



Instrument for Pre-Accession Assistance Cross-border Cooperation

Slovenia-Croatia Operational Programme 2007-2013



CCI number: 2007 CB 16 I PO 002

27 November 2007

As approved by Commission Decision
No C(2008)739 as of 28/2/2008

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EXECUTIVE SUMMARY

The **Cross-border Co-operation Operational Programme Slovenia-Croatia 2007-2013 (OP)** is a development programme jointly designed by Slovenia and Croatia to tackle common problems and exploit shared potentials in the forthcoming seven-year period. The programme will be co-financed by **the European Union (EU)** within the **Instrument for Pre-accession Assistance (IPA)**.

IPA is a **new legal and financial instrument** of the EU, which is **applicable to Candidate Countries and Potential Candidate Countries as well as to the Member States**, which share a cross-border programme with those countries. This new instrument will enable the participating countries at the external EU border to set up a joint programme, which will be governed by a single set of rules, thus creating the basic conditions for developing genuine cross-border projects.

The Operational Programme contains a development strategy and its implementation arrangements for **the eligible area** comprising NUTS level 3 regions along the Slovenian-Croatian border: Pomurska, Podravska, Savinjska, Spodnjeposavska, Jugovzhodna Slovenija, Notranjsko-kraška, Obalno-kraška and Osrednjeslovenska regions in Slovenia and Međimurje, Varaždin, Krapina-Zagorje, Zagreb, Karlovac, Primorje-Gorski kotar, Istria and City of Zagreb in Croatia.

The document will be of value to persons involved in the programme implementation and project beneficiaries taking part in cross-border initiatives, which will contribute to the achievement of objectives set within the **three priorities** of the programme: 1) Economic and Social Development, 2) Sustainable Management of Natural Resources, and 3) Technical Assistance. The vision of the programme is to make the cross-border area between Croatia and Slovenia highly competitive, and to create sustainable living conditions and wellbeing for its inhabitants by exploiting development opportunities arising from joint cross-border actions.

In its implementation this OP will combine funding coming from the European Regional Development Fund, which is available to Slovenia as an EU Member State, and IPA funds available to Croatia as an EU Candidate Country, joined in a **single IPA programme allocation**. For the first three years an amount of 15.7 million euros IPA funds is envisaged to be made available for funding cross-border projects with an EU co-financing rate of 85%.

The programme will be administered jointly by Slovenia and Croatia through a **shared management system**. The responsible institution for implementing the programme vis-à-vis the European Commission will be the Government Office for Local Self-Government and Regional Policy acting as the Managing Authority (MA). The MA will be assisted by a Joint Technical Secretariat located in Ljubljana (Slovenia) and an Info Point located in Zagreb (Croatia) responsible for providing information and assistance to project applicants/beneficiaries. Projects will be selected jointly by a Joint Monitoring Committee.

On project level, the cross-border programme will be based on the so-called **lead partner principle** which foresees that a lead beneficiary (the lead partner) takes over the leadership of a joint project setting up a partnership, involving at least one cross-border partner, with other final beneficiaries (the partners). Thus in the new programme only joint projects will be funded to be selected through a single call for proposals or identified and approved by the Joint Monitoring Committee as strategic projects.

The development orientations and the implementation structure of the Operational Programme are in line with the legal basis and guidelines governing IPA, and to a great extent with the objectives of the **Lisbon Strategy and Gothenburg agenda**.

1 INTRODUCTION

1.1 Background

The Slovenian-Croatian cross-border cooperation has been going on for several years and was supported by different EU and national financial instruments, starting in 2003 with the PHARE programme in Slovenia and with CARDS 2003 “Local Development of Border Regions” in Croatia as forerunners of the new neighbourhood programme approach.

In 2004, Slovenia, Croatia and Hungary developed a trilateral programme of cross-border cooperation called the Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 (NP) in order to be better prepared for the implications of the enlargement and to strengthen good relations between the three neighbouring countries. The NP provided the basis for the development and implementation of joint development projects in two priority areas: economic and social cohesion and human resources development, and sustainable development.

The Neighbourhood Programme introduced a joint application and selection process on both sides of the border, however, contracting and implementation were still managed separately in line with different legal bases governing ERDF and pre-accession funds. In the period 2004-2006 only two calls for proposals were published respectively in December 2004 and in November 2005 for an amount of 9,5 million euros ERDF funds for Slovenian applicants and 8 million euros CARDS/PHARE funds for Croatian applicants. In total for both calls 304 applications were submitted by Slovenian and 197 applications by Croatian applicants. On both sides there was an increase in the number of applications submitted to the 2nd Call for Proposals by approximately 34%, demonstrating a huge interest for cross-border co-operation in the eligible area which is likely to rise in the new programming period.

The Neighbourhood Programme has paved the way for the new IPA programme, which thanks to the new legal basis, aims at overcoming the administrative barriers which have represented an obstacle to cross-border co-operation so far. **IPA as a single instrument:**

1. constitutes a common legal basis applicable both to Member States and Candidate Countries/Potential Candidate Countries;
2. represents a common financial instrument replacing all financial instruments for external actions in use in 2000-2006 (PHARE, ISPA, SAPARD, CARDS, Pre-accession Instrument for Turkey);
3. implies a common financial allocation of the programme, combining European Regional Development Fund and IPA funds; the IPA funds can be spent on the whole eligible territory;
4. envisages the creation of common management bodies, which allow for a joint implementation on programme (Managing Authority) and project (lead beneficiary) level;
5. introduces a common set of rules for the implementation of the programme and projects.

In the new financial perspective 2007-2013 the trilateral Neighbourhood Programme 2004-2006 has been converted into three bilateral programmes: OP Slovenia-Croatia 2007-2013, and OP Hungary-Croatia 2007-2013, which are both IPA programmes at the EU external borders, and OP Slovenia-Hungary 2007-2013, which has become a European territorial co-operation programme covering an EU internal border. Apart from this, also experiences gained in the 2004-2006 period show that a bilateral programme is an appropriate choice: i.e. a very low share of trilateral projects, and a projects pattern showing that cross-border co-operation depends to a great extent on the proximity of border regions and on the similarity of the social-economic context, as well as on the existence of strong historical, economic, cultural and social links (language).

1.2 The purpose

Thanks to the Lisbon strategy and Gothenburg agenda, the cross-border area between Croatia and Slovenia sees its chance to make this area competitive and create sustainable living conditions and wellbeing for its inhabitants by exploiting development opportunities which arise through joint cross-border actions. To this end Croatia and Slovenia have elaborated jointly the IPA Cross-border Co-operation Operational Programme Slovenia-Croatia 2007-2013.

The Operational Programme is the document which sets the framework for implementing the programme strategy in response to the analysis of the socio-economic situation in Slovenia and Croatia border regions in terms of their strengths and weaknesses.

The document will be of value to persons involved in programme implementation and project beneficiaries participating in the programme. It contains the information on the priorities and their specific targets, which are quantified by a number of indicators for output and results in order to measure the progress in relation to the baseline situation and the effectiveness of the targets implementing the priorities.

An equally important part of the OP are the implementing provisions, which encompass a description of the monitoring and evaluation systems, information about the competent body for receiving the payments made by the Commission, and the body or bodies responsible for making payments to the beneficiaries. It contains also a definition of the procedures for the mobilisation and circulation of financial flows in order to ensure their transparency.

In its implementation this OP will combine funding coming from the European Regional Development Fund, which is available to Slovenia as an EU Member State, and IPA funds available to Croatia as an EU Candidate Country, which have been joined in a single programme allocation.

Thanks to IPA the new Operational Programme between the two neighbouring countries will bring cross-border co-operation to a higher level and will contribute to fostering the development in the region. The aim is to connect different sectors by tackling common problems and seeking for good cross-border projects, which could bring visible and sustainable results throughout the cross-border region.

1.3 Relevant regulations and strategic documents

The Instrument for Pre-accession Assistance constitutes a framework regulation, laying down the objectives and main principles for pre-accession assistance and presenting the articulation of the five components, which compose the Instrument for Pre-accession Assistance – the IPA Components.

The Cross-border Co-operation Component encompasses different co-operation mechanisms (cross-border co-operation among beneficiary countries and Member States and cross-border co-operation among beneficiary countries), and therefore requires adequate rules for each of those mechanisms.

Main applicable EU regulations:

- Council Regulation (EC) **No 1085/2006** establishing an Instrument for Pre-accession Assistance – the IPA general regulation;
- Commission Regulation (EC) **No 718/2007** of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance – the IPA implementing regulation;

- Articles 98, 99, 100, 101 and 102 of Council Regulation (EC) **No 1083/2006** for financial corrections;
- Articles 27 to 34 of Commission Regulation (EC) **No 1828/2006** setting out the rules for the implementation of Regulation (EC) No 1083/2006 and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council for irregularities;
- Chapter 3 of Part 2, Title IV of Regulation (EC, Euratom) **No 1605/2002** and Chapter 3 of Part 2, Title III of Regulation (EC, Euratom) **No 2342/2002**, as well as **Commission Decision C (2006) 117** of 24 January 2006 for procurement.

The Operational Programme Slovenia-Croatia 2007-2013 has to be in line also with the **Multi-annual Indicative Planning Document (MIPD) for 2007-2009** of the Republic of Croatia for the first triennial financial period.

The **European Community Strategic Guidelines on Cohesion Policy** have identified three priorities for European cohesion policy in the period 2007-2013, focusing on the Lisbon (competitiveness) and Gothenburg (sustainability) objectives. Even if this IPA programme does not fit in the framework of European Territorial Cooperation in legal terms, the orientations provided by the European Community Strategic Guidelines have been taken into account in designing the programme strategy.

The **National Development Plan (NDP)** includes all development-investment programmes and projects in Slovenia for the period from 2007 to 2013, which will be financed or co-financed by national or municipal budgets. The specific objectives of the NDP are:

- To increase the economic, social and environment capital, and;
- To increase efficiency in terms of economic competitiveness, quality of living and sustainable use of natural resources.

The **National Strategic Reference Framework (NSRF)** of Slovenia complements the National Development Plan. The NSRF in Slovenia includes programmes and projects from the NDP, which will be co-financed from the EU budget and will contribute to the goals of the new EU cohesion policy for the period 2007-2013. The Slovene National Strategic Reference Framework does not treat the territorial cooperation and IPA programmes as an individual priority, however it includes territorial cooperation and IPA programmes as one of the sections of the NSRF Priority 5 (Interaction of the measures for achievement of the long-term sustainable development).

With regard to the **Strategic Development Framework 2006-2013 for Croatia**, regional development is one of its essential parts. Therefore special emphasis is put on cross-border cooperation as one of the instruments of regional development, which implies not only investment into infrastructure but also demands activities geared to improving the investment climate, development of entrepreneurship, education, development of tourism and preservation of space and environment. Cross-border cooperation should also be stimulated in order to minimise the influence of borders on development and to allow citizens and the business sector to take advantage and to exploit the potential of the EU market.

The **National Strategy for Regional Development of Croatia** defines cross-border cooperation as an individual priority in Chapter 4.3.7. – Cross-border Cooperation, which includes the following priorities:

- Development of urban, rural and coastal cross-border areas;
- Improvement of entrepreneurship and SMEs;
- Tourism;
- LDEI (Local Development and Employment Initiative);
- Equal opportunities for both men and women;
- Nature, culture and environment protection;
- Use of renewable energy sources;

- Improvement of transport and telecommunication infrastructure and water and energy supply.

The cross-border cooperation region also overlaps on the Slovenian side with the targeted area of the EAFRD financed Rural Development Programme 2007-2013, and for the Croatian side with the Regional Competitiveness Operational Programme, Regional Environmental Protection Operational Programme and IPARD programme for the period 2007-2013. This implies that coordination is necessary. In general, double funding, even in projects where objectives of different programmes are relatively similar is prevented by the fact that the same authorities are involved in the consultation and project selection procedures of projects potentially eligible under cross-border cooperation and other programmes mentioned above. In the implementation of the programme special care will be taken to ensure that activities co-financed under the cross-border programme between Slovenia and Croatia are not supported from any other IPA component.

1.4 Programming process

The programming phase was initiated in the year 2005, when the bilateral working group, consisting of Slovenian (Government Office for Local Self-Government and Regional Policy), and Croatian representatives (Ministry for Foreign Affairs and European Integrations, and from June 2006 representatives of the Ministry of Sea, Tourism, Transport and Development) was established. The whole process was undertaken in a partnership approach of the relevant partners under the co-ordination of the Government Office for Local Self-Government and Regional Policy proposed to act as the Managing Authority.

This programme has been developed in accordance with Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-accession Assistance and the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA). This programme has been prepared and will be implemented in partnership among the Slovenian and Croatian authorities.

Apart from consultations on national level, bilateral working groups meetings were held. They mainly concentrated on structures for the programme implementation, implementation at project level, and financial implementation and control.

Table 1: Programming process

Activity	Date	Venue	Outcome
Bilateral level			
1. BWG Meeting	20.7.2005	Rakičan	Exchange of information, discussion on overall strategic approach, identification of key issues, draft action plan
2. BWG Meeting	21.10.2005	Ljubljana	Evaluation of the first call, eligible area, division of tasks for preparation of OP
3. BWG Meeting	26.1.2006	Ljubljana	Results of strategic workshops in Slovenia and Croatia, crosscheck of the themes, priorities, targets, key actors identified from both sides, selection procedures
4. BWG Meeting	11.4.2006	Zagreb	SWOT, vision, priorities, specific goals for cooperation, identification of project typologies and selection procedures, discussion of the implementation structures
5. BWG Meeting	6.6.2006	Ljubljana	Analysis of questionnaires on project ideas/project initiatives
6. BWG Meeting	20.11.2006	Zagreb	SEA, revision of comments from ministries on OP, revision of ex-ante comments, implementing structures
7. BWG Meeting	26.04.2007	Ljubljana	Discussion on the draft OP and reaching final agreements on chapters
8. BWG Meeting	6.11.2007	Ljubljana	Discussion on comments of the Commission on the proposed OP SI-AT 2007-2013

National and regional level			
1. Workshop with national representatives on SWOT and STRATEGIC THEMES	14.11.2005	Ljubljana	Sectorial inputs for the preparation of the strategic themes
2. Workshop with regional representatives on SWOT and STRATEGIC THEMES	21.11.2005	Ljubljana	Regional inputs for the preparation of strategic themes
3. Workshop with national and regional representatives (Croatian National Committee for Interreg on SWOT and strategic themes)	3.04.2006	Zagreb	Sectorial and regional inputs for the preparation of strategic themes

Besides the programming group a wide range of stakeholders from national, regional and local level in both countries were involved in the programming process through consultative processes as shown in the table above. On workshops an agreement on the strategic objectives, strategic themes and SWOT analysis was reached.

A consultation process with the different socio-economic partners was organised on both sides of the border. The following activities were implemented:

- Online forum,
- Project ideas analysis (from potential applicants),
- Web comments to the draft OP,
- Presentation of the OP to the different stakeholders,
- Workshops (see the table above).

In spring 2006, the experts in Slovenia and Croatia prepared a questionnaire for project ideas, which was sent to potential beneficiaries in both countries. There were 192 replies on the Slovenian side and 117 replies on the Croatian side, which demonstrates a huge interest for cross-border projects in the eligible territory. The analysis of questionnaires was the basis for designing the strategic part of OP SI-HR 2007-2013. The results of the analysis indicate that the majority of project ideas are referring to tourism, economy, nature protection and environment protection.

In parallel to the elaboration of the OP, the ex-ante evaluation was carried out. The recommendations of the ex-ante evaluators have been integrated into the OP. The process of the assessment was interactive and in close coordination with the programming team, both in terms of timing and content.

In accordance with Directive 2001/42/EC of the European Parliament and of the Council on the Assessment of the effects of certain plans and programmes on the environment (Official Journal L 197 of 21.07.2001) Strategic Environmental Assessment (SEA) was elaborated and is enclosed as Annex 2 to this document.

2 SOCIO-ECONOMIC ANALYSIS OF THE PROGRAMMING AREA

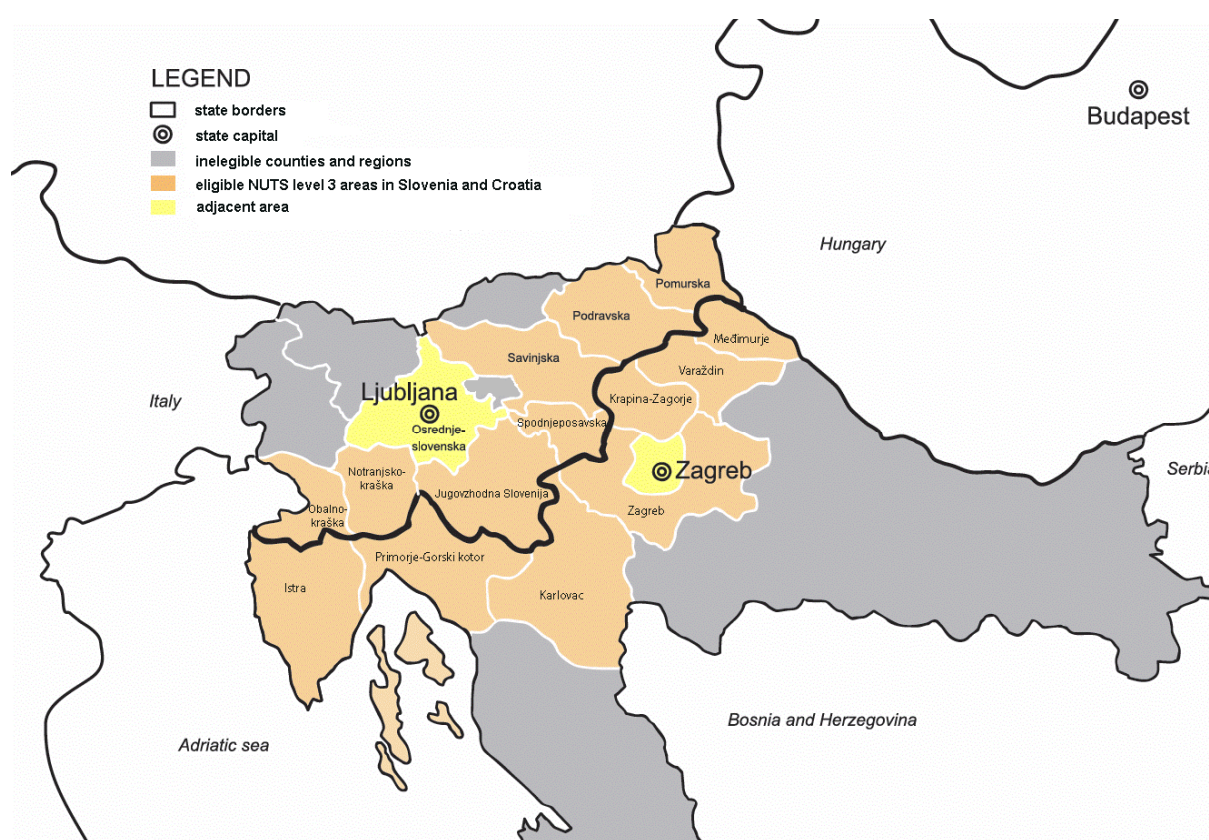
2.1 Identification of eligible areas

The programme-targeted area is the area of the common Slovenian-Croatian border. The counties and regions concerned are the territorial units on the NUTS level 3.

