15/00, 59/01. Zagreb: Narodne novine.

Zakon o ustrojstvu i djelokrugu ministarstava i državnih upravnih organizacija, NN 48/99, 15/00 and 20/00 – correction. Zagreb: Narodne novine.

Zakon o vladi, NN 53/91, 9/92, 77/92. Zagreb: Narodne novine.

Zakon o vodama, NN 107/95. Zagreb: Narodne novine.

Zakon o zaštiti okoliša, NN 82/94, 182/99. Zagreb: Narodne novine.

Zakon o zaštiti prirode, NN 107/03. Zagreb: Narodne novine.

Zakon o zaštiti zraka, NN 48/95. Zagreb: Narodne novine.

Endnotes

1 Signed in 1957 and came into effect in 1958. Treaty establishing the European Community (consolidated text), Official Journal C 325 of 24 December 2002. Available on http://www.europa.eu.int/eur-lex/en/search/search_treaties.html

2 Signed in 1992 and came into effect in 1993; Treaty of the European Union, 2002.

3 The Treaty was signed 1997 and came into effect on 1 May 1999. Available on http://www.europa.eu.int/scadplus/leg/en/lvb/a15000.html

4 Available on http://www.europa.eu.int/comm/agenda2000/index_en.html

5 The Phare program is the European Union's main instrument of technical assistance with CEEC candidate countries (currently Bulgaria, Romania and Croatia). Originally, it was set up in 1989 to support the process of reform and economic and political transition in Poland and Hungary. Following the publication of Agenda 2000 and the stepping-up of the enlargement process, Phare was redirected towards preparing candidate countries for accession. Its activities now concentrate on two priorities: helping the administrations (at national and local levels) of candidate countries to acquire the capacity to implement the EU acquis and helping candi-

date countries bring their industries and basic infrastructure up to the Union's standards.

6 LIFE is a financial instrument for the environment that co-finances environmental activities in the Union and in certain non-Union countries (bordering on the Mediterranean and the Baltic Sea and the CEECs that have applied to join the EU). It consists of three thematic components: Life-Nature, Life-Environment and Life-third countries.

7 Established by Council Regulation (EC)No 1266/1999 of 21 June 1999 on coordinating aid to the applicant countries in the framework of pre-accession strategy and amending Regulation (EEC) No 3906/89

8 Set up under the White Paper on the preparation of the CEECs for integration into the single market

9 In November 2002 the European Commission started with the implementation of the CARDS 2001 public administration reform project. The overall objective of this €1.5 million project is to promote a modern and professional public service, capable of meeting the administrative standards and practices for the member states of the EU. A consortium led by the British Council implements the project. The primary project partner is the Ministry of Justice, Administration and Local Self-Government. (Under the present Government, Administration and Local Self-Government are now part of the Central State Office for Administration.)

10 According to the subsidiarity principle, tasks and authorities should be devolved to the lowest level of government which is capable of effectively and efficiently performing the function. Caution must be exercised in ensuring that the scale of local government service provision is of sufficient scale for cost effective service

provision and that the local governments have or could quickly develop the required technical competence.

[11] According to the criteria determined by the Zakon o lokalnoj i područnoj (regionalnoj) samoupravi (OG 33/01,60/01)

[12] OG is abbreviation for the Croatian Official Gazette «Narodne novine»

[13] see more about the Agency on www.azo.hr

[14] see more about the Fund on www.mzopu.hr

[15] This principle allows for a share of the environmental expenditures to be financed from the budget and is in relative opposition to the "polluter pays" principle. Particularly important within the EU, it is used as an instrument for establishing better contacts between the members and partners while supporting the principle that the decisions should be made through the most direct contact with the general public.

[16] During the last couple of years, the Croatian Chamber of Economy has initiated a pro-active involvement in the environmental decision-making and implementation procedures. Special bodies have been established. Such actions of the Chamber need to become more concrete, but it still seems that the next move is up to the relevant Ministry.

[17] Completely undefined segment, therefore almost impossible to be influenced by individuals. The involvement of individuals demands additional effort.

[18] Slovenia has formalized an obligation for co-operation between the relevant Ministry and NGOs, which ensures control of official government by the NGOs on a voluntary basis.

[19] 75/442/EEC, 91/692/EEC, 96/360/EEC, 91/156/EEC, 96/59/EC, 94/62/EC, 86/278/EEC, 2000/76/EEC and 99/31/EC, etc.

[20] 76/464/EEC, 86/280/EEC, 91/271/EEC, 90/415/EEC...etc.