Table 2: Eligible NUTS level 3 areas in Slovenia and Croatia

SLOVENIA (Statistical regions)	CROATIA (Counties)
Pomurska, Podravska, Savinjska, Spodnje-posavska, Jugovzhodna Slovenija, Notranjsko-kraška, Obalno-kraška, Osrednjeslovenska (20%)	Međimurje, Varaždin, Krapina -Zagorje, Zagreb, Karlovac, Primorje-Gorski kotar, Istria, City of Zagreb (20%)

Map 1: Eligible NUTS level 3 areas in Slovenia and Croatia



In line with provisions of Article 88 and Article 97 of the Commission Regulation (EC) No 718/2007, the participating states have agreed to include in the eligible area the City of Zagreb (Croatian county NUTS level 3) and Osrednjeslovenska (Slovenian statistical region NUTS level 3) as adjacent regions.

The City of Zagreb is the NUTS level 3 area adjacent to the Zagreb and Krapina -Zagorje county, which are Croatian eligible regions for the IPA CBC 2007-2013 Slovenia-Croatia programme. Moreover, the City of Zagreb area is geographically, economically and socially an integral part of a wider region, namely Zagreb being just 25 km away from the Slovenian-Croatian border.

On top of that, in the preparation of the Operational Programme Slovenia-Croatia 2007-2013 following discussions on proposed future priorities of cooperation, it is important to note

that the City of Zagreb is the centre of research and development and initiator of development of entrepreneurship. Thus it could support and boost development of cross-border research training, business start-ups, science parks and promote university-business links, as well as develop human resources as foreseen under priority one related to the Lisbon agenda, which aims at improving the competitiveness of the economy.

Participation of the City of Zagreb in IPA CBC Operational Programme Slovenia–Croatia 2007-2013 programme was supported by the *National Committee for implementation of Interreg*.

In line with the Government Decision No. 91-4/2007-5 of 18 April 2007, the eligible area of this Operational Programme on the Slovene side shall be extended to Osrednjeslovenska region by applying the 20 % flexibility rule. Namely, the Osrednjeslovenska region does not directly lie on the Croatian border, but is still in its close proximity, next to 4 regions of the eligible area. Some important institutions (universities, research institutions etc.), located in Slovenia only in the above-mentioned region, could considerably contribute to achieving the objectives of priority one. The institutions could contribute to the added value of the new programme, especially in the field of creating networks, bringing experiences to cross-border stakeholders and sharing knowledge among them. By extending the eligible area, an added value and a higher level of cross-border cooperation will be achieved with the activities, which will have spill-over effects on the development of the entire eligible territory.

2.2 Geographical description of eligible areas

The programme area covers 31.453 km². The Slovenian–Croatian border is 667,8 km long.

Table 3: Surface area of counties and regions included in the programme area

SLOVENIA ¹		CROATIA ²	
Region	Area (km ²)	County	Area (km ²)
Pomurska	1.336	Međimurje	729
Podravska	2.170	Zagreb	3.060
Savinjska	2.384	Krapina -Zagorje	1.229
Spodnjeposavska	885	Karlovac	3.626
Jugovzhodna Slovenija	2.675	Varaždin	1.262
Notranjsko-kraška	1.456	Primorje-Gorski kotor	3.588
Obalno-kraška	1.044	Istria	2.813
Osrednjeslovenska	2.555	City of Zagreb	641
Total	14.505	Total	16.948

Sources: ¹ Data of Statistical Office RS (SI-Stat Data 2005) ²Central Bureau of Statistic of RH, Statistical information 2006, Data of the Surveying and Mapping Authority of the Republic of Croatia – surface area (km²).

In the programme area four major geographical units can be distinguished with very diverse topographic and climatic characteristics, as well as settlement structure and economic conditions: the Mediterranean, the Dinaric mountains, the Alps and Subalpine hills, and the Pannonian basin. Some administrative units span over more geographical units.

2.2.1 Mediterranean

Slovenia's Obalno-kraška region, Croatian Istria and part of Primorje-Gorski kotor counties belong to the Mediterranean geographical region. The main natural units are the Istria peninsula, Primorje, and the Kvarner islands of Krk, Cres, Lošinj and Rab. The region is generally characterised by the interchanging of Karst (Karst plateau with numerous surface and underground Karst relief features) and Flysch (hilly areas and river valleys) landforms. The area is influenced by the Mediterranean climate. The coastline is predominantly steep,

except in western Istria and at river mouths. The rivers are mostly short, the most important are Rižana, Dragonja, Mirna, Raša and Reka rivers. Natural conditions are favourable for growing early vegetables, wine and fruit growing, olive trees, and saltpans. Furthermore, the area is characterised by stockbreeding (sheep, goats, horses in Lipica), by rich cultural heritage of settlements and by stone craft. In the area, there are two northernmost ports in the Adriatic (Koper, Rijeka), the closest Mediterranean ports to Central Europe. Population is concentrated on the coast (Koper, Izola, Piran, Pula, Rijeka), while the hinterland is less populated. The previously mentioned towns are also economic centres of this unit. Natural resources are the Adriatic Sea and Karst phenomena.

The pressure on the coastal line is very strong from the land and from the side of the sea. For this reason land and sea have to be managed jointly and the use of both has to produce synergetic effects. The measures for the protection of the sea have to be considered also in the inland. The identified problems of the coastal zone in the programme area are:

- socio economic problems,
- urban development (littoralisation, urban sprawl, transport),
- pressures on water body (communal waste water, solid waste),
- tourist development,
- ecosystem and habitat degradation,
- degradation of coastal landscape and cultural heritage,
- nautical sports (marinas),
- marine transport.

The countries in the Mediterranean prepared or are preparing Coastal Area Management Programmes (CAMP) which derive from the Integrated Coastal Zone Management, and are focused on spatial planning/development issues (preparation of regional conception of spatial development for the region, including coastal strip), sustainable tourism development strategy, regional programme for water protection and management of nature protected areas.



In the CAMP framework a systematic and prospective sustainability analysis project has been finished. In this project a set of sustainability indicators have been agreed, past development trends and future development scenarios have been formulated and assessed, a desirable scenario was identified and most important strategic actions were proposed.

2.2.2 Dinaric mountains

The Dinaric mountains reach into the Notranjsko-kraška and Jugovzhodna Slovenija regions and parts of Primorje-Gorski kotar (Gorski Kotar) and Karlovac (Gorski Kotar, Kordun) counties. The main geographical characteristics of the region are the Karst relief features and underground water system formed in carbonate geological structures and explicit NW-SE geographic direction. Among the few surface rivers the most important are Kolpa/Kupa, Čabranka, Krka and Korana rivers. The region is typical for its numerous high Karst plateaus above which peaks, crests and ridges rise. There are dry valleys and Karst poljes between these ridges. This unit is the most north-western part of the large Dinaric mountain system. The most prominent mountain ranges are Snežnik, Gorski Kotar, Velika Kapela, Kočevski Rog and Gorjanci/ Žumberačka gora. The area is characterised by humid subcontinental climate with common low winter temperatures. Natural conditions for agriculture are in general unfavourable. The region is rich in high quality forests and wildlife. A very dispersed settlement pattern is characteristic for the region; population is concentrated only in bigger urban centres (Postojna, Cerknica, Kočevje, Metlika, Slunj, Delnice), which are also employment centres. High Karst plateaus are natural barriers, therefore main cross-border transport routes run along the valleys between mountain ridges. Natural resources are forest, Karst phenomena and wildlife, on the other hand, cultural resources are rich building and historical heritage as well as significant cultural diversity of the area. The most predominant economic sectors are forestry, wood production, transport, tourism and hunting.

2.2.3 Alps and Sub alpine hills

This geographical unit comprises most of the Savinjska and Spodnjeposavska regions in Slovenia and parts of Krapina -Zagorje county in Croatia. In terms of landforms, valleys and ridges prevail. The northern part of the area belongs to the Alps (Kamniško-Savinjske Alps, Pohorje), the other parts are Subalpine hills and mountains (Posavje mountains, Boč, Haloze, Macelj). The region's river density is high; the most important are Sava, Drava and Savinja rivers. The area has humid sub-continental climate, for high mountainous areas lower temperatures and higher annual precipitation are characteristic. Western parts of the region are mostly suitable for cattle breeding, while in the east fruit and wine growing is also developed. Eastern part of the region (Savinjska ravan, Krško-brežiška ravan) has some characteristics of the Pannonian area. The region's population is very dispersed with the exception of bigger towns in plains and basins (Celje, Rogaška Slatina, Velenje, Krško, Brežice). The most important cross-border transport route runs along the Sava river plain, while the route through the Haloze hills is also very important. Forests, water, thermal springs and attractive landscape (the Alps) are the area's most important natural resources, whereas the main cultural resource is a rich cultural heritage of towns and rural areas.

2.2.4 Pannonian basin

The Pannonian basin comprises most of the Pomurska and Podravska regions, Varaždin and Međimurje counties and parts of the Savinjska and Spodnjeposavska regions, Krapina -Zagorje, Zagreb and Karlovac counties. This geographical area is characterised by Pannonian climate and extensive plains interrupted by low hills (Goričko, Slovenske Gorice, Zagorske Gorice) and isolated massifs (Medvednica). The most important rivers in this region are Mura, Drava, Sava, Kolpa/Kupa and Savinja rivers. This area has the most favourable natural conditions for agriculture. It is densely populated, the predominant settlement types are big villages along the roads. Otherwise the most important urban and employment centres are Maribor, Murska Sobota, Karlovac, Varaždin, Čakovec and Krapina. There are no relief barriers for cross-border transport routes. The rivers of Drava and Mura are bordering rivers between Slovenia and Croatia. The region's natural resources are

agricultural land, surface and ground water, thermal springs and forests. The basin is rich in cultural heritage resources.

2.3 Demography

In general, decrease in the number of inhabitants and ageing of population are the main demographic characteristics of the whole programming area. Demographic trends are more favourable in the urban centres, where the number of inhabitants is increasing, however predominantly due to migrations from peripheral areas and not because of natural growth. Statistical data are presented in Tables 4, 5 and 6.

Statistical data show the population decrease in most administrative units (on NUTS level 3), the only exceptions are Zagreb and Istria counties in Croatia, where the number of inhabitants is growing. In particular areas located directly along the borders are demographically endangered because of the population ageing, migration of many young people to other areas for work, and insufficient inward migration in the area to compensate for the loss of the young people. The Pomurska region in Slovenia and Karlovac county in Croatia have shown the greatest population decline from the bordering areas. These negative demographic trends gradually weaken local development potentials.

Population distribution within the regions and counties is very diverse and unbalanced. Population is concentrated in urban and coastal areas, which are also labour centres. On average, the most densely populated regions and counties are: in Slovenia – Podravska, Savinjska, and Obalno-kraška regions, and in Croatia - Međimurje, Varaždin, Zagreb, and Krapina -Zagorje counties. The least populated areas are: in Slovenia Notranjsko-kraška, and Jugovzhodna Slovenija (South-eastern Slovenia), and in Croatia Karlovac county.

Data on natural population fluctuations show the mortality rates are higher than birth rates almost in the entire area, the only exceptions are Jugovzhodna Slovenija and Međimurje county, however even there the natural growth is very low. Due to migrations of predominantly younger population from problem areas (rural and border regions) to cities, certain areas have reached a critical demographic exhaustion point, designating the areas predominantly populated by a senescent generation, where natural population reproduction is almost impossible. Distribution of inhabitants by age and population ageing index (a ratio of people over 65 years to people younger than 15 years, in case of Croatia, according to the new census the ageing index is ratio of people over 65 years to people younger than 19) clearly mark unfavourable ageing indices of population. In Slovenia, the index is below the national and the European average only in the Savinjska and Jugovzhodna Slovenija regions. In Croatia Međimurje, Zagreb, and Varaždin counties have more favourable population indices than the whole country.

Based on the data the average age of population in the beneficial region is for Slovenia 40 years and for Croatia 39 years. It is difficult for a population at this age who have already developed certain career path to start with something completely new.

Table 4: Change in the number of inhabitants and population density (inhabitants per km²)

SLOVENIA¹	1991	2005	Pop. density (2005)
Pomurska	124.761	122.483	91,8
Podravska	319.694	319.282	147,1
Savinjska	256.834	257.525	107,8
Spodnjeposavska	69.831	69.940	79,2
Jugovzhodna Slovenija	137.954	139.434	51,9
Notranjsko-kraška	50.517	51.132	35,0
Obalno-kraška	103.702	105.313	100,6
Osrednjeslovenska	483.083	500.021	195,7
CROATIA²	1991	2001	Pop. density (2001)

Međimurje	119.866	118,426	164,2
Zagreb	282.989	309,696	101,2
Krapina-Zagorje	148.779	142,432	115,9
Karlovac	184.577	141,787	39,1
Varaždin	187.853	184,769	146,5
Primorje-Gorski kotar	323.130	305,505	85,2
Istria	204.346	206,344	73,4
City of Zagreb	777826	779145	1215,5

Source: ¹ Data of Statistical Office RS (SI-Stat Data 2005), ² Data of State Bureau of Statistics RH (2001).

Table 5: Natural population fluctuation and distribution of inhabitants by age (%) in the programming area

SLOVENIA¹ (2005/2006)	Live births 2006	Mortality 2006	Natural growth 2006	age 0-14 2005	age 15-64 2005	age >65 2005	Pop. ageing index 2005
Pomurska	1.031	1.382	-351	13,8	70,8	15,4	111,9
Podravska	2.560	3.168	-608	13,5	71,0	15,5	115,2
Savinjska	2.334	2.463	-129	14,8	70,9	14,3	96,4
Spodnjeposavska	605	762	-157	14,4	69,5	16,1	111,7
Jugovzhodna	1.295	1.271	24	15,8	69,4	14,8	93,3
Slovenija							
Notranjsko-kraška	455	493	-38	14,1	69,5	16,4	116,1
Obalno-kraška	835	977	-142	12,2	71,1	16,7	136,6,1
Osrednjeslovenska	4.939	4.126	813	14,5	70,0	15,5	106,7
Slovenia	18.157	18.825	-668	14,1	70,2	15,6	106,9
CROATIA² (2001/2006)	Live births 2006	Mortality 2006	Natural growth 2006	age 0-14 2001	age 15-64 2001	age >60 2001	Pop. ageing index 2001
Međimurje	1.178	1.210	-32	18,55	67,6	18,68	72,0
Zagreb	3.056	3.466	-410	17,37	68,1	19,36	79,8
Krapina-Zagorje	1.224	1.973	-749	17,06	66,24	22,37	94,7
Karlovac	1.023	2.087	-1.064	14,47	64,94	26,66	128,8
Varaždin	1.725	2.245	-520	17,22	67,17	21,03	87,0
Primorje-Gorski kotar	2.355	3.241	-886	14,02	69,24	22,44	109,4
Istria	1.692	2.112	-420	15,11	68,88	21,72	99,7
City of Zagreb	7.160	7.890	-730	15,78	68,92	15,30	93,7
Croatia	40.307	49.758	-9449	16,4	67,1	21,7	90,7
EU 25 average³				16,4	67,1	12,5	132,3

Source: ¹ Data of Statistical Office RS (SI-Stat Data 2005; Slovene regions in figures 2006); ² Data of State Bureau of Statistics RH from 2001 and 2006, ³ Eurostat database New Cronos.

2.3.1 National and ethnic minorities

The programme has a great importance for the cooperation area because of the traditional historical, ethnic relations of the people living on both sides of the border. Ethnically speaking, the border area is very varied.

Both Slovenia and Croatia have ratified the Council of Europe Framework Convention for the Protection of National Minorities and the European Charter for Regional or Minority Languages, as well as other relevant legislative and regulatory framework on national minorities and ethnic groups.

SLOVENIA:

The Republic of Slovenia has two traditional national minorities – the Italian and Hungarian national minority – and a special Roma ethnic community. All three are protected by constitution (article 64 and 65 of the Slovenian Constitution).

The **Italian National Community** resides in the coastal area, where the Italian language is also the official language beside Slovenian. The ethnically mixed areas are within the following municipalities:

- Koper/Capodistria Municipality;
- Izola/Isola Municipality;
- Piran/Pirano Municipality.

The members of the Italian National Community in Slovenia enjoy the same rights as all other citizens of the Republic of Slovenia. Special rights that are bestowed to its members originate from the constitutional protection, from interstate agreements and international documents.

The Council of Europe has established that the protection of this minority in Slovenia is quite exemplary, and that in comparison to the European Union it offers an even higher level of standard in the field of minority rights as one of the most important human rights segments.

The members of the **Hungarian National Community** reside mostly in the Pomurska region, where the Hungarian language is an official language beside Slovenian. The municipalities with ethnically mixed communities are as follows:

- Hodoš/Hodos Municipality;
- Moravske Toplice Municipality;
- Šalovci Municipality;
- Lendava Municipality;
- Dobrovnik Municipality.

The Office for National Minorities estimates that the situation of the Hungarian National Community in Slovenia is very good. Legal protection granted to the members of the Hungarian National Community and exercising their rights is beyond European standards.

The Office for National Minorities of Slovenia **estimates** that **between 7,000 and 10,000 Roma** live in the Republic of Slovenia, the majority of them in the following regions:

- Prekmurje;
- Dolenjska;
- Posavje;
- Bela krajina.

The representatives of the Roma Community living in Slovenia are still discriminated against. This is a group that is socially handicapped, with poor or without education, and therefore it will not be able to improve its status without special measures adopted by all state bodies.

CROATIA

Based on the constitutional law on national minorities, in Croatia there are 22 national minorities, among which Italians, Slovenians, Serbs and Roma are the most represented in the programme area. All national minorities in Croatia have a fully protected status and equal rights as Croats. In some cases there are special provisions of protection and affirmation of rights for different minority groups, especially in the area where the community is strongly represented or for a specific group that needs additional steps and support in social integration such as the Roma Minority.

All minorities, especially the strongest ones such as Italians and Serbians, are well organized in the political parties and civil society initiatives and are also financially supported by the Croatian state.

The **Italian National Community** resides in the coastal area, where the Italian language is also the official language beside Croatian in the whole Istria county.

The Serbian National Minority is mostly represented in:

- Karlovac county;
- Primorsko Goranska county;
- Istria county.

The Roma Minority is mostly represented in Međimurje county.

Similarly to the situation in Slovenia representatives of the **Roma** Minority in Croatia, regardless of strong legal framework and all adopted strategies and rules, are still discriminated against, being a socially excluded group facing differences and gaps in everyday life in comparison with other citizens of Croatia.

Table 6: Nationality structure of inhabitants (%) by selected nationalities

SLOVENIA¹ (2002)	Slovenian	Croatian	Other autochthonous minorities
Pomurska	86,7	1	0,8 (Roma)
Podravska	86,1	1,3	0,2 (Roma)
Savinjska	84,4	2,0	/
Spodnjeposavska	86,7	1,9	/
Jugovzhodna Slovenija	83,6	2,6	0,8 (Roma)
Notranjsko-kraška	83,3	1,8	/
Obalno-kraška	71,9	4,2	1,8 (Italian)
Osrednjeslovenska	89,5	2,3	/
CROATIA² (2001)	Slovenian	Croatian	Other autochthonous minorities
Međimurje	0,14	95,2	2,44 (Roma)
Zagreb	0,19	96,18	0,88 (Serbs)
Krapina-Zagorje	0,31	98,44	0,16 (Serbs)
Karlovac	0,24	84,27	11,04 (Serbs)
Varaždin	0,3	97,68	0,41 (Serbs)
Primorje-Gorski kotar	0,94	84,59	4,91 (Serbs) 1,16 (Italians)
Istria	0,98	71,88	6,92 (Italians) 3,2 (Serbs)
City of Zagreb	0,41	91,94	2,41 (Serbs), 0,04 (Italians)

Source: ¹Data of Statistical Office RS (census 2002), ²Data of State Bureau of Statistics RH (census 2001).

All minorities represent the richness of linguistic diversity in the border area.

The Roma people are an ethnic community in Slovenia and national minority in Croatia. Their way of living is still very traditional, though in both countries their role in local communities is gradually becoming more active. The Roma are often on the edge of the society, although they are legal citizens and have equal rights as other citizens by the constitutional law. They speak the Roma language, which is widely spoken around Europe as there are 12 million Roma people living in Europe.

The uniqueness of different national and ethnic minorities in the cooperation area must be recognised.

2.4 Economy

The programme area faces a high diversity in economic development and employment possibilities. On one hand, there are areas (cities) with highly developed service sector activities and often even with a strong industrial sector. On the other hand, rural areas are relatively underdeveloped. These areas prevail in particular close to the borders.

Some parts of the concerned regions lack entrepreneurs with business spirit, up-to-date technology, export orientation, innovativeness and partnership with research and development organisations. Consequently, the unemployment rate for people in rural areas is high, especially among specific groups (the younger and elderly workforce). The lack of

employment possibilities is increased by rural depopulation and brain drain to major cities and out of the region.

The advantages of the programme area which could contribute to improving the economic development are: good geographical position, long-standing economic cooperation and familiarity with the neighbouring language, culture and mentality. It has potential for joint attraction of foreign investors and exchange of information and experiences of entrepreneurs on EU potential markets by strengthening the business cross-border cooperation and development of new products.

Moreover, it has rich cultural heritage, high diversity of landscape and good natural conditions for heterogeneous agricultural production. The development of integrated culture, tourism and agriculture products and their joint promotion and marketing offer good possibilities for development of tourism and agriculture of the area in the future.

Compared to the Slovenian national average, economic activities are more developed only in Obalno-kraška region, all other regions are below the average; the least developed being the Pomurska region.

Within the programming area in Croatia there are counties which are considered to be the most developed in Croatia (e.g. Primorje-Gorski kotar, Istria), as well as counties which were confronted with grave war consequences and serious economic and financial difficulties such as Karlovac. Economic trends in those counties are changing for better.

Table 7: Gross domestic product

SLOVENIA¹ (2003)	Regional GDP per capita (EUR)	Regional GDP index Country=100	% of national GDP Country=100 %	Regional GDP index EU(15)=100
Pomurska	9.072 11.108	69,0	4,2	33,1
Podravska	11.726	84,5	13,3	40,3
Savinjska	10.462	89,2	11,4	43,0
Spodnje-posavska	11.954	79,6	2,8	38,9
Jugovzhodna		90,9	6,3	43,9
Slovenija	10.117			
Notranjsko-kraška	13.573	77,0	1,9	37,1
Obalno-kraška	18.786	103,2	5,4	50,4
Osrednjeslovenska		142,9	35,5	73,1
CROATIA² (2003)				For Croatia data for this column from 2001
Međimurje	7,699	80,2	2,1	18,7
Zagreb	7,172	74,2	5,3	14,6
Krapina-Zagorje	6,976	72,6	2,3	17,6
Karlovac	7,596	77,7	2,4	18,3
Varaždin	9,037	94,2	3,9	20,8
Primorje-Gorski kotar	11,285	118,1	8,1	26,8
Istria	12,863	137,5	6,5	26,6
City of Zagreb	17301	178,7	31,8	x

Source: ¹ Data of Statistical Office RS (SI-Statistical Data 2004), ² State Bureau of Statistics RH (2003).

2.4.1 Agriculture and rural development

Intensive agriculture is characteristic for areas with the most favourable natural conditions. It is also important within the GDP. Otherwise extensive, subsistent farming is common all over the programme area. The main problems related to agriculture production are small farms and a very small average size of parcels (in Slovenia and Croatia), ageing of farm holders, low education level of the farm population, low productivity and value added, high proportion of part-time farmers, unorganised marketing of farm products and low level of managerial knowledge among farmers.

2.4.2 Industry

Industrial activities are concentrated in some urban centres, also representing important employment centres. In many regions and counties this sector employs the majority of active population and represents the most important economic activity. Various activities with different characteristics and problems have developed in the programme area. In general, problems can be summarised as: weak level of entrepreneurship, low labour productivity, restructuring of traditional industries, lack of investment capital, low level of export orientation and - with a few exceptions - lack of competitiveness, low level of innovation and co-operation with R&D institutions, lack of communication between the industries, concentration of the industrial potential in urban areas, while peripheral areas are declining, and low level of business and managerial know-how.

Bigger industrial centres in the programming area are: in Slovenia, coastal cities with food-processing and metal-processing industries and industry of transport vehicles, Postojna and Kočevje with wood-processing industry, Novo mesto with pharmaceutical industry, production of transport vehicles, wood-processing, textile industry, Celje with textile, wood-processing, food-processing, chemical and metal-processing industries, Maribor with metal-processing, textile, electro-technical, food-processing industries, Kidričevo with metal-processing industry, Murska Sobota with food-processing, metal-processing, and textile industries, Lendava with petrol-chemical industry and Rogaška Slatina with glass-processing industry.

In Croatia, bigger industrial centres are in Istria county Pula and Pazin with tobacco, food-processing, metal, cement, furniture and ship-building industries, in Primorje-Gorski Kotor county Rijeka and Delnice with oil, wood, ship-building, metal and electro-industries, Karlovac with textile, food, dairy, metal and wood industries, Varaždin with textile, leather and dairy industries, Čakovec with food, textile, chemical, metal, wood and building industries, and in Zagreb Zagreb, Zaprešič, Samobor with food, wood, textile, chemical, ceramics and electro industries.

2.4.3 Small and medium-sized enterprises (SMEs)

The number of SMEs is a very important indicator that shows the presence of private enterprise initiative in that region. In some border communities enterprise is still underdeveloped, because of administrative obstacles, lack of knowledge and financial resources, because different sources of financing for the future entrepreneurs are still too expensive or too hard to reach. The entrepreneurs are also under a burden of tax legislation, unadjusted property relations and other obstacles when they are trying to transit from trade to entrepreneurs level.

In many parts of the region the SME sector is underdeveloped also due to high administrative demands to set up the business, lack of capital and lack of business know-how. For the areas where traditional industries provided most jobs entrepreneurial culture and spirit were not much developed. SMEs are the pillar of Slovenian and also European economy. In Slovenia there are almost 97.000 SMEs, which represent 99.7% of all Slovenian businesses and employ 64,7% of in Slovenia employed people. According to the Standard Classification of Activities there were 98.440 enterprises recorded in the year 2006, from that 92.8% micro, 5,7% small, 1.3% medium- sized enterprises and 0.3% big businesses.

SMEs are the most flexible and fast-growing economic branch with a high employment-creation potential. In Slovenia, the vouchers system of subsidised business counselling has been established in order to support start-ups as well as SME businesses with growth potential. Establishing local clusters is also supported. In the programme area, there are some activities, which encourage women to start business activities.

In order to foster entrepreneurial culture of the young, the introduction of entrepreneurship circles at primary schools started in the Pomurska region and has been developed throughout the country. It was recognised to be the best practice in Slovenia as well as in Europe.

Table 8: Number of SMEs in regions/counties

SLOVENIA ¹ (2004)	SMEs	CROATIA ² (2003)	SMEs
Pomurska	3.875	Međimurje	1.727
Podravska	13.075	Zagreb	4177
Savinjska	10.377	Krapina -Zagorje	1102
Spodnjeposavska	2.907	Karlovac	1392
Jugovzhodna Slovenija	5.205	Varaždin	2067
Notranjsko-kraška	2.160	Primorje-Gorski	6168
Obalno-kraška	6.298	kotor	5302
Osrednjeslovenska	52.103	Istria	22793
		City of Zagreb	

Source: ¹Data of Statistical Office RS (SI-Stat 2005), ² FINA 2007

In border regions with Croatia the unemployment rate is still higher than the Slovenian average, although in the last few years it was possible to notice higher dynamics of employment. This is especially valid for areas where service activities are developing faster. But average gross wages by communities show almost an united positive trend. An obstacle for employment and for developing new working places is represented by a lower level of education. On the other hand, the lack of working places for some professions is shown in areas that were explicitly oriented to industrial activities.

2.4.4 Services

A great variety of services is developed mainly in central towns, while in the rural periphery this sector is lagging behind. Administrative, banking, education, social and health services are available in major towns. From the employed people more than half are employed in service sector in the Podravska and Obalno-kraška regions, Primorje-Gorski kotor and Istria counties.

2.4.5 Tourism

Tourism is very important in some parts of the programme area. Coastal areas and areas rich in thermal water, where there are also many interesting natural sights and objects of cultural heritage, are the most attractive. Beach tourism is intensively developed on the Adriatic coast (Istria peninsula, Kvarner islands, Primorje), spa tourism based on thermal springs is developed in Slovenia (Subalpine, Pannonian region). Mountainous areas (Alps and Subalpine mountains, Dinaric mountains) are attractive for skiing, hiking, cycling, etc. In some urban centres certain cultural tourism has developed (theatres, museums, galleries, concert halls, etc.), while in rural areas (especially in Slovenia) agri-tourism (tourism on farms) and eco-tourism are becoming more and more popular. Some of these types of tourism have high seasonality (sun-and-beach tourism, mountain tourism), which often creates problems (seasonal employment, high pressures on infrastructure and environment in high seasons, etc.). The main problems of tourist sector are: poor tourism infrastructure in the non-coastal areas, high seasonality of the tourism industry (especially at the coast), with the exception of spas, lack of high-standard accommodation facilities, low level of marketing of cultural heritage, lack of information exchange within the tourism industry and co-operative marketing.

The indicator guest nights per inhabitant shows intensity of tourism in the regions/counties. Tourism is the most intensively developed in Istria (more than 78 guest nights per inhabitant) and Primorje-Gorski kotor (33) counties in Croatia, followed by Obalno-kraška region in

Slovenia with 17,6 guest nights per inhabitant. Tourist intensity in other counties and regions in the programme area is much lower.

Table 9: Number of guests and guest nights

SLOVENIA ¹ (2005)	Guests	Guest nights	Guest nights per inhabitant
Pomurska	181.774	754.976	5,45
Podravska	116.202	294.385	0,69
Savinjska	251.999	1.137.345	4,13
Zasavska	4.005	9.093	20,0
Spodnje-posavska	139.290	555.292	7,62
Jugovzhodna Slovenija	67.826	263.989	2,15
Notranjsko-kraška	29.347	44.553	1,10
Obalno-kraška	572.685	2.086.573	17,61
Osrednjeslovenska	356.268	647.825	1,30
CROATIA ² (2005)			
Međimurje	14.230	30.577	0,26
Zagreb	29.852	59.577	0,19
Krapina-Zagorje	36.436	113.082	0,79
Karlovac	166.208	279.551	1,97
Varaždin	46.809	152.468	0,83
Primorje-Gorski kotar	2.076.456	10.501.921	34,38
Istria	2.505.017	16.649.944	80,70
City of Zagreb	549.607	934.143	1,20

Source: ¹ Data of Statistical Office RS (SI-Stat 2005), ² Data of State Bureau of Statistics RH (2005)

Table 10: Overnights stays tourists (domestic & from abroad) and arrival of domestic tourists

SLOVENIA ¹ (2005)	Overnight stays of domestic tourists in 2004	Overnight stays of tourists from abroad in 2004	Arrivals of domestic tourists in 2004
Pomurska	51.1	48.9	52.3
Podravska	46.6	53.4	34.2
Savinjska	61.5	38.5	58.6
Spodnje-posavska	68.3	31.7	63.9
Jugovzhodna Slovenija	66.3	33.7	48.1
Notranjsko-kraška	6.7	93.3	5.4
Obalno-kraška	46.0	54.0	41.9
Osrednjeslovenska	8,1	91.9	7.5
Slovenia	42.5	57.5	36.0
CROATIA ² (2005)			
Međimurje	58.93	41.07	35.35
Zagreb	49.37	50.63	43.82
Krapina-Zagorje	82.15	17.85	33.26
Karlovac	27.81	72.19	36.04
Varaždin	82,20	17.80	25.05
Primorje-Gorski kotar	12.10	87.90	29.10
Istria	4.97	95.03	22.89
Total	8.70	91.30	27.33
Croatia	11.05	88.95	28.41

Source: ¹ Central Bureau of Statistics, Statistical yearbook 2005; Source: Slovene regions in figures, 2006, ² Data of State Bureau of Statistics RH (data for 2004).

18.9% out of 36.1% of arrivals of tourist from abroad in Spodnje-posavska region are from Croatia. At the second place is the Savinjska region with 15.9% of arrivals of tourists from Croatia. This is all due to spa tourism.

In Croatia 11.8% of foreign tourist arrivals are from Slovenia. Most of the Slovene tourist visit Istria County (38.86%), at the second place is Primorje-Gorski kotar County (27.35%).

2.5 Environment and nature protection

The environmental issues in the programming area are mostly related to intensive agricultural industry, which is causing damage to biodiversity and to water pollution as a result of insufficient communal infrastructure. The area is a source of important rivers but some of them, especially on the Karst, are polluted already at their source. It is also faced with air pollution due to its proximity to important transport corridors and industry. The environmental awareness of inhabitants and cross-border cooperation among environment and nature protection initiatives has to be improved. There is also a lack of strategic approach in using natural resources on both sides of the border.

Environment in the programming area is facing high pressures deriving from human activities. Many activities cause pollution of different landscape elements. Air pollution is mainly caused by industrial activities, traffic and households. Therefore, the most polluted areas are urban agglomerations, where all mentioned activities are concentrated. Water pollution is also severe; pollution of rivers and water used for consumption is caused by industry, sewage and improper use of fertilisers and chemicals in agriculture.

The advantages of the area are high level of biodiversity and many valuable landscapes and nature areas, which are suitable for becoming protected areas. It has large areas of forest and rich water resources (thermal, surface and ground).

The potentials are to elaborate jointly environmental and nature protection actions/measures, use the rivers and integrate them with tourism initiatives, and develop renewable energy sources and actions for increasing energy efficiency.

2.5.1 Nature protection

As a result of diverse geographical conditions in the programme area, there are many interesting natural features and rich biodiversity. Many areas are under protection: in Slovenia 1.223,97 km² (8.4% of the eligible area) and in Croatia 5.320,64km² (6.07%).

Table 11: Nature protection areas in the programming area

SLOVENIA	CROATIA
<p>Regional parks:</p> <ul style="list-style-type: none"> - Kozjansko regional park, Notranjska regional park, Škocjan caves; <p>Landscape parks:</p> <ul style="list-style-type: none"> - Beka, Boč, Donačka gora, Plešivec, Golte; Drava; Jareninski dol; Jeruzalemsko-ormoške gorice; Kamenščak-Hrastovec; Kolpa/Kupa; Ljutomer fish-ponds and Jeruzalemske gorice; Maribor lake; Negova and Negova lake; Ponikve Karst; Rače fish-ponds – Požeg; Strunjan; Štatenberg; Šturmovec; Žabljek; Lahinja; Logarska valley; Mašun; Nanos; Planina; Rakova valley at Rakek; Robanov kot; Sečovelje salt pans; Štanjel, Trnovski forest Southern slopes Goričko. 	<p>Forest reserves:</p> <ul style="list-style-type: none"> - Sekulunac mountains ; Dravska park šuma; Zumberačko-samoborsko gorje; Japetić; Tepec-Palačnik-Stražnik; Komrčar; Košljun; <p>National parks:</p> <ul style="list-style-type: none"> - Risnjak, Brijuni; <p>Nature parks:</p> <ul style="list-style-type: none"> - Učka, Medvednica; <p>Other:</p> <ul style="list-style-type: none"> - Vindija and Mackova cave; Grgosova cave (geomorphologic natural monument); Mura and Drava wetlands; Gaveznic-Kameni vrh; Crna mlaka (ornithological reserve); Hušnjakovo (paleontological natural monument); Bijele and Samarske stijene (strict nature reserve); Kupa spring (hydrological natural monument); Limski zaljev (special marine reserve); a number of horticultural parks around the castles, city parks.

On the basis of Birds Directive and Habitat Directive, a network of Natura 2000 sites was established in Slovenia. Most areas are designated in the Government Plans or are already protected (with different status, but mostly as regional or landscape parks). Important wetland habitats in the programming area are: Sečovelje and Strunjan salt pans, Škocjan

caves, Škocjanski zatok mudflats, alluvial forests (e.g. Polanski log, Krakovski gozd Šturmovci, Jovsi) and areas influenced by intermittent lakes such as Cerknica, Planina and Pivka poljes. With regard to the number of protected species and the proportion of its national territory included in the Natura 2000 network, Slovenia is at the very top of the European list with 35,5 % of the national territory covered.

Croatia has started with the preparation activities for Natura 2000 programme through LIFE-III project "Building up the National Ecological Network as a part of Pan-European Ecological Network and Natura 2000 - CRONEN". These activities will continue through the PHARE project 2006-2008: *Establishing of the NATURA 2000 for the Republic of Croatia*.

With Nature Protection Act (Official Gazette 70/2005) in Croatia, in addition to the existing 8 categories of protected areas (national park, nature park, strict reserve, special reserve forest park, significant landscape, nature monument and monument of park architecture) a new category - regional nature park was introduced. After the establishment of the ecological network, protection mechanisms will be applied in accordance with Habitats Directive.

The national ecological network is prescribed by the Nature Protection Act encompassing a system of interrelated, ecologically important areas. The establishment of the ecological network includes the adoption and entering into force of two legal acts of secondary legislation under the Nature Protection Act: Regulation on the establishment of national ecological network and Ordinance on the nature protection impact assessment.

The active involvement and support of the local communities and regions is essential for the success of the programme. Participation of all citizens in the regions, in an interaction aiming at a common welfare, is the most important principle of the relationship among environmental stakeholders.

2.5.2 Water treatment (water supply + WWTP)

Generally all large towns and villages in the programme region have the access to public waterworks. However, in many smaller villages and areas with very disperse settlements, the supply with drinking water is organised through local and even individual supply systems only. Despite the fact that even some of the largest towns do not have waste water treatment plants, it seems that waste water management is developing based on the statistics shown below.

Table 12: Water supply and waste water management

SLOVENIA¹ (2003)	Rate of households supplied from public waterworks and connected to waste water system (%)	Rate of households connected to waste water system (%)
Pomurska	95,7	/
Podravska	97,9	/
Savinjska	97,4	/
Spodnjeposavska	98,0	/
Jugovzhodna Slovenija	97,9	/
Notranjsko-kraška	98,9	/
Obalno-kraška	98,8	/
Osrednjeslovenska	98,9	/
CROATIA² (2001)	Rate of population supplied from public waterworks (%)	Rate of population connected on drainage system (%)
Međimurska	68	12
Zagreb	63	31
Krapina-Zagorje	50	11
Karlovac	81	30
Varaždin	71	20
Primorje-Gorski kotar	94	52
Istria	95	55
City of Zagreb	96	80

Source: ¹ Data of Statistical Office RS Statistical Data 2003, ² Data of Croatian Water Resources Management (Hrvatske vode), 2001.