[21] 92/43/EEZ, 338/97/EZ, 79/409/EEZ...etc.

[22] The air quality at the local level has been continuously monitored since 1964 by measuring general pollution (SO2, smoke and deposited matter). At present the air quality is monitored in 41 cities or settlements at a total of 123 stations.

[23] 96/62/EC, 99/30/EC, 2000/69/EC, 99/13/EC, 2002/3/EC, 98/70/EC...etc.

[24] See the NEAP, OG. 46/02; chapter 4.2.1.1 «*Climate changes*»

[25] Notice of a public hearing is published in the press and the official gazette of the local self-government unit in the area where the public hearing is held, and it can also be announced in other media before the beginning of the public hearing.

[26] In 1998, the European Community and all its member states as well as many third countries signed the UN/ECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (the Aarhus Convention), which constitutes the first-ever international convention on citizens' environmental rights. The Convention deals with three central areas of importance to governance: (1) *Right to information*. In accordance with the Convention, all citizens have a right of access to information on the environment which is held by public authorities and the governmental authorities must ensure the

collection and dissemination of environmental information. (2) *Right to participate*. The public concerned must be allowed to take part in environmental decisions. (3) *Right to complain (access to justice)*. The Convention gives citizens access to administrative and judicial appeal authorities where the right of access to environmental information and the right to participate in environmental decisions has not been respected and environmental law has been breached. Project status and all relevant documents, available at www.mzopu.hr

[27] see in *National Environmental Action Plan* (OG 46/02), chapter 3

[28] After the 1992 Rio Conference, most countries (and almost all the developed countries) established bodies at the highest level for the harmonization of development policy with sustainable development principles.

[29] Although the new Government organization has brought together the two Ministries responsible for this sector.

[30] See in *National Environmental Action Plan* (OG 46/02), Chapter 3

[31] Horizontal coordination among the ministries, and vertical coordination among the state, counties, and local self-government.

[32] Inter-sectoral coordination - between the government and NGOs, business sector and individuals.

[33] Unfortunately, it seems that there is a lack of personnel capable of fulfilling these complex tasks outside the administration as well. Therefore, considerable effort will be directed towards the human resources capacity building.

[34] The National Environmental Action Plan was drafted in accordance with the 5th and 6th EU Action Plan to the maximum extent, fully taking into consideration the basic characteristics of Croatia. It represents one of the first sectoral documents in Croatia for rapprochement with the EU.

[35] Guided by the Council Regulation (EC) 2666/2000, and elaborated in detail in the Country Strategy Paper 2002 – 2006.

[36] An example of such a good practice is a project between the Croatian Ministry of Environment and the Danish Ministry of Ecology and Energy regarding the rehabilitation of an old dump-site in the City of Vinkovci into a modern landfill.

ABBREVIATIONS

CARDS	Community Assistance for Reconstruction, Development and Stabilization
CEECs	Central and Eastern European Countries
CSF	Community Support Framework
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross domestic product
ISPA	Instrument for Structural Programs for pre-Accession
LEAPs	Local Environmental Action Plans
NEAP	National Environmental Action Plan
NGO	Non-governmental organization
NUTS	Nomenclature commune des unités territoriales statistiques
OG	Official Gazette
Phare	Poland and Hungary: aid for economic restructuring
RDS	Regional Development Strategy
REAPs	Regional Environmental Action Plans
REReP	Regional Environmental Reconstruction Program
SAA	Stabilization and Association Agreement
SAPARD	Support for Pre-accession Measures for Agriculture and Rural Development
SEE	South Eastern Europe
SPD	Single Programming Document
TAIEX	Technical Assistance Information Exchange Office

CIP - Katalogizacija u publikaciji
Nacionalna i sveučilišna knjižnica - Zagreb

UDK 353(4-67 EU:497.5)

OTT, Katarina
Implications of European Union accession for local governments in Croatia: regional policy and the environment : october 2005 / prepared by Katarina Ott, Alida Ban and Jasminka Pecotić ; with contributions by William Kugler, Pat Dusenbury and Juliana Pigey. - Zagreb : The Urban Institute, 2005.

Na vrhu nasl. str.: USAID Croatia.

ISBN 953-99520-7-7

1. Ban, Alida 2. Pecotić, Jasminka

I. European Union -- Regionalna politika
II. European Union -- Hrvatska -- Pridruživanje
III. Lokalna samouprava -- Zaštita okoliša -- Hrvatska

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