Table 13: Infrastructure indicators

SLOVENIA ¹ (2005)	Number of population/ km roads	Density of road network in km/km ²	Total water supply per capita (m ³ /capita)	Waste water from public sewage system (m ³ /inhab.)	Number of citizen per one telephone connection
Pomurska	38,2	2,4	/	/	/
Podravska	48,7	3,0	/	/	/
Savinjska	47,8	2,3	/	/	/
Spodnjeposavska	27,8	2,8	/	/	/
Jugovzhodna Slovenija	49,2	1,1	/	/	/
Notranjsko- kraška	40,5	0,7	/	/	/
Obalno - kraška	64,6	1,6	/	/	/
Osrednjeslovenska	77,0	2,5	/	/	/
CROATIA ² (2001)					
Zagreb	160,4	0,6	59,5	113,3	3,9
Krapina-Zagorje	151,2	0,8	32,9	10,7	3,1
Karlovac	86,6	0,4	50,5	34,0	2,9
Varaždin	166,0	0,9	59,3	54,8	3,1
Primorje-Gorski kotar	199,1	0,4	110,3	75,0	2,1
Istria	110,8	0,7	121,1	52,8	2,2
Međimurje	212,9	0,7	39,9	16,0	3,3
City of Zagreb	1039,2	1,2	105,5	112,5	2,1
Total Croatia	155,8	0,5	71,7	-	2,7

Source: ¹Central Bureau of Statistics, Statistical yearbook 2005, ²Central Bureau of Statistics RH (2005),

Due to the sensitivity of water resources in the area, specifically on the Karst (Slovenia and Croatia), it is important to highlight that intensive agricultural industry (in the plains) is causing damage to biodiversity and ground water pollution.

2.6 Energy

Almost 60 % of all electric energy needed in Slovenia is produced from coal and nuclear power. The rest of electricity is produced from renewable water power in hydroelectric units. In the programming area, there are 5 major hydroelectric units on the Drava river and 1 on the Sava river.

In the Croatian part of the programming area, there are 6 thermoelectric, 9 hydroelectric power plants and 4 small hydroelectric power plants. Initiatives for the use of renewable energy sources are becoming stronger in the programming area (water, biomass, geothermal energy, etc.).

Krško is the only nuclear power plant in the programming area located in Slovenia.

2.7 Transport

A modern transport network is one of the most important factors enabling connections on local, regional and international level as well as cross-border co-operation. The region is located along important European transport corridors. The network of local and secondary roads in the area is relatively well developed in the Slovenian and Croatian part. The highway network is under construction in both countries. Railway infrastructure in the region is obsolete and insufficient, so is the connection of the region with other regions in the EU.

There are also some important **airports** in the area: Maribor, Zagreb-Pleso (international airport) and Pula.

2.7.1 Road

The most important roads connecting Slovenia and Croatia are the Pan-European Corridor X and its branch Xa. The Corridor X **Salzburg-Villach-Ljubljana-Zagreb-Beograd-Niš-Skopje-Veles-Thessaloniki** is a very important road connection between Central and South-eastern Europe.

The highway on the corridor through Croatia is built all the way long for 306 km and is in use together with border crossings Bregana and Bajakovo. Slovenia has finished most parts of the highway and the rest is under construction towards the new border crossing Obrežje.

Branch Xa Graz-Maribor-Zagreb is an important connection between the Northern and Central Europe with seaports in the Adriatic Sea.

On the Croatian side, the highway from Zagreb to Krapina has been constructed and the rest of the 19 km to the Macelj border crossing has already been completed. Slovenia has constructed the border crossing Gruškovje and plans to finish the connection Maribor-Macelj by 2013.

Other important connections are Rijeka-Rupa/Jelšani (border HR-SI)-Ilirska Bistrica-Trst Ljubljana. On the Croatian side, a part of the highway has been constructed and is in use, whereas Slovenia plans to construct the motorway by 2013. The connections Ljubljana-Rijeka and Trieste-Rijeka are one of the main connections between the Western, South-Western as well as Central Europe and the Northern Adriatic coast, and are also used as transit roads on the way to the Central Adriatic coast for the most tourists coming from Italy, France, Slovenia, Belgium, and Holland.

2.7.2 Rail

The most important **railroads** in the programming area are:

- international railroad corridors:
 - München-Ljubljana-Zagreb-Istanbul;
- inter-regional railroads:
 - Ljubljana-Koper, Ljubljana-Pula;
 - Ljubljana-Rijeka;
 - Novo mesto-Karlovac, Celje-Zagorje;
 - Pragersko-Čakovec-Varaždin.

2.7.3 Seaports

The most important **seaports** in the programming area are Koper in Slovenia and Rijeka in Croatia.

Data show that trans-shipments in Slovenia in 2004 were 8.95 % higher than in 2003. Data on trans-shipment in Croatia show that total trans-shipment tonnes were in the year 2004 26.9% higher than in the year 2003.

Table 14: Trans – shipments

SLOVENIA ¹	2003	2004	CROATIA ²	2003	2004
- Total manipulated tonnes	11,036	12,403	- Total manipulated tonnes	12,676	16,308
- Total trans-shipment tonnes	20,233	21,665	- Total trans-shipment tonnes	6,200	7,868

Source: ¹ Statistical Yearbook 2005, Slovenia ; ² Statistical Yearbook 2005 Croatia

2.7.4 Border crossings

The first possible date for implementing the Schengen acquis in new Member States is October 2007. Before that date, the necessary criteria must be met (organisational, staffing, legislation), and the new generation Schengen information system SIS II must be set up. Slovenia is preparing fast and successful for this process. The new border regime could be a possible obstacle for cross-border co-operation, but both countries are making an effort for stricter border controls not to influence their good neighbourly relations.

On the land border between Slovenia and Croatia there are 16 international border-crossings and 9 interstate border-crossings in place. Beside these there was an agreement on functioning of 27 road border crossings for traffic as a precondition for development of economical, tourists, cultural and other connections between two neighbouring countries.

In an effort to make travel to and from Slovenia for Croatian citizens easier, Slovenia has allowed Croats to travel to Slovenia with only a national identity card. This regime has proved highly beneficial for both states as it makes border checks less time-consuming

Data on road cross-border entries of passengers by direction of entry and border crossings show that in 2003 there were 1.12 % more entries than in 2004. Entries of local border traffic were 205 % higher in 2004 than in 2003.

Data on road cross-border entries of passengers by directions of travelling show that in 2004, there were 0.74 % less entries than in 2003, and that in 2004 there were 0,24% more exits than in 2003. There is some discrepancy between statistical data provided by Slovene and by Croatian authorities on the number of cross-border entries.

2.8 Human resources

2.8.1 Labour market

In the socialist times there was a commitment to full employment that resulted in a high level of labour force participation, especially among women. Employment opportunities declined due to transition to the market economy and new job opportunities have only been developing recently. Besides the economy restructuring, the main reasons for unemployment are low level of education (especially in the peripheral regions) and structural discrepancy between employment opportunities and professional (educational) qualifications of job seekers. Due to the lack of jobs for highly educated people in some peripheral regions, these regions are losing their human resource potential and capacities. Regional distribution of unemployment is very uneven, with the highest unemployment rates in peripheral small towns and rural areas, where it often causes serious social problems. Within each area there is also a high level of commuting from the villages and rural communities to bigger towns for work. Unskilled workers constitute the most significant element of the unemployed. Difficult employability and high unemployment rate are common for the elderly workforce. The unemployment rate is also quite high among young people.

The fact is that jobs are mainly being created in central towns and not in the periphery. Cross-border migrations of workers are nowadays not so important as in the past, in particular until 1991, in the Slovenian-Croatian border areas. Following the secession of Slovenia and Croatia from ex-Yugoslavia, migrations drastically decreased due to new administrative borders and general economic recession. There are no precise data available on the number of daily cross-border migrants.

Self-employment is one of the answers of active inhabitants to employment difficulties. In half of the communities of the eligible area this share is higher than the Slovenian average.

Table 15: Active population and employment structure by education attainment

SLOVENIA¹ (2002)	Active population (%)	Less than primary	Primary	Secondary	University
	Σ				
	(2004) 53,0	2,2	24,3	65,4	13,9
Pomurska	51,6	2,1	13,3	69,4	19,3
Podravska	54,9	2,5	18,7	73,9	18,5
Savinjska	47,0				
Zasavsko	53,8	3,0	17,7	77,6	17,4
Spodnje Posavska	58,5	4,7	21,0	78,6	19,9
Jugovzhodna Slovenija	59,0	2,9	20,2	80,5	21,5
Notranjsko-kraška	56,4	1,8	14,0	73,5	22,1
Obalno-kraška	60,9	/	12,5	61,8	25,7
Osrednjeslovenska					
CROATIA² (2004)	Active population (%)	Primary and less		Secondary	University
Međimurje	37,6	26,7		58,8	14,5
Zagreb	29,1	22,1		59,6	18,3
Krapina-Zagorje	30,6	25,6		58,4	16,0
Karlovac	35,4	21,0		59,5	19,5
Varaždin	38,7	24,6		59,1	16,3
Primorje-Gorski kotar	41,9	15,5		61,2	23,3
Istria	41,5	20,3		59,0	20,7
City of Zagreb	45,71	24,9		52,0	23,1

Source: ¹ Data of Statistical Office RS (2002), ² Data of State Bureau of Statistics RH (2004)

Table 16: Unemployment structure by sex, age and education attainment of unemployed

SLOVENIA¹ (2005)	Unemployment rate (%)	Male	Female	Age group			Education			
				15-24	25-49	+50	Primary or less than primary	Secondary	University	
Pomurska	17,1	53,7	46,3	24,5	54,3	21,2	43,8		53,6	2,5
Podravska	13,5	45,4	54,6	18,8	57,8	23,4	31,7		64,5	3,4
Savinjska	12,7	55,7	44,3	23,2	54,7	22,1	33,3		62,8	3,9
Spodnje Posavska	11,5	44,5	55,5	19,0	56,8	24,2	36,8		58,7	4,4
Jugovzhodna Slovenija	8,8	46,6	53,4	19,1	57,3	23,6	45,3		50,8	3,9
Notranjsko-kraška	7,9	45,8	54,2	21,5	54,3	24,2	34,0		59,2	6,8
Obalno-kraška										
Osrednjeslovenska	7,5	49,4	50,6	20,5	28,0	21,5	32,1		61,7	6,2
CROATIA² (2005)	Unemployment rate (%)	Male	Female	Age group			Education			
15-24				25-49	+50	Less than primary	Primary	Secondary	University	
Međimurje	12,8	43,4	56,6	34,4	52,0	13,6	21,5	24,4	50,8	3,3
Zagreb	12,7	42,4	57,6	26,2	56,5	17,3	5,8	30,2	58,8	5,2
Krapina-Zagorje	11,1	47,3	52,7	27,5	54,5	18,0	11,1	30,3	55,5	3,1
Karlovac	25,6	41,3	58,7	18,7	61,2	20,1	10,7	36,4	48,8	4,1
Varaždin	14,3	48,4	51,6	29,3	56,0	14,7	9,3	29,7	56,3	4,6
Primorje-Gorski kotar	14,4	38,5	61,5	21,7	59,6	18,7	6,8	19,5	62,0	11,7
Istria	9,0	37,4	62,6	17,7	61,0	21,3	4,7	30,1	56,1	9,2
City of Zagreb	13,6	39,6	60,4	20,0	52,8	27,2	3,6	18,1	65,0	13,3

Source: ¹ Data of Statistical Office RS, 2005 ² Data of State Bureau of Statistics RH*data include population without finished primary school (less than primary) and population with unfinished primary school (i.e. pupils who partially finished primary school, e.g. only some grades), 2005

Based on the statistical data from Slovenia (2005) and Croatia (2005), the majority of population from the programming area has been employed in the service sector, close after that comes industry, while for agriculture we register big discrepancies when comparing Slovenia and Croatia since in some of the Croatian eligible regions there are even up to 25% of the population employed in the agriculture sector while in Slovenia the highest is in Pomurska accounting for 2.9%.

2.8.2 Education

The system of education in the border region is well developed in the case of primary and secondary (vocational, grammar) schools. Secondary schools are located almost in all regional centres. Statistics on education structure of unemployed people show a strong demand for provision of a vocational educational system adapted to the requirements of the labour market and trends of modern industrial and commercial development. Major university centres are Maribor, Ljubljana, Zagreb, Rijeka. R&D is mostly concentrated in major urban areas, and it remains rather strong in some areas of basic research. The capacity for applied research is much more limited because of cuts in enterprise spending for this purpose. The most important problems are: low education and qualification structure of the population, brain drain to major cities and out of the region, low level of lifelong education facilities.

Residents of communities along the Slovenian-Croatian border have a lower level of education than residents of Slovenia on average. We can explain that with a high share of people that are employed in primary and secondary economic activities in that area. If we compare the structure of inhabitants by education, we see that in 2002 51,9 per cent of inhabitants in the area along the Slovenian-Croatian border had secondary school education, which is 2,2 per cent points less than the average in Slovenia. The share of inhabitants with primary school is in comparison with the Slovenian average higher for 4,5 per cent points, while the share of inhabitants with a higher education is lower for 2,3 per cent points compared with the Slovenian average.

Table 17: Education attainment of inhabitants (%)

SLOVENIA¹ (2005)	Less than Primary or Primary	Secondary	University, MSc, PhD
Pomurska	41,5	53,8	4,7
Podravska	27,5	63,4	9,1
Savinjska	31,1	62,0	6,9
Spodnjeposavska	35,1	58,3	6,6
Jugovzhodna	35,4	56,0	8,6
Slovenija			
Notranjsko-kraška	34,1	57,0	8,9
Obalno-kraška	25,0	64,1	10,9
Osrednjeslovenska	13,9	57,9	28,2
CROATIA² (2001)	*		
Međimurje	48,3	45,2	6,6
Zagreb	43,6	48,5	7,9
Krapina-Zagorje	43,6	48,5	7,9
Karlovac	47,3	44,1	8,7
Varaždin	46,0	45,6	8,4
Primorje-Gorski kotar	30,2	54,4	15,3
Istria	36,9	50,5	12,6
City of Zagreb	24,6	52,5	22,9

Source: ¹ Data of Statistical Office RS (Statistical Yearbook 2005), ² Data of State Bureau of Statistics RH *data include population without finished primary school (less than primary) and population with unfinished primary school (i.e. pupils who partially finished primary school, e.g. only some grades).

2.9 Research, development and innovation

R&D is on a relatively low level in the cooperation area. Research institutions are often linked to the hierarchy of university education, therefore big research centres in the border region are only found in Zagreb and Rijeka and in Ljubljana, Maribor and Koper as a part of their Universities. Research in the private sector is not significant often due to the reason that researchers in private sector do not have neither a suitable equipment nor do they apply their full skills. Companies, which have a high level of R&D, are usually multinational companies, which keep this function for themselves. Therefore, the need for research and technology centres is very strong in the programming area. High-tech industries are not well developed in the area and the problems are also lack of clustering and networking of such industries. However, there are potentials and plans for initiatives in research and production of new materials and new technologies in the area, linked also to the potentials of the use sustainable renewable sources of energy.

2.10 Culture

The programme regions provide a rich cultural resources variety. In some cross-border areas similar forms of cultural landscapes and elements of different traditions can be found on both sides of the border. The programming area's position at the interface of two languages and cultures offers an especially promising potential in the wide field of cultural aspects. There are significant minorities from the respective neighbouring countries in the programming area. These minorities have an established institutional background, cultural organisations and bilingual and minority education, which is favourable for cultural exchange.

In the programming area there are many interesting objects of cultural heritage, which need to be preserved. An important driver in the revitalisation of cultural assets is tourism, but their integration in tourist products is still low. A special effort should be made to promote the cultural heritage in larger towns and through tourism centres. Many cultural actions and traditional events are taking place in bigger towns and also in rural settlements in the entire area. Traditional cultural co-operation is present between cities and municipalities along the borders. Within the administrative regions and counties numerous social and cultural clubs are active.

Roma people are autochthonous ethnicity in the whole programming region. In Slovenia, they are concentrated in the Pomurska, Podravska and Jugovzhodna Slovenija regions, in Croatia in Međimurje county. Their way of living is still very traditional though in Slovenia their role in local communities is gradually becoming more active.

2.11 Local and regional development

Regional development centres play a key role in the economic restructuring of the whole programming area and a better co-operation between private and public sectors. This has been done through the promotion, guidance and linking of a sustainable business and technological development and it contributes to the achievement of a higher standard of living. All this is possible only with a close co-operation with all key players at regional level: municipalities, local development agencies, institutions, independent organizations like chambers of crafts and/or commerce, centres for entrepreneurs, business incubator and companies as the driving force of economic development. The past years have strengthened partnership among these organisations and fostered their capacities for developing and implementing projects.

For example in Slovenia, the best demonstration of close links among development agencies, local communities and other key players is seen in the preparation and

implementation of the regional development strategy, as well as in cooperation in various projects at local, regional, national and cross-border level and activities concerning local and SME development.

In Croatia, 6 counties out of 7 in the programming area have set up a development agency (all except Karlovac county) with the aim to help to co-ordinate the strategy formulation and project development in counties, and to focus on the needs and strengths of the specific county. These agencies are in most cases represented by very highly educated and skilled personnel and as such are starting to play a key role in regional development. These agencies are also very active in CBC and are already beneficiaries of the projects from previous CBC programmes. Croatia is at the moment in the process of passing the law on regional development together with the Strategy for regional development that has been already prepared. Moreover, it is important to highlight that this OP will address the relevant issue of absorption capacity for the available cross-border funding especially in Croatia, where it has been noticed over the past few years that there are insufficient management capacities for CBC.

2.12 Information and communication technologies

The coverage with telephone connections in the programming area is below the west European standard. In peripheral areas along the borders the coverage with telephone connections is in general below the national average in both countries considered in this programme. However, the cooperation area is covered by mobile phone connections. The public access to internet (in schools, public centres etc.) should be emphasized. The instalment of broadband connections offers a possibility to boost the contacts between the populations on both sides of the border.

The access to and the use of internet in Slovenia is increasing. In the first quarter of 2005, 48 % of households in Slovenia had an access to internet; regularly internet was used by 50 % of citizens of Slovenia in the age group of 10-74. 61 % of households possessed at least one personal computer and 87 % of household possessed at least one mobile phone.

In Croatia, based on the data from December 2004, 39% of population (15+) had access to internet and out of those 35% (1.215.000 persons) are using internet at least once a month. 47% of households have a personal computer and 6% have a laptop.

There are many possibilities to improve the access and increase the use of modern information and communication technologies in the programming area.

3 Analysis of strengths, weaknesses, opportunities and threats (SWOT)

The analysis of strengths, weaknesses, opportunities and threats is based on the analysis of the programme area, experiences gained in the implementation of PHARE and Neighbourhood Programme cross-border initiatives, and on workshops with representatives of national and regional/local levels held in both countries during the programming process.

This is a **summary SWOT**, which presents the main joint potentials and problems of the cross-border region, which will be tackled by this programme through actions embedded in the development strategy. Other issues also directly or indirectly affecting the cross-border region and co-operation beyond the scope of this programme may be tackled through other EU and national financing instruments.

GEOGRAPHY, INFRASTRUCTURE			
Strengths	<ul style="list-style-type: none"> + Cross-border region has a good geopolitical position (central position between East and West: transport corridor 5; Adriatic Sea: two seaports Koper and Rijeka) indispensable for the trade and business connections of the Central Europe to the world by sea 	Weaknesses	<ul style="list-style-type: none"> - Natural barriers in the Karst and mountainous parts of the area - High level of season-dependent use of infrastructure with the highest pressure on the coastal area - Lack of sufficient development of waste water management
Opportunities	<ul style="list-style-type: none"> + EU membership will facilitate new possibilities for cross-border cooperation + Development of transport infrastructure + Development of renewable sources of energy 	Threats	<ul style="list-style-type: none"> - External EU Schengen border will restrict the border crossings regime on the border with Croatia
NATURE AND ENVIRONMENT			
Strengths	<ul style="list-style-type: none"> + Rich water resources (thermal, surface and ground) and large forest areas in good condition + High level of biodiversity in coast lands, Karst areas, mountainous regions and flood plains along the rivers + Large number of valuable landscape and nature areas are suitable for protection or are already protected + Ecologically cultivated agricultural produce 	Weaknesses	<ul style="list-style-type: none"> - Sensitivity of the water resources in the area, specifically on the Karst (Slovenia and Croatia) - Intensive agricultural industry (in the plains) is causing damage to biodiversity and ground water pollution - Lack of waste water management (along the rivers) and waste management - Low level of environmental consciousness among population - The process of demining in areas affected by the recent war events is not yet finished (Karlovac County)
Opportunities	<ul style="list-style-type: none"> + Development of joint environmental standards and monitoring activities + Valuation of natural and cultural resources and joint protection and (further) development + Development of integrated waste and waste water management policy and systems + Encouragement of ecologically and biologically sound production techniques 	Threats	<ul style="list-style-type: none"> - Negative impacts on the environment due to intensified tourism development without adequate visitors management, intensification of agriculture and lack of waste and waste water infrastructure - Degradation of natural environment due to pollution and lack of strategic approach to the use of natural resources
DEMOGRAPHY, HUMAN RESOURCES, EDUCATION AND LABOUR MARKET			
Strengths	<ul style="list-style-type: none"> + Cooperation between civil society associations (fire brigades, culture, etc.) + High value intrinsic and manmade cultural resources + Well developed (inherited similar and relatively comparable) system of education and training 	Weaknesses	<ul style="list-style-type: none"> - Rural depopulation and brain drain to major cities and out of the region - Lack of employment possibilities and high unemployment rate of people in rural areas and of the elderly workforce - Low level of highly educated population - Low education and qualification structure of the population - Low level of lifelong education facilities - Migrations of predominantly younger population from rural and border areas to cities

Opportunities	<ul style="list-style-type: none"> + Cross border employment possibilities (agriculture, construction, tourism) + Joint development of (vocational) training programmes adapted to the needs of the labour market + Social inclusion of disadvantaged groups and development of equal opportunities especially in rural areas + Stimulation of interest for training and employment 	Threats	<ul style="list-style-type: none"> - Unfavourable demographic trends (ageing population, population decline in peripheral regions) - Further emigration of the educated people to other regions - Closing of the border for labour force exchange
CULTURE			
Strengths	<ul style="list-style-type: none"> + Rich cultural resources and diversity of cultural practices + High level of cultural co-operation in the cross-border region + Tradition of systematic planning and connecting cultural heritage and nature + Multicultural area 	Weaknesses	<ul style="list-style-type: none"> - Insufficient protection, dilapidation and unsuitable use of cultural resources - Inadequate inclusion of culture and cultural resources into territorial and economic development - Low promotion of cultural heritage in large towns and through tourism centres
Opportunities	<ul style="list-style-type: none"> + Preservation and revitalization of common cultural resources + Inclusion of culture and cultural resources into development and marketing of tourist products + Stimulation of mobility of artists and of cultural exchanges + Possibility of expression of cultural identity + Inclusion of cultural heritage preservation into cross border territory identity + Development of new cultural services (integrating heritage with craft, tourism, etc.) + Conversion of old military infrastructure into museums or cultural venues 	Threats	<ul style="list-style-type: none"> - Cultural assimilation of ethnic minorities may reduce cultural diversity - Lack of marketing a wider range of cultural resources, not just exceptional heritage - Preservation of cultural resources not being included into a proper management and development strategies
TOURISM AND RURAL DEVELOPMENT			
Strengths	<ul style="list-style-type: none"> + Good natural sources (thermal water springs, attractive seacoast, mountains, protected areas, etc.) and cultural assets (cultural resources, cultural events, etc.) for tourist development + Defined joint tourist destinations + Well developed individual tourist branches (spa tourism, river tourism, hunting, hiking, equestrian tourism, etc.) + Existing protected areas, which are managed in a sustainable manner + Existence of heterogeneous local agricultural produce typical for this territory + Maintenance of traditional knowledge in the countryside + A great number of national and nature parks + Agro tourism as one of well developed individual tourist branches 	Weaknesses	<ul style="list-style-type: none"> - Poor tourist infrastructure in non-coastal and mountain areas - Lack of joint tourist products and joint marketing - Seasonality of tourist industry except for spas and insufficient work force in some parts of the border area (especially on the coast) - Poor production and marketing of agricultural produce - Weak cross-border cooperation between farm owners in rural and agricultural development - Lack of skilled workers in tourism (waiters, cooks, etc.) - The process of demining in areas affected by the recent war events is not yet finished (Karlovac county) - The ownership structure of the estates is not yet completely clear - Low level of marketing of tourism resources - Lack of high-standard accommodation facilities - Lack of information exchange within the tourism industry and co-operative marketing
Opportunities	<ul style="list-style-type: none"> + Sustainable tourism development based on territory natural and cultural resources (especially eco-tourism, cultural tourism, agro-tourism, wellness and health tourism, river tourism) + Joint development, management and marketing of cross-border tourist destinations and integrated tourist products based on nature and culture + Development of the necessary tourism infrastructure, especially public infrastructure + Diversification of tourist products and markets to prolong the tourist season + Integrated actions to build cross-border regional identities and create cross-border tourist destinations + Diversification of agriculture production and generation of alternative income sources + Development of joint agricultural programmes, joint trademarks and unified marketing 	Threats	<ul style="list-style-type: none"> - Unplanned development of the sector and unconnected services - Unsustainable tourism development can damage the environment and natural and cultural resources on which tourism is based - Undesirable adaptation of agriculture to the market economy and the common EU market - Overgrown landscape

ECONOMY			
Strengths	<ul style="list-style-type: none"> + A longstanding economic co-operation + Familiarity with language and mentality makes it easier to do business together + High level of economic activity + SMEs well represented in the market + European leading companies present in the programme area + Export branches such as shipbuilding, production of dairy and meat products, quarry, wood industry, quality wines and food individual production 	Weaknesses	<ul style="list-style-type: none"> - Lack of business infrastructure (poor road connection, low quality of electrical power supply in remote areas, administrative obstacles, educational programmes and information etc..) - Lack of entrepreneurial spirit - Lack of innovation in technology followed by weak cooperation between business sector and research and development institutions - Lack of communication between different industrial sectors and among them as well as low level of export orientation of industry in the area - Lack of interregional economy development structures - Lack of funding opportunities for SMEs with inappropriate business support framework for SMEs and large size enterprises - Privatization is not yet fully completed and the structure of the ownership is still quite complicated followed by restructuring of traditional industries - Concentration of the industrial potential in urban areas - Low level of managerial knowledge among farmers with high proportion of part-time farmers
Opportunities	<ul style="list-style-type: none"> + Geographic position is a good opportunity to attract jointly foreign investors + Fostering already existing cooperation between SMEs and tourist organisations (integrated marketing, networking, clustering) + Development of appropriate SMEs support services and other business support infrastructure + Inform and exchange experiences with entrepreneurs about the EU potential market + Identification and development of cross-border clusters and SME networks + Encouragement of cooperation between business and applied research for the development and application of new technologies + Reassignment of old military infrastructure into business centres 	Threats	<ul style="list-style-type: none"> - Inappropriate harmonisation of national legislation (administrative, tax system) is undermining the development of SMEs sector - With rising labour costs international companies may move to other regions of the world - External EU border conditions increase transactional costs - Absorption capacity could limit potential to benefit fully from available levels of development funding - Rate and level of fiscal decentralisation inadequate (Croatia) - The plague" of grey economy and grey market
COHABITATION AT THE EXTERNAL EU BORDER			
Strengths	<ul style="list-style-type: none"> + Traditional multicultural ties (language, family, economy) + Positive experiences with cross-border cooperation within Interreg/Neighbourhood Programme + Experiences with harmonisation and implementation of European legislation on the Slovene side 	Weaknesses	<ul style="list-style-type: none"> - Peripheral location of border areas (disadvantageous for development) - Insufficient knowledge on and management capacities for cross-border cooperation funding mechanisms - Legal frameworks often a barrier to cross-border cooperation
Opportunities	<ul style="list-style-type: none"> + Common initiatives to improve basic legal framework for cross-border cooperation + Improve capacity for cross-border cooperation and regional development within the EU funding mechanisms + Improve cross-border accessibility to health, social, educational and cultural facilities & services + Exchange of experience and know-how in regional development 	Threats	<ul style="list-style-type: none"> - Insufficient absorption capacity for the available cross-border cooperation funding in Croatia - Late accession of Croatia to the EU

4 PROGRAMME STRATEGY

4.1 Strategic premises

The main objective of the OP Slovenia-Croatia 2007-2013 is to create a dynamic cross-border area with intense interactions of development actors and their stakeholders on both sides of the border towards the jointly defined goals.

The strategy for the OP is built on several major strategic premises, both those of general nature (**global** ones) and those of more specific character (**regional** ones).

General premises underlying the programme are:

- Globalisation process which presents new challenges (such as development of new technologies, innovativeness, increase of knowledge);
- Global competition which requires constant upgrading of services, cost efficiency;
- Global pollution of the environment and thus the necessity to take precautionary steps to preserve natural resources;
- The intention of the EU to become the most competitive economy by 2010 following the Lisbon strategy, while at the same time protecting the environment and following the Gothenburg strategy;
- The enlargement policy of the EU and the Candidate Country status of Croatia.

The EU also emphasises the importance of cross-border cooperation of regions, which are divided by national borders. Economic development, water management and environment protection are indicated by the EU as the fields of cooperation which require “*a focused and integrated approach that goes beyond national borders*” (*Communication from the Commission: Cohesion policy in support of growth and jobs: Community strategic guidelines, 2007-2013, pg. 31*).

The situation analysis and the SWOT analysis of the cross-border region have identified a number of potential intervention areas, which could be helpful for the facilitation of the development of a lively and integrated region. The areas of co-operation which show the greatest potential for cross-border co-operation are economic activities (especially tourism) and environmental protection. Therefore, these two areas have been selected as the focus of the programme and prioritised for operations.

The analysis shows that even though there are well developed tourist offer, a high potential in terms of natural and cultural resources and some strategies already developed, there needs to be a stronger unified approach in the programming area in order to achieve better results. Full potential of the area can be used only by joining forces and creating a common strategy and offer that will create a specific, healthy and rich cross-border area with flourishing economy and highly developed environmental standards.

4.2 Main principles

The programme has been drawn up and will be implemented taking into account the following principles aiming at:

- Contributing to the achievement of the EU targets of the Lisbon and Gothenburg agendas, as well as external policy objectives where appropriate in a cross-border context;
- Using endogenous potentials of the cross-border area and strengthening the territorial identity of the programme area;

- Using the principle of concentration: strategic interests in individual sectors and geographic areas, which are common on both sides of the border and possibly represent a competitive advantage of the cross-border region;
- Supporting projects with a distinctive cross-border component, which provide added value;
- Linking with national development strategies without overlapping with other national development programmes;
- Promoting projects aiming at pursuing public and/or general interest;
- Increasing the absorption capacity of the cross-border region;
- Potentially integrating smaller projects into larger, integrated projects;
- Using a small projects fund as a financial instrument to support local initiatives;
- Increasing synergies with other EU programmes and initiatives;
- Promoting the aspect of innovativeness (introduction of new methods, approach, tools, system, models, mechanisms, etc);
- Using networking both on project and institutional level in sharing and disseminating information, knowledge, contacts, etc, but also establishing new (non)formal partnerships or cooperation agreements, and assisting others in partner search;
- Improving social inclusion of disadvantaged groups across the border;
- Improving environmental protection and contributing to the reduction of climate change.

Horizontal EU policies represent the fundamental principles of the EU, and therefore have to be used as the underlying principles for projects developed and implemented under this programme. In addition, potential beneficiaries will be stimulated to follow the goals of the EU horizontal policies in the field of equal opportunities and information society.

4.3 Strategic objective

The strategic objective of the programme is to support and promote sustainable development of the whole cross-border area between Slovenia and Croatia.

The strategy to obtain the programme objective is:

- A) To enable inhabitants and the economy in the cross-border area to exploit the potential of the EU market;
- B) To enable local and regional actors to address cross-border challenges jointly with their cross-border counterparts;
- C) To overcome regional development disadvantages caused by national borders by joint cross-border actions;
- D) To support development and promotion of the cross-border area and of a common identity;
- E) To invest in people, combat social exclusion and create favourable living conditions.

The aims will be achieved by increasing the competitiveness of key sectors and supporting the cooperation among different sectors (tourism, SME development) as well as through protection of nature and environment and cultural heritage for long lasting sustainable development. The programming area has a very important geo-strategic position by acting as a bridge between Central-West and South-East Europe. Thanks to this role the programming area has great development potentials and can become competitive at the EU markets as a common, future-oriented economic and living space.

The vision of the programme is to make the cross-border area between Croatia and Slovenia highly competitive, and to create sustainable living conditions and wellbeing for its inhabitants by exploiting development opportunities arising from joint cross-border actions.

5 JUSTIFICATION FOR THE SELECTED PRIORITIES

The programme will build on opportunities and key potentials of the border regions, which are seen in tourism and entrepreneurship development, as well as environment and natural and cultural heritage preservation. In addition, the operations should not overlook the integration of a certain degree of focus to environmental effects, equal opportunities and information society issue (EU horizontal policies).

The priorities were selected in order to address the problems identified in the socio-economic analysis. The programme will tackle those, which are identified as EU issues and laid down in strategies, policies and guidelines. Therefore the co-financed operations will contribute to achieving the goals set in the EU strategies and policies documents.

The programme will contribute to the achievement of the main EU objectives until 2010 set in the Lisbon strategy by improving economic competitiveness of the border area for achieving sustainable economic growth and better employability. In order to meet these objectives, the programme will support cross-border co-operation and networking between business and R&D sectors; the target is to increase innovativeness, transfer of knowledge, creation of new jobs, support to entrepreneurship etc.

In the first priority it will in particular support a joint promotion of companies in the EU markets, development of supporting infrastructure for SMEs, cooperation of companies with education and research organisations and stimulation of entrepreneurship and use of ICT, especially among rural and disadvantaged groups of people. Special emphasis is put on the improvement of the tourism sector as the main income generator of beneficial regions by integrating and marketing jointly tourism, culture and agriculture products on both sides of the border.

By strengthening the competitiveness as well as the economic and social integration of the border area, it also follows the Community Strategic Guidelines for the cohesion policy in 2007-2013 (COM (2005)0299) on cross-border cooperation. The economic disparities between the border regions can be reduced by linking different systems, like spatial planning and infrastructure, as well as health and social care. The programme will emphasize the social component integrating socially disadvantaged groups.

Moreover, it will promote good neighbourly relations between Slovenia and Croatia by fostering stability, border security and prosperity in the mutual interest of both countries as set out in the Council Regulation 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA). The programme will strive to develop joint actions and to use more effective approaches to solving problems that have to be faced on both sides of the border.

The programme will also support the Goetheburg objectives aiming at fostering sustainable management of the environment through cross-border initiatives falling within the second priority. In particular, it will support the sustainable use of natural resources, environmental awareness-raising in the border area and the development of joint actions for nature and environment protection.

Well-preserved nature, great biodiversity and diversity of landscape, rich animal and plant life, various habitat types, diverse geological structure, diverse relief, great variety of cultural landscape are the characteristics of the programme area which we aim to achieve. One of our key tasks, and also a responsibility is to protect and conserve plant and animal species, their habitats and valuable natural features. The centrepiece of EU nature and biodiversity policy is Natura 2000.

Regions on the Slovene-Croatian border are diversified in their development but are facing the same joint challenges related in particular to the improvement of regional

competitiveness and employability by means of investments in entrepreneurship and knowledge, in infrastructure and quality of services, in environment and nature preservation, as well as in the creation of favourable conditions for entrepreneurship and employment. All these themes will be covered by the first two priorities of the programme.

Special care has to be given to coastal sea waters. The two most spectacular phenomena in recent years, oil slicks and algal blooms, are illustrations of the fact that coastal communities frequently suffer the consequences of events or developments occurring inland or offshore and therefore beyond their control. Human settlement of the coastal zones and utilisation of their natural resources since early times has created unique forms of rural and urban landscapes, reflecting cultures centred on trade and largely oriented towards the outside. Unfortunately, urbanisation and uniform agricultural and industrial developments have considerably reduced the biological diversity and cultural distinctness of the landscapes in most parts of Europe.

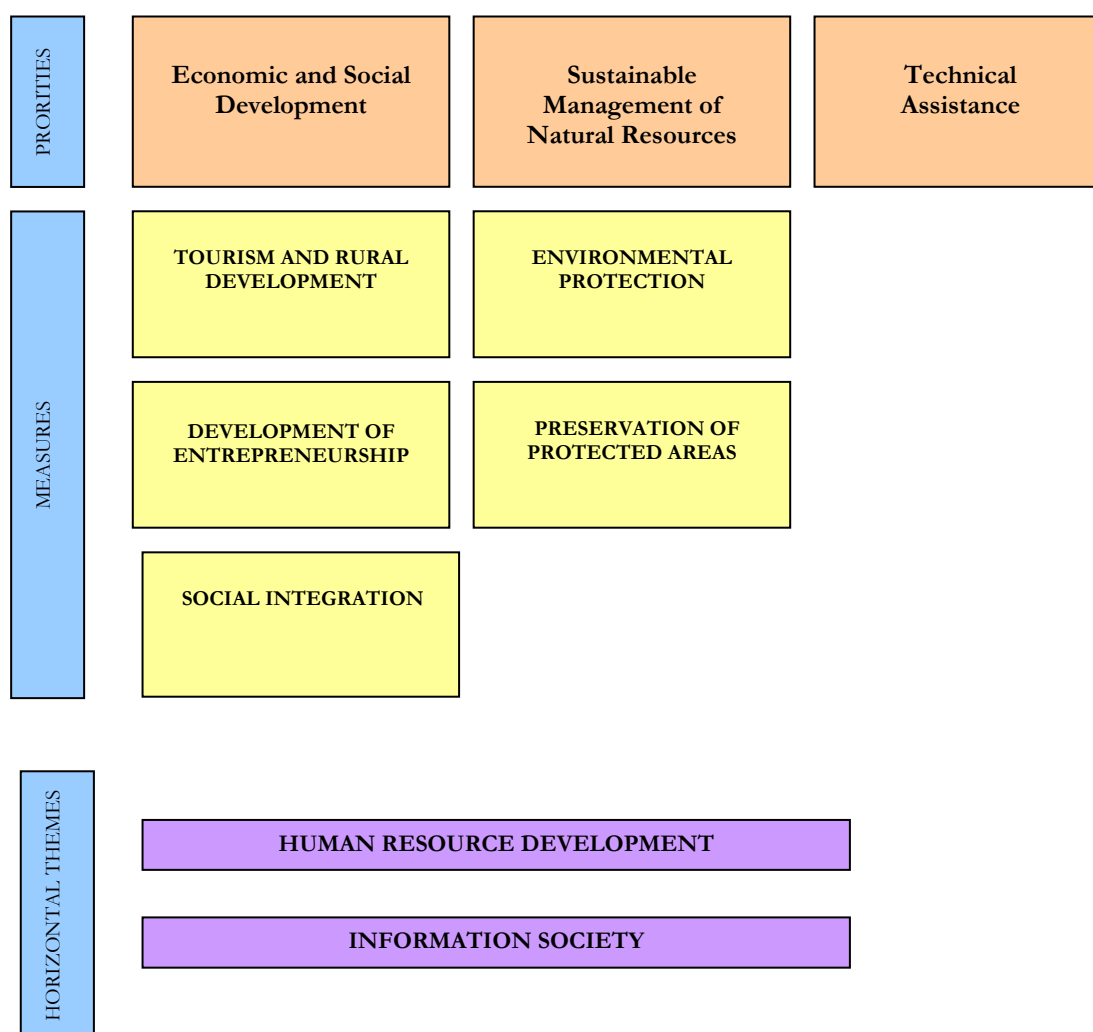
6 DESCRIPTION OF PRIORITIES AND MEASURES

The programme objective will be achieved by supporting types of operations which will contribute to the achievement of objectives under priorities 1 and 2.

The *'Economic and Social Development'* focuses on the support to entrepreneurship, as well as on the improvement of tourism, rural development, and cultural and social exchanges. The *'Sustainable Management of Natural Resources'* focuses on supporting cooperation in the field of environment, natural resources protection and sustainable development, in particular protection of the environment and preservation and revitalization of natural assets of the cross-border area.

Technical Assistance aims at supporting prompt and smooth implementation of the Programme.

Chart 1: Priorities and measures



Horizontal themes of this programme are *Human Resources Development* and *Information Society*, and are to be integrated to a reasonable degree into every type of operation if appropriate.

Both *Human Resources Development* and *Information Society* have to be understood as a horizontal tool to support the achievement of objectives of the selected priorities. Human resources development is related to formal or non-formal type of education or training of

those involved in the project (partners, target groups). The programme stimulates the use of information technologies not only in business but also for the purpose of management and protection of the environment, preservation and revitalisation of nature and culture, as well as for setting up and implementing coordination mechanisms.

Programme indicators

Indicators presented in the table have been selected to measure and monitor the progress and success in the implementation of the programme. The following table provides a proposed list of output indicators at programme level.

Table 18: Indicators at programme level

Level	Name	Code	Indicator	Baseline	Target
		Indicators reflecting the degree of cooperation			
	Operational Programme Slovenia-Croatia	42	Number of projects respecting two of the following criteria: joint development, joint implementation, joint staffing, joint financing	0	70
		43	Number of projects respecting three of the following criteria: joint development, joint implementation, joint staffing, joint financing	0	55
		44	Number of projects respecting four of the following criteria: joint development, joint implementation, joint staffing, joint financing	0	40
		Result indicators reflecting the cross-border cooperation			
		46	Number of projects developing joint use of infrastructure	0	5
		47	Number of projects developing collaboration in the field of public services	0	20
		48	Number of projects reducing isolation through improved access to transport, ICT networks and services	0	15
		49	Number of projects encouraging and improving the joint protection and management of the environment	0	40
		50	Number of people participating in joint education or training activities	0	200
				Female	at least 50%
			Number of projects with bilingual products	0	65
			Number of projects actively involving women and disadvantaged groups of people	0	105
			Gross jobs created	0	50
			Female	at least 50%	

6.1 Economic and social development

The strategic objectives of this priority are:

- To improve economic growth and competitiveness of SMEs;
- To support development of tourism through improved offer, better exploitation of natural and cultural assets, as well as development of new services and products, thus creating new sources of income for rural areas;
- To encourage and support exchanges in cultural and social themes and areas improving the quality of everyday life, services and information sharing in the programming area.

The strategic objectives will be achieved by the implementation of operations within three measures. The first measure **Tourism and Rural Development** is based on natural and cultural assets of the programming area and is aimed at creating cross-border tourism destinations, stimulating sustainable tourism development, and generating additional income sources, especially in rural areas. The second measure **Development of Entrepreneurship** is designed to improve the economic growth and competitiveness of SMEs by promoting business cooperation and indirectly increasing cross-border trade. The third measure **Fostering Culture and Social Exchanges** is aimed at transferring the know how, adjusting and coordinating different cultural assets, systems and actions, which are important for the everyday life of inhabitants, as well as for the development of the programming area.

Foreseen cross-border impact:

- Strong economic growth and social development in the cross-border area, with a growing number of SMEs providing additional employment and reducing the brain drain from rural areas to big cities.

Specific objectives

- To stimulate sustainable tourism built on cross-border regional identity and based on natural and cultural assets in order to prolong the tourist season and generate additional and sustainable income for the local people especially in rural areas;
- To promote business cooperation;
- To facilitate the creation of a common cultural and social space in the Slovenian-Croatian border region.

Impact of Priority 1 will be visible through the increase in quality of the cross-border cooperation in general in the programming area, which could be measured by a number of innovative and new cross-border initiatives at local and regional level. Impact will also be shown through the economic and social integration of the border area, which could be measured in the long run by the employment rate and economic growth of the programming area in general.

Table 19: Indicators for Priority 1¹

Number of new cross-border tourist services	10
Number of new cross-border tourist destinations	25
Number of new natural and cultural assets integrated into sustainable tourist offer	25
Number of projects in the field of tourism and rural development	40
Number of projects supporting cooperation between SMEs and R&D organisations	25
Number of projects affecting the increase of cross-border trade	20
Number of joint cultural events supported by the programme	25
Number of projects increasing cooperation between civil society associations	15

¹ The baseline for the indicators is 0.

Gross jobs created	25
Female	At least 50%
Number of projects for eco-efficiency, energy efficiency, use of renewable resources	3
Number of regional initiatives or cross border partnerships for joint management of natural resources, green purchasing, eco-efficiency, eco-labelling, sustainable transport, cross-border public transport etc.	3

6.1.1 Tourism and rural development

Through operations implemented within this measure, the programme will strive for sustainable economic development of the programming area by connecting and integrating tourism and agriculture products, which are competitive in other EU markets, and by securing additional income sources. Promotion will play an important role.

Tourism and rural development is one of the most important measures of this programme as the programming area as such has good potentials for economic development due to its natural resources and cultural assets, already well developed individual tourism branches and heterogeneous local agricultural produce, which are typical for this area. The following activities are to be carried out within the scope of this measure in order to achieve the objectives of the priority *Economic and Social Development*:

- Development and improvement of integrated products and services within different types of tourism offer (eco-tourism, cultural tourism, agro-tourism, wellness and health tourism, river tourism, etc);
- Revitalisation of cultural heritage and integration of cultural heritage into tourism;
- Establishment and improvement of joint marketing and promotion of tourism and of agriculture products and services;
- Improvement of recreational and small-scale tourism infrastructure;
- Stimulation of inclusion of nature values and nature protected areas in the tourist offer.

6.1.2 Development of entrepreneurship

Development of entrepreneurship is the second proposed measure under this priority, which is designed to contribute considerably to the economic growth and competitiveness of the programming area.

The strengths of the programming area are long-standing economic cooperation of both countries, while especially SMEs lack innovativeness, and export orientation. Therefore this type of operations aims in particular at promoting the cross-border business cooperation of the SMEs and cross-border trade.

The following activities are to be carried out within the scope of this measure in order to achieve the objective of the priority *Economic and Social Development*:

- Development of SMEs support services for improving business cooperation and joint marketing of SMEs;
- Development of cooperation between SMEs, educational, research & development organisations for improving business innovativeness and technology;
- Transfer of know-how and exchange of information;
- Establishment of cross-border networks of employment services as a basic ground for further cooperation.

6.1.3 Social integration

The aim of the third measure under this priority is the facilitation of a common cultural and social space in the Slovenian-Croatian border region. The measure is aimed at supporting local actors who are rebuilding the cultural and social ties in the border region in order to create a coherent and vibrant cross-border area.

There is a need for co-operations in the fields of culture and social services between civil organizations, municipalities, and educational organizations to be continuous and last for more than a single event. Especially there is a need to provide a strong support to common cultural heritage of the border area and joint efforts to identify, preserve, restore and portray the common cultural heritage of the region.

The following activities are to be carried out within the scope of this measure in order to achieve the objective of the priority *Economic and Social Development*:

- Public awareness-raising on cultural differences;
- Stimulation of cultural exchanges and events;
- Stimulation of mobility of artists and of cultural cooperation;
- Cooperation between institutions (fire brigades, health and protection services, educational and training programs etc.).

6.2 Sustainable management of natural resources

The **strategic objectives** of this priority are:

- To preserve the environment and safeguard natural and cultural assets of cross-border area.
- To conserve valuable biodiversity for future generations.
- To contribute to the improved quality of life through reducing ecological risks, air pollution, waste and water management, and reduce soil, forests and other pollution.
- To establish cross-border networks in order to ensure environment protection.

The strategic objectives will be achieved by implementing operation within two measures. The first measure ***Environmental Protection*** is based on the richness of natural resources of the programming area and is aimed at strengthening and increasing the awareness among local population on the environmental protection but also at diminishing both environmental risks and pollution.

The second measure ***Preservation of protected areas*** is aimed at strengthening regional identity through preservation and revitalization of natural and cultural resources by managing and developing the natural and cultural assets of the cross-border territory in a sustainable way.

Foreseen cross-border impacts:

- Increased public awareness of natural and cultural assets in the cross-border region;
- Cleaner environment as a result of new wastewater treatment plants and reduced air pollution;
- Rehabilitated polluted sites;
- Improved management of protected areas.

Specific objectives

1. To improve environmental awareness in the cross-border area;
2. To mitigate environmental risks by joint planning, management and monitoring of natural resources in the cross-border area;

3. To reduce environmental pollution (air, water, soil, forests, etc) in cross-border sensitive areas;
4. To preserve and revitalize natural and cultural resources as a basis for strengthening regional identity and diversity as well as ensuring sustainability.

Impact of Priority 2 will be produced by an increase in projects, programmes and different initiatives that support environment protection and develop the territory in line with the sustainable development principle, thus contributing to the improvement of quality of life in the programming area in general.

Table 20: Indicators for Priority 2²

Number of organisations included in awareness raising actions	105
Number of joint plans	15
Number of joint management of water sources	10
Number of waste disposal sites rehabilitated	5
Number of natural/cultural resources units revitalized	15
Number of projects increasing cooperation between local and regional actors with their cross-border counterparts for joint spatial planning	10
Number of projects in the field of environment protection	50
Number of projects preserving and revitalising natural/cultural resources	20
Gross jobs created	25
Female	At least 50%

6.2.1 Environmental protection

The aim of this specific measure is environmental protection of the cross-border area in order to strengthen and increase awareness among local population on the environmental protection, but also to diminish both environmental risks and pollution.

It is planned that specific activities will be focused on the sensitive areas that are of a higher importance due to the environment conditions they are in. Examples of such areas are places close to the water springs or waste disposals close to the populated or protected areas or in the areas where the air is polluted. They represent all the areas where environment pollution can be of a higher risk to the health and safety of the inhabitants.

As pointed out in the introduction to the second priority, environmental issues are of high importance in the programming area, not just because of intensive development in rich natural and cultural surroundings, but also in order to decrease or repair damages that are present due to the high environmental pollution. There is a strong need to protect and clean the environment we are living in, especially when we have an area such as this one with rich water sources, high density of biodiversity and landscape variety.

The following activities are to be carried out within the scope of this measure in order to achieve the strategic objectives of the priority *Sustainable Management of Natural*

Resources:

- Joint awareness raising among polluters and inhabitants on innovative environment protection actions/measures and sustainable use of natural resources;
- Preparation of joint feasibility studies to improve and monitor air, water, waste and waste water management systems, and reduce soil, forests and other pollution;
- Joint management and joint preservation of water sources and improvement of quality of water;
- Identification and sanitation of uncontrolled waste disposal and development of prevention measures;

² The baseline for the indicators is 0.

- Preparation of technical documentation and construction of waste water treatment plants and of domestic waste, treatment of solid and sewage systems in cross-border sensitive areas;
- Actions to improve energy efficiency;
- Actions to improve the quality of air;
- Joint spatial planning.

6.2.2 Preservation of protected areas

Due to the specific profile of the programme area the need to preserve the existing assets and to integrate them into new development initiatives has been recognised as extremely important. The programme area has rich water sources, high density of biodiversity and landscape variety coupled by culture and tradition embedded in the daily lives of the local population.

The aim of this measure is to preserve and revitalise natural and cultural resources. Identified assets from the area can be managed in line with the strategic objective to preserve the environment and safeguard natural assets.

This is to be achieved through the following activities:

- Establishment of protected areas and their cross-border networks;
- Stimulation of joint management of existing protected areas;
- Preservation of biodiversity and landscape diversity;
- Joint feasibility studies on issues related to nature protection
- Preparation of technical documentation for natural resource protection and/or sustainable development;
- Awareness raising on protection of natural and cultural resources;
- Preservation of natural and cultural heritage.

6.3 Technical assistance

For assuring the successful preparation, management and implementation of the Operational Programme Slovenia-Croatia 2007-2013 a part of the budget is set aside for technical assistance for covering the costs of running the programme. The costs of meetings and of exchanging information and experiences, as well as the costs for managing the programme will be high. For this reason the level of technical assistance has been set at 10% of the total amount allocated in line with Article 94 of the Commission Regulation (EC) NO 718/2007.

Specific objectives

- Efficient operation of programme-relevant structures;
- High quality of programme-funded projects.

Indicative activities eligible for support

Technical assistance will be granted principally for:

- Preparation of the Programme and its further development;
- Ensuring an effective and efficient implementation of the Programme;
- Special expertise for the appraisal of project applications;
- Establishment and support of monitoring, evaluation and control systems including first level control;
- Drafting of reports and preparation or monitoring of activities;
- Publicity and promotional activities (certain work can be carried out by consultants).

Technical assistance will be granted also for all other activities necessary to be carried out to ensure a successful preparation and implementation of the programme.

Table 21: Indicators for Priority 3³

Number of projects approved and monitored	165
Number of promotional events	25

In order to ensure maximum benefit from the INTERACT programme for the implementing bodies of this programme, the use of INTERACT services and documentation as well as the participation of staff in INTERACT seminars will be encouraged.

³ The baseline for the indicators is 0.

7 HORIZONTAL THEMES

Horizontal themes of this programme are:

1. Human Resources Development
2. Information Society.

These horizontal themes should be integrated to a reasonable degree into every type of operations. As a consequence, at least one of them has to be tackled by the topic of each project.

Horizontal activities will focus on the specific topic of each measure by capacity building among local actors and population in general but also by creating network among organizations and institutions working in the specific field. Usage of ICT for the purpose of achieving aims of measures will be expected and supported by this program.

Human Resource Development is related to formal or non-formal type of education or training of those involved in the project (partners, target groups).

Possible horizontal activities under different measures could be: improving knowledge and skills of people which can be achieved by language, management and marketing courses, computer literacy courses, project development courses and courses on specific knowledge and skills.

The information society continues to be a key driver of growth and employment and remains at the heart of the Lisbon strategy. Information society is to be understood as a horizontal tool to support achievement of objectives of the priorities. Beside the business sector, the programme stimulates the use of information society for the purpose of environment management and protection, preservation and revitalisation of nature and culture, and for setting up and using coordination mechanisms. Activities such as courses in specific fields of knowledge (in line with the measures of the OP), establishment of ICT infrastructure and equipment, development of ICT services and applications, increased use of these services will result in increased work efficiency due to improved performance of information infrastructure, equipment and services. The knowledge of end users will be improved.

Attention will be given to support access to information society services for communities and businesses in cooperation area. Activity fields will support the roll-out of known best practices particularly those contributing to e-inclusion and lifelong learning, digitalization as a part of promotion activities, monitoring system, data bases, and simplification of data exchange.

8 BENEFICIARIES

Beneficiaries of the priorities 1 and 2: Economic and social development and Sustainable management of environment are **non-profit** legal persons established by public or private law **for the purpose of public interest or general interest**, belonging to one of the following groups:

- Regional and local public authorities;
- Public bodies and public equivalent bodies⁴ such as: (funds, institutions, agencies) established by the state or a municipality, research and development institutions, education and training institutions, health care institutions, institutions for protecting natural and cultural heritage, local and regional development agencies etc.;
- Non-governmental organisations such as associations, foundations;
- Status as a freelance art workers/freelance artists;
- Chambers of commerce, agriculture, crafts and industry, clusters registered as non-profit legal persons;
- Legal entities established by private law (societies) with non-profit status and purpose of operating, such as local and regional development agencies registered as companies, local tourism organizations, training organizations etc.

The beneficiaries of the priority technical assistance are programme partners.

⁴ Definition of public equivalent bodies: Established for the specific purpose of meeting needs in the general interest, not having industrial or commercial character and having legal personality and:

- either financed for the most part by the State, regional or local authorities, or other bodies governed by public law,
- or subject to management supervision by those bodies.
- or having and administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities or by other bodies governed by public law.

9 FINANCING PLAN

Table 22: Financing plan of the programme giving the annual commitment of IPA funds

	IPA funds (in euros)
2007	3.436.312
2008	5.870.938
2009	6.417.370
Total	15.724.620

Table 23: Financial plan of the operational programme giving the amount of the allocation of IPA funds in the programme, the national public and private contributions and the rate of reimbursement by priority for the whole programming period

Priority by source of funding (in euros)

IPA Cross-border Co-operation Operational Programme Slovenia-Croatia 2007-2013 The basis for calculations is public expenditure.						For information	
	Community funding (a)	National public funding (b)	National private funding (c)	Total funding (d) = (a)+(b)+(c)	Co-financing rate (e) = (a)/(d)	EIB contributions	Other funding
1. Priority: Economic and Social Development	7.862.310	1.387.467		9.249.777	85%		
2. Priority: Sustainable management of natural resources	6.289.848	1.109.974		7.399.822	85%		
3. Priority: Technical assistance	1.572.462	277.494		1.849.956	85%		
Total	15.724.620	2.774.935		18.499.555	85%		

10 ELIGIBLE EXPENDITURE

In accordance with Article 89 of the IPA Implementing Regulation expenditure shall be eligible if it has actually been paid between 1st January 2007 and 31 December of the third year following the last budgetary commitment, for operations or part of operations implemented within Slovenia, and incurred after the signature of the financing agreement for operations or part of operations implemented within Croatia.

In accordance with Article 34(3) of the IPA Implementing Regulation the following expenditure shall not be eligible:

- a) taxes, including value added taxes;
- b) customs and import duties, or any other charges;
- c) purchase, rent or leasing of land and existing buildings;
- d) fines, financial penalties and expenses of litigation;
- e) operating costs;
- f) second hand equipment;
- g) bank charges, costs of guarantees and similar charges;
- h) conversion costs, charges and exchange losses associated with any of the component specific euro accounts, as well as other purely financial expenses;
- i) contributions in kind.

In addition to the rules set out in Article 34(3), the following expenditure shall not be eligible (laid down in Article 89(2)):

- a) interest on debt;
- b) the purchase of land for an amount exceeding 10 % of the eligible expenditure of the operation concerned.

By way of derogation from Article 34(3) and laid down in article 89(2), the following expenditure shall be eligible:

- a) value added taxes, if the following conditions are fulfilled: they are not recoverable by any means, it is established that they are borne by the final beneficiary, and they are clearly identified in the project proposal.
- b) charges for transnational financial transactions;
- c) where the implementation of an operation requires a separate account or accounts to be opened, the bank charges for opening and administering the accounts;
- d) legal consultancy fees, notarial fees, costs of technical or financial experts, and accountancy or audit costs, if they are directly linked to the co-financed operation and are necessary for its preparation or implementation;
- e) the cost of guarantees provided by a bank or other financial institutions, to the extent that the guarantees are required by national or Community legislation;
- f) overheads, provided they are based on real costs attributable to the implementation of the operation concerned. Flat-rates based on average costs may not exceed 25% of those direct costs of an operation that can affect the level of overheads. The calculation shall be properly documented and periodically reviewed.

In addition to the technical assistance as a separate priority referred to Article 94 the following expenditure paid by public authorities (laid down in article 98(3)) in the preparation or implementation of an operation shall be eligible:

- ✓ the costs of professional services provided by a public authority other than the final beneficiary in the preparation or implementation of an operation;
- ✓ the costs of the provision of services relating to the preparation and implementation of an operation provided by a public authority that is itself the final

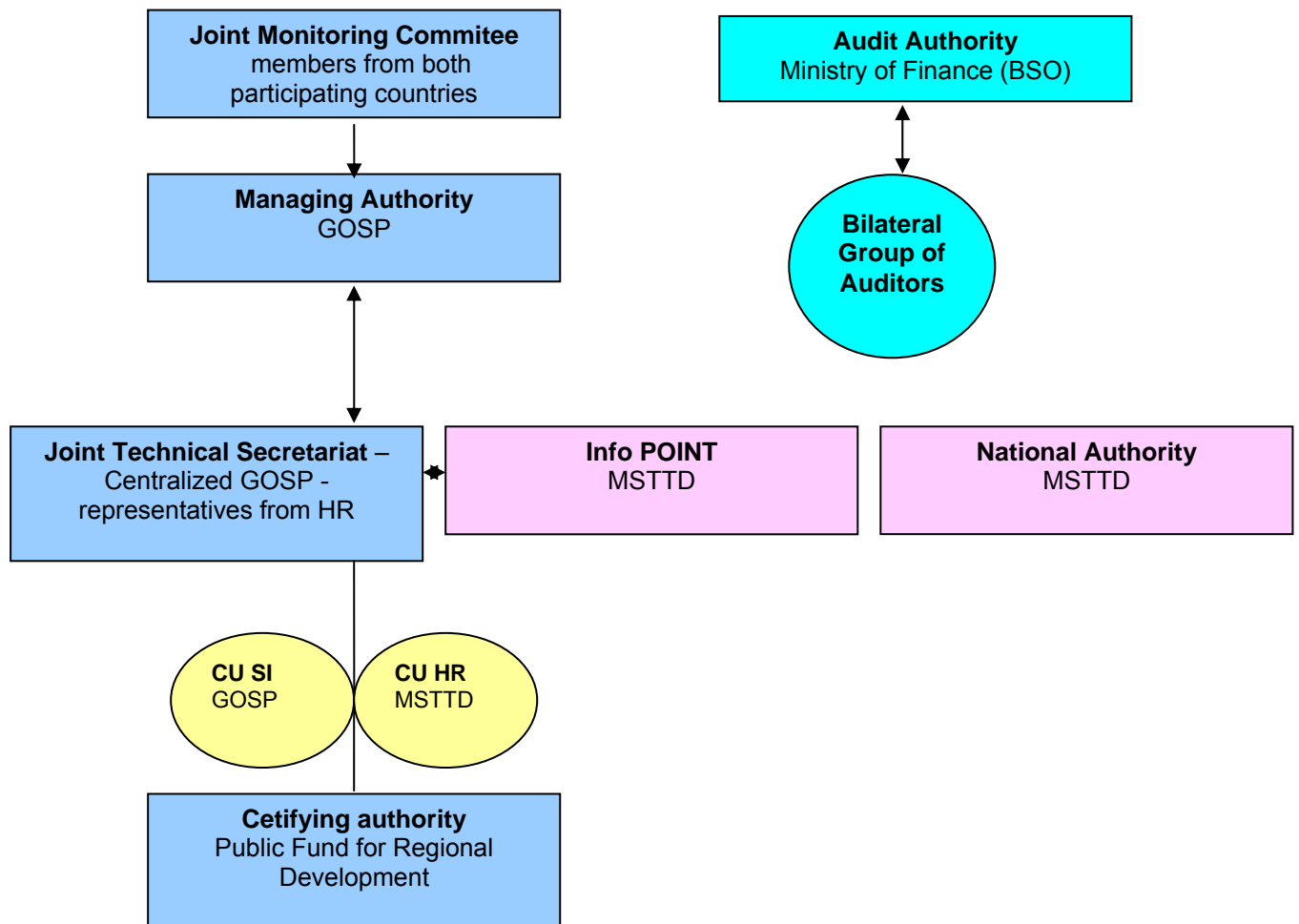
beneficiary and which is executing an operation for its own account without recourse to other outside service providers if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation.

Further rules on eligibility of expenditure will be laid down by the participating countries.

11 IMPLEMENTATION STRUCTURE

In line with Articles 33, 98 and 102 of the Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA), the Slovenia-Croatia IPA Cross-border Co-operation Programme will be **implemented through shared management** by a single Managing Authority, a single Certifying Authority and a single Audit Authority, which will be put in place in the Member State Slovenia acting as the responsible institution for the implementation of the entire cross-border programme. The representatives of the European Commission will participate at Monitoring Committee meetings in advisory capacity.

Chart 2: Institutional structure of the programme:



In the IPA Cross-Border Cooperation Operational Programme Slovenia-Croatia 2007-2013, the participating States are represented by the following authorities:

SLOVENIA:

Government Office for Local Self-Government
and Regional Policy
Kotnikova 28
SI-1000 Ljubljana

CROATIA:

Ministry of Sea, Transport, Tourism and Development
Directorate for Integrated Regional Development
Vlaška 106
HR-10000 Zagreb

The following structures will be created for the management of the programme:

Joint structures:

- **Joint Monitoring Committee (MC):** supervising and monitoring the programme implementation;
- **Managing Authority (MA):** bearing overall responsibility for the management and implementation of the programme towards the European Commission;
- **Joint Technical Secretariat (JTS):** assisting the Managing Authority, the Monitoring Committee, where appropriate, the certifying authority, the audit authority and the National Authority in carrying out their respective duties;
- **Info Point (IP):** as an antenna of the JTS responsible for an efficient project development by giving direct assistance to potential project applicants in the Candidate Country Croatia;
- **Certifying Authority (CA):** certifying declarations of expenditure and applications for payment before they are sent to the Commission, as well as receiving payments made by the Commission and making the payments to the lead beneficiary;
- **Audit Authority (AA):** functionally independent body of the Managing Authority and the Certifying Authority, responsible for verifying the effective functioning of the management and control system;

Implementing structures at national level:

- **National Authority (NA):** responsible for coordination of programme activities on the Croatian part of the cross-border area, for setting up the control system in order to validate the expenditures at national level.

The managing structures for the programme implementation will set up a suitable framework for the implementation of joint projects focusing on joint goals and objectives in the border region. The Managing Authority in Slovenia and the National Authority in Croatia will take all measures necessary to assure a proper implementation of the joint programme.

The participating countries shall regulate their relations and the operation of the programme in a written agreement (Memorandum of Understanding), which will be concluded between the Managing Authority in Slovenia and the National Authority in Croatia. In line with Article 118 of the Commission Regulation (EC) No 718/2007, the written agreement shall include all implementation details which allow the Managing Authority, the Certifying Authority and the Audit Authority to exercise their duties and ensure compliance by the participating countries with their obligations as regards the recovery of undue payments.

Appropriate management arrangements shall ensure at all levels of programme implementation, that - beyond the legally required absolute minimum standards - possible effects which are unsustainable or unfavourable to environment, especially as concerns impacts on climate change, the maintaining of biodiversity and ecosystems, and the drawing on natural resources, are avoided or kept as low as possible, so that the environmental charges of the programme in total, will in the end be climate and resource neutral. The programme's positive effects and potentials for synergies in the sense of optimising its contribution to an environmentally sustainable development shall be exploited at best and, wherever possible be strengthened.

11.1 Managerial level

11.1.1 Joint Monitoring Committee (JMC)

Slovenia and Croatia agree that the JMC will be responsible for supervising and monitoring the programme implementation according to Article 110 of the Commission Regulation (EC) No 718/2007. The JMC will be set up no more than three months from the date of the notification to the participating countries of the decision approving the cross-border programme.

The JMC shall satisfy itself as to the effectiveness and quality of the implementation of the operational programme, in accordance with the following provisions:

- (a) it shall consider and approve the criteria for selecting the operations financed by the cross-border programme and approve any revision of those criteria in accordance with programming needs;
- (b) it shall periodically review progress made towards achieving the specific targets of the cross-border programme on the basis of documents submitted by the managing authority;
- (c) it shall examine the results of implementation, particularly achievement of the targets set for each priority axis and the evaluations referred to in Article 57(4) and Article 109;
- (d) it shall consider and approve the annual and final reports on implementation referred to in Article 112;
- (e) it shall be informed of the annual control report, referred to in Article 105 (1)(c);
- (f) it shall be responsible for selecting operations but may delegate this function to a steering committee;
- (g) it may propose any revision or examination of the cross-border programme likely to make possible the attainment of the objectives referred to in Article 86(2) or to improve its management, including its financial management;
- (h) it shall consider and approve any proposal to amend the content of the cross-border programme.

As a general rule the JMC shall meet at least twice a year. The JMC is the sole decision-making body in terms of project selection. Decisions will be taken by consensus, whereby each country has one vote.

Meetings will be held in both participating states. The JMC will draw up its own Rules of Procedure.

Full participation and full membership of each partner country in the JMC will be assured. The JMC will consist of representatives of the national, regional and local authorities from both countries. Experts specialised in different fields will represent institutions which cover the activity fields of the programme (for example institutions from the field of environment, tourism, culture, etc). The European Commission will participate in the JMC in an advisory capacity. The membership of the JMC will be defined in its Rules of Procedure.

The constitution of the Joint Monitoring Committee will be described in the Rules of Procedure. Environmental institutions will also participate in the project selection process as assessors. The environmental partners who will be members of the Joint Monitoring Committee will be defined in the Rules of Procedure of the JMC. The institutions, which are going to be part of the JMC, are not defined at the time when the OP is being submitted.

11.1.2 Managing Authority (MA)

Slovenia and Croatia agree that the Managing Authority (MA) with the overall responsibility for managing and implementing the operational programme will be **the Government Office for Local Self-government and Regional Policy** in Slovenia within the meaning of Article 102 of Commission Regulation (EC) No 718/2007. The implementation of the programme will be carried out in close co-operation with the responsible National Authority in Croatia.

The MA shall be responsible for managing and implementing the cross-border programme in accordance with the principle of sound financial management and in particular for:

- a) ensuring that operations are selected for funding in accordance with the criteria applicable to the cross-border programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- b) ensuring that there is a system for recording and storing in computerised form accounting records of each operation under the cross-border programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- c) verifying the regularity of expenditure. To this end, it shall satisfy itself that the expenditure of each final beneficiary participating in an operation has been validated by the controller referred to in Article 108;
- d) ensuring that the operations are implemented according to the public procurement provisions referred to in Article 121;
- e) ensuring that final beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- f) ensuring that the evaluations of cross-border programmes are carried out in accordance with Article 109;
- g) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 134;
- h) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- i) guiding the work of the joint monitoring committee and providing it with the documents required to permit the quality of the implementation of the cross-border programme to be monitored in the light of its specific goals;
- j) drawing up and, after approval by the joint monitoring committee, submitting to the Commission the annual and final reports on implementation referred to in Article 112;
- k) Ensuring compliance with the information and publicity requirements laid down in Article 62.

Beside the responsibilities mentioned in the Commission Regulation No 718/2007, the Managing Authority is also responsible for:

- Preparing all documents necessary for programme approval and implementation in cooperation with programme partners;
- Taking care of smooth implementation of the programme;
- Preparing and implementing strategic decisions of the JMC;
- Concluding contracts for IPA funds with the lead beneficiary;
- Preparing the programme amendments and re-programming financial plans;
- Co-operating with the Certifying Authority in preparing payment forecasts;
- Informing the Certifying Authority on irregularities and recoveries.

According to Articles 103 and 108 of the Commission Regulation No 718/2007, the MA shall satisfy itself that each beneficiary's expenditure participating in an operation has been validated by the controllers.

If regions in the programme area are involved in the Regions for Economic Change initiative the Managing Authority commits itself to:

- (a) Making the necessary arrangements to support innovative operations with cross-border impact that are related to the results of the networks;
- (b) Foreseeing a point in the agenda of the Monitoring Committee at least once a year to discuss relevant suggestions for the programme and invite representatives of the networks (as observers) to report on the progress of the networks' activities and
- (c) Describing in the Annual Report actions included within the Regions for Economic Change initiative.

11.1.3 National Authority (NA)

Slovenia and Croatia agree that the National Authority (NA) will be **the Ministry of Sea, Tourism, Transport and Development** in Croatia.

Although the Commission Regulation No 718/2007 does not formally ask for establishing a National Authority, several provisions in the Implementing Regulation relate to the duties and responsibilities of participating countries. In this sense the participating country Croatia, which does not host the Managing Authority, is represented by the Ministry of Sea, Tourism, Transport and Development in Croatia as a national counterpart to the Government Office of Local Self-Government and Regional Policy, which represents the participating country Slovenia.

The National Authority carries out in particular the following functions:

- Sets up a control system and designates controllers responsible for verifying the legality and regularity of the expenditure declared by each final beneficiary located on the Croatian territory and by programme partners for technical assistance expenditure;
- Develops guidelines for control on the basis of the programme level guidelines; and complemented by specifics related to the national legislation;
- Nominates and contracts the Info Point in Croatia;
- Ensures and contracts public co-financing on state level if appropriate;
- Prevents, detects and corrects irregularities;
- Bears ultimate financial responsibility for amounts unduly paid to the final beneficiaries on its territory;
- Co-operates in evaluations and in the organisation of final evaluation and preparation of winding-up declaration.

11.1.4 Certifying Authority (CA)

Slovenia and Croatia agree that the Certifying Authority (CA) will be **the Public Fund for Regional Development** in Slovenia.

The Certifying Authority is in accordance with the Commission Regulation (EC) No 718/2007 responsible for:

- (a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b) certifying that:

- (i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - (ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- c) ensuring for the purposes of certification that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
- e) maintaining accounting records in computerised form of expenditure declared to the Commission. The managing authorities and the audit authorities shall have access to this information. At the written request of the Commission, the certifying authority shall provide the Commission with this information, within ten working days of receipt of the request or any other agreed period for the purpose of carrying out documentary and on the spot checks;
- f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the cross-border programme by deducting them from the next statement of expenditure;
- g) sending the Commission, by 28 February each year, a statement, identifying the following for each priority axis of the cross-border programme:
 - (i) the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
 - (ii) the amounts recovered which have been deducted from these statements of expenditure;
 - (iii) a statement of amounts to be recovered as at 31 December of the preceding year classified by the year in which recovery orders were issued.

11.1.5 Audit Authority (AA)

Slovenia and Croatia agree that the Audit Authority (AA) will be **the Budget Supervisory Office of the Ministry of Finance** in Slovenia having the overall responsibility of verification of the effective functioning of the management and control system.

The Audit Authority is in accordance with Article 105 of the Commission Regulation (EC) No 718/2007 responsible in particular for:

- (a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the cross-border programme;
- (b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- (c) by 31 December each year from the year following the adoption of the cross-border programme to the fourth year following the last budgetary commitment:
 - (i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned and reporting any shortcomings found in the systems for the management and control of the programme. The first report, to be submitted by 31 December of the year following the adoption of the programme, shall cover the period from 1 January of the year of adoption to 30 June of the year following the adoption of the programme. The information concerning the audits carried out after 1 July of the fourth year following the last

- budgetary commitment shall be included in the final control report supporting the closure declaration referred to in point (d) of this paragraph. This report shall be based on the systems audits and audits of operations carried out under points (a) and (b) of this paragraph;
- (ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence there is reasonable assurance that the underlying transactions are legal and regular.
- (d) submitting to the Commission at the latest by 31 December of the fifth year following the last budgetary commitment a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report. This closure declaration shall be based on all the audit work carried out by or under the responsibility of the audit authority.

The Audit Authority for the programme will be assisted by a Group of Auditors comprising a representative of both countries carrying out the duties provided for in Article 105. The Group of Auditors will be set up within three months of the decision approving the programme at the latest. It will draw up its own rules of procedure. It will be chaired by the Audit Authority for the programme.

11.2 Operative level

The overall responsibilities of the operative management of the programme remain within the Managing Authority. However, the MA will delegate certain tasks to the JTS located next to the MA and the Info-Point located in Croatia acting as JTS antenna in the participating country.

11.2.1 Joint Technical Secretariat (JTS) and Info Point

The Joint Technical Secretariat and Info Point perform their activities under the Managing Authority responsibility. The JTS will be located at the Government Office for Local Self-Government and Regional Policy in Ljubljana, and the Info Point in Croatia will be located at the Ministry of Sea, Transport, Tourism and Development.

11.2.1.1 Tasks of the Joint Technical Secretariat

JTS is organized within the MA (GOSP) and supports the MA in the day-to-day management and implementation of the programme and in the preparation of all necessary documents. JTS assists the MA and JMC in carrying out their respective duties in particular:

- Setting up, maintaining and updating the monitoring system;
- Performing secretariat function for the MA and the JMC, including the preparation and mailing of documentation for meetings and the minutes;
- Drawing up reports on the programme implementation (in the agreed languages);
- Preparing and making available all documents necessary for the implementation;
- Acting as a first contact point for potential project applicants and partners;
- Collecting and evaluating (formal check) project proposals;
- Checking if and assuring that all information for making a decision on project proposals are available;
- Organising the evaluation of the quality of project proposals;
- Organising bilateral events;

- Consulting the (potential) project beneficiaries;
- Preparing proposals for JMC decisions on projects, operations to be financed;
- Preparing subsidy contracts;
- Checking joint progress and final reports;
- Carrying out joint public relations work in agreement with the Managing Authority, National Authority and IP;
- Administrative management of (external) tasks and services, e.g. interpreting services and translations if required.

The JTS may assist also the Certifying Authority and the Audit Authority in carrying out their respective duties.

JTS members should be employed by programme partners and composed of representatives from both states cooperating in the programme. An Info-Point will be established in Croatia with one person engaged.

The costs of tasks of the Joint Technical Secretariat and Info-Point are co-financed under the programme's technical assistance budget provided they comply with the list of tasks eligible for co-financing in the relevant EU regulations governing the IPA.

11.2.1.2 Tasks of the Info Point

The staff of the Info Point will work in close coordination with the JTS in the execution of the following tasks:

- Acting as a first "contact point" for potential beneficiaries to provide information and advice to project beneficiaries on the Croatian territory;
- Supporting the MA in the implementation of communication activities (including promotional events, info-days, Communication Plan) on the Croatian territory;
- Assisting the (potential) beneficiaries in project development and implementation;
- Assisting the JTS in project selection and evaluation process according to the programme procedures;
- Assisting the JTS in the preparation of contracts with the lead beneficiary.

12 IMPLEMENTING PROVISIONS

The organisation of the programme management complies both with the Commission Regulation No 718/2007 for the period 2007-2013 and with the experience in cross-border cooperation in this specific area so far.

For the period 2007-2013, the implementing provisions as described in the following chapter have been agreed in partnership between the participating authorities in Slovenia and in Croatia.

The structure and relationship of the programme bodies is based on the following overall principles:

- Respect of the partnership principle;
- Efficient and effective structures;
- Clear definition of tasks and responsibilities.

The administrative work involved in the procedures for granting assistance to the individual projects under the Operational Programme Slovenia-Croatia 2007-2013 will be managed according to the following rules, which may be further specified upon agreement between programme partners.

12.1 Lead beneficiary (lead partner principle)

On project level, the cross-border programme is based on the so-called lead partner principle which foresees that a lead beneficiary (the lead partner) takes over the leadership of a joint project setting up a partnership, involving at least one cross-border partner, with other final beneficiaries (the partners). This is the prerequisite which creates the conditions for developing genuinely joint cross-border projects.

The final beneficiaries of an operation shall appoint a lead beneficiary (lead partner) among themselves prior to the submission of the proposal for the operation. The lead beneficiary shall assume the following responsibilities:

- (a) it shall lay down the arrangements for its relations with the final beneficiaries participating in the operation in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
- (b) it shall be responsible for ensuring the implementation of the entire operation;
- (c) it shall be responsible for signing the subsidy contract for Community funds and transferring the Community contribution to the final beneficiaries participating in the operation;
- (d) it shall ensure that the expenditure presented by the final beneficiaries participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the final beneficiaries participating in the operation;
- (e) it shall verify that the expenditure presented by the final beneficiaries participating in the operation has been validated by the controllers referred to in Article 108;
- (f) it shall collect information from the project partners, cross-check the activity and financial report and submit progress/final report to the JTS;
- (g) It shall harmonize the project changes with the MA/JTS and its final beneficiaries.

The responsibilities of the final beneficiary (partner) are as follows:

- (a) it shall assume responsibility in the event of any irregularity in the expenditure which it has declared;
- (b) it shall send the statement of expenditure and content report to the designated controller;
- (c) it shall submit the certification of expenditure to the lead beneficiary.

12.2 Awarding of funds

12.2.1 Information and advice

Potential project applicants will be adequately informed by the MA and the JTS/Info Point about the programme objectives, the prerequisites for obtaining funds and the individual procedures to be followed. Active public relations work will be implemented in agreement between programme partners and. A communication and information plan shall be drafted by the MA/JTS and approved by the JMC.

Information and assistance to all interested potential beneficiaries in the period when the call for proposals is open will be ensured by the MA and the JTS/Info Point.

12.2.2 Project submission

Projects will be selected via single calls for proposals covering the whole eligible area. All details about project preparation, submission and selection will be included in the application pack, which will be a constituent part of the call for proposals. The JMC shall approve the selection criteria and projects to be co-financed by the programme.

Participating countries may also identify joint projects outside calls for proposals any time after the adoption of the programme in a decision taken by the JMC.

Project proposals shall be submitted via a bilingual application form to the JTS, who will register all the applications submitted.

No major projects are foreseen.

12.2.3 Project assessment and selection

According to Article 110 of the Commission Regulation (EC) 718/2007, the criteria for evaluation and selection will be approved by the JMC.

The selection criteria are prepared by JTS and MA. The Operational Programme and Strategic Environmental Assessment will be considered. They are confirmed by the Joint Monitoring Committee, which is constituted also from representatives of environmental organisations.

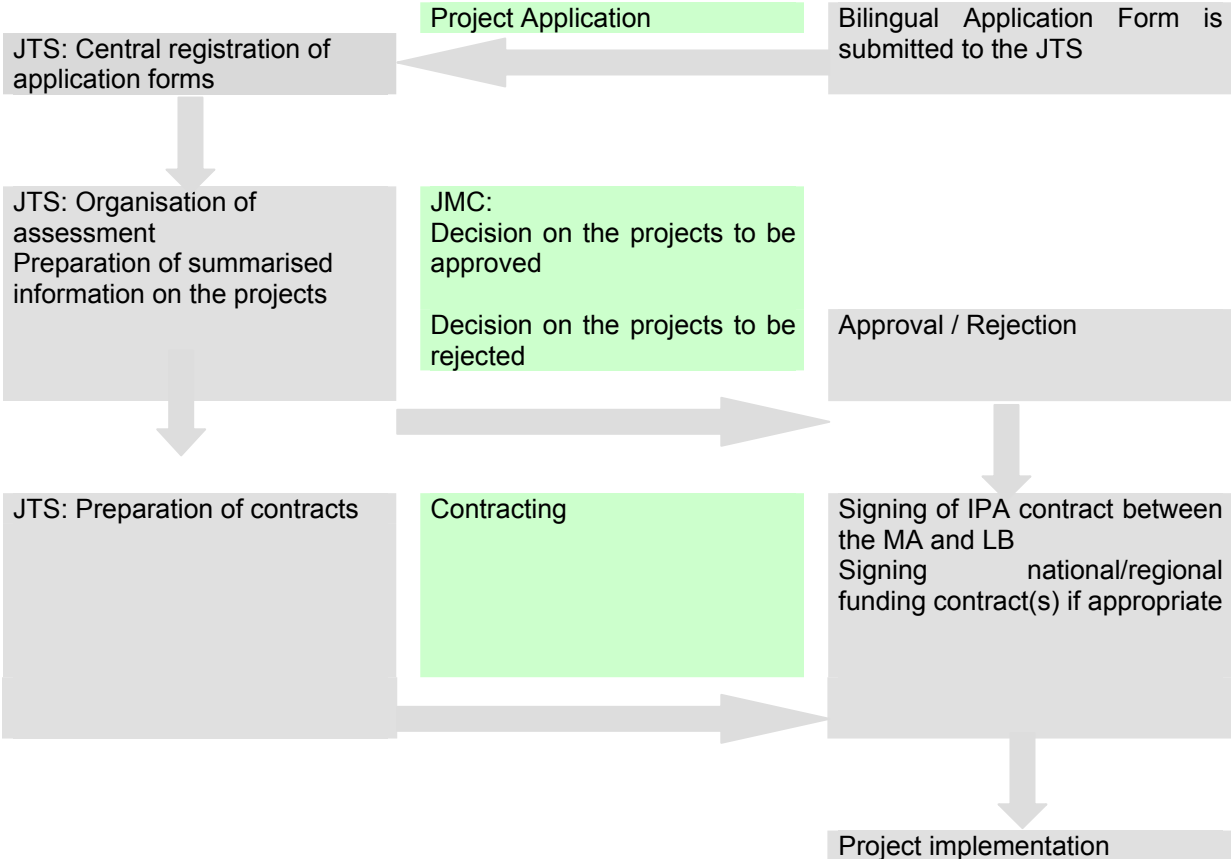
The JTS is responsible for organisation of the evaluation process according to the agreed joint criteria. The JTS and IP will do the formal check of project proposals (check if the project is in line with the OP, EU and national rules, and conditions defined in the respective call for proposals). Projects passing formal check will be assessed further in terms of quality.

Requirements deriving from Natura 2000 and Integrated Coastal Zone Management shall be considered during the assessment of projects.

The results of the assessment are presented by the JTS/MA to the JMC for taking a formal decision on granting Community funds to the selected projects. The JMC is the sole body which can approve projects to be co-financed by the programme.

The JMC shall approve each project (with or without conditions) to be funded. After the formal decision the lead beneficiary is informed about the approval/rejection of the project application with an official letter sent by the MA.

Chart 3: Projects selection and contracting



12.2.4 Contracting

The approved project proposal is the basis for the MA supported by JTS to prepare the IPA contract with the lead beneficiary. The Managing Authority signs the IPA contract with the lead beneficiary.

Contracts for IPA funds will be prepared and entered into the monitoring system by the JTS/info Point.

The national/regional funding bodies issue the contracts for national/regional co-funding based on the IPA contract to the lead and final beneficiaries if appropriate. Beneficiaries will be stimulated to provide own co-financing.

12.2.5 Project implementation

The MA supported by the JTS/Info Point shall ensure that projects co-financed by the cross-border programme are in line with the Operational Programme, as well as with all European regulations governing the IPA programmes and relevant national rules.

As far as public procurement is concerned, the award of service, supply and work contracts shall follow the rules and procedures applicable to service, supply and work contracts financed by the general budget of the European Communities for the purposes of cooperation with third countries.

All relevant state aid regulations will be respected. Any aid granted under this programme will be in conformity with the provisions laid down in Commission regulations and national legislation if applicable.

Within the context of examining the project applications and settlement accounts, the competent National Authority (for Slovenia and Croatia) makes sure that the applicable assistance regulation or “de minimis” assistance regulations have been observed and that the pertinent upper limits for assistance under the applicable regulations will be observed even in the case of an accumulation of assistance from several schemes.

The JMC defines the rules for approving project changes. The JMC may delegate the responsibility for approval of project changes to the MA. The MA/JTS will provide guidelines to beneficiaries about handling project changes.

The reporting periods depend on the project duration and will be defined in the calls for proposals and/or subsidy contracts.

12.3 Financial Control

According to Article 108 of the Commission Regulation (EC) No 718/2007 each participating state will establish a control system making it possible to verify the delivery of the products and services co-financed. Each State designates the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary in the operation. Hereinafter the controllers are referred to as the Control Unit (CU).

The responsibility is given to:

Slovenia:

**Government Office for Local Self-Government and Regional Policy
Service for Financial Control
Kotnikova 28, 1000 Ljubljana**

Croatia:

**Ministry of Sea, Transport, Tourism and Development
Directorate for Integrated Regional Development
Vlaška 106, 10000 Zagreb**

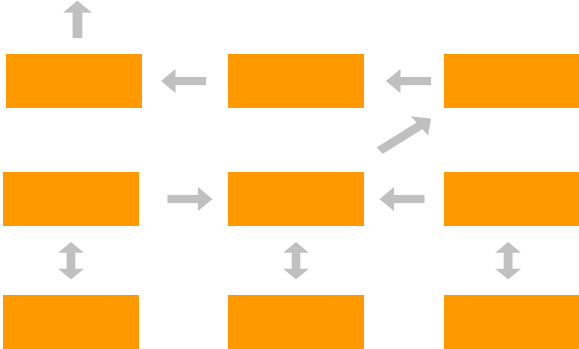
The financial report and a content report in the national language will be submitted by project partners to the CU in line with the IPA contract. Detailed guidelines for invoicing and a guide for common understanding of eligibility of expenditure will be provided. It shall be drafted by the JTS (Info Point) on the basis of both national and the EC regulations. Beside this stricter regulations can be foreseen on national level.

The CU checks and certifies the expenditures of lead and final beneficiaries.

Each final beneficiary has to submit its report confirmed by the designated CU (as defined in the contract) to his lead beneficiary. The lead beneficiary incorporates the reports from his partners into his own and elaborates one common report; he submits it to the JTS for final check. This report also includes the progress on the project implementation and has to be in line with the expenses declared. The common progress report includes therefore information on actual cooperation, activities, results, impacts and eventual changes of the project plan.

The JTS has to cross-check the report in terms of certified expenditures and project progress.

Chart 4: Flow of progress reports and applications for payment



12.4 Payments

The MA supported by the JTS ascertains itself that the progress/final report has been validated by a designated controller, issues the statement of expenditure and submits it to the CA. The CA performs the necessary control and sends an application for payment to the EC. Upon payment request of the CA the EC checks the application for payment and releases the funds to the CA.

The paying unit on behalf of the CA transfers the IPA funds to the lead beneficiary. The lead beneficiary is responsible for transferring the appropriate IPA share to the final beneficiaries according to the contract provisions and certified expenditures.

The national/regional funding bodies will release the national co-financing to the beneficiaries if appropriate. The transfer of the IPA money has to be linked with the transfer of regional/national co-financing; the detailed procedure has to be fixed within both contracts for IPA funds and national public co-financing.

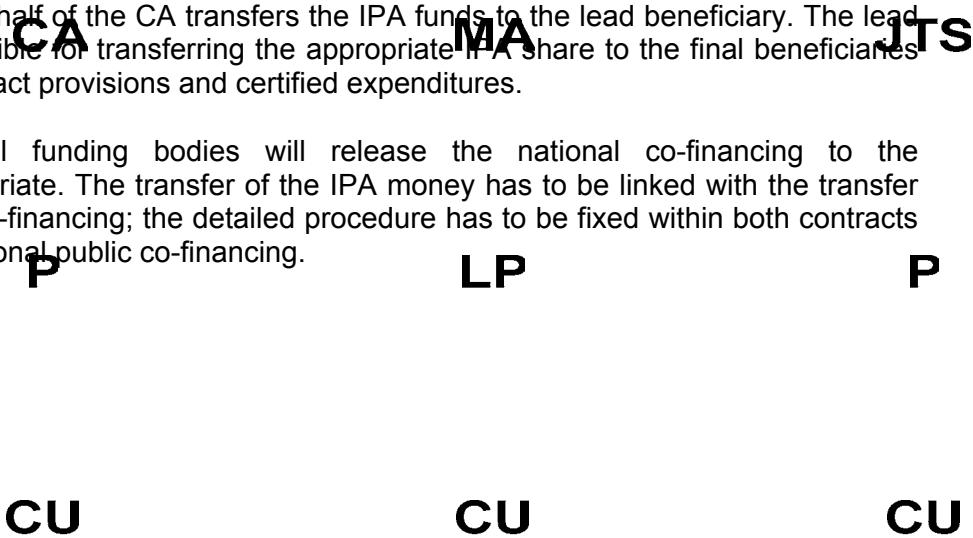
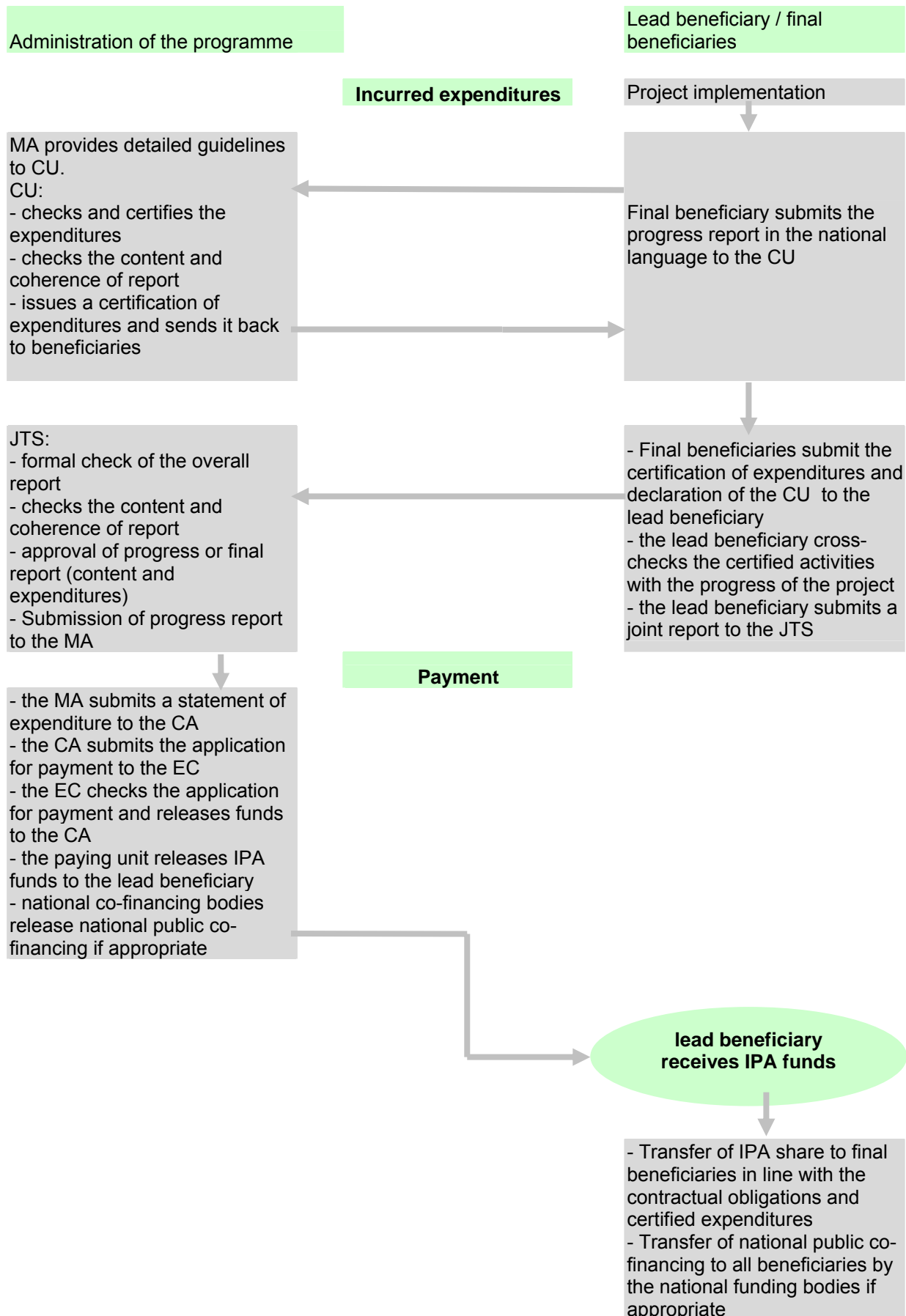
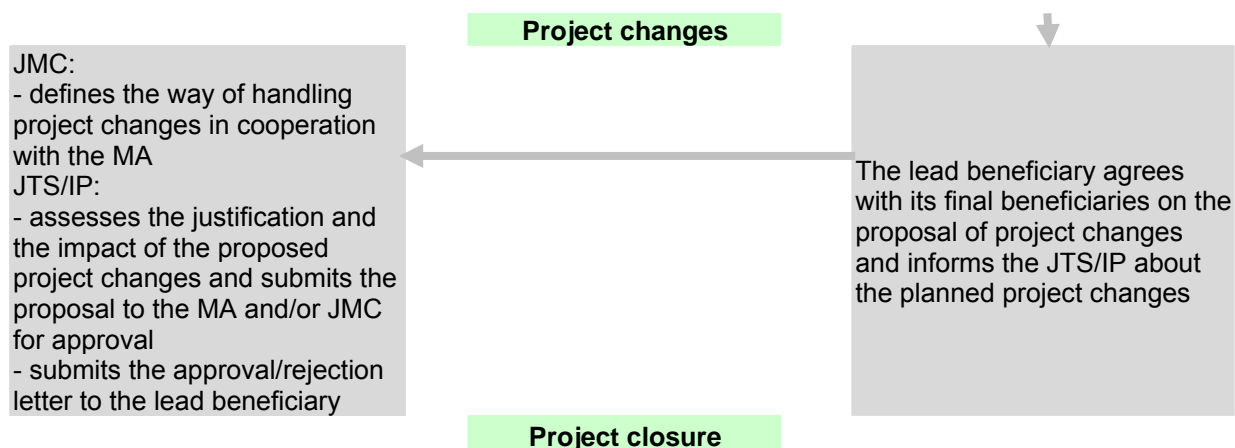


Chart 5: Reporting and financial flows





12.5 Irregularities and financial corrections

Participating countries will be responsible for the management and control of the programme through preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate. They will notify these to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.

According to Article 101 the management and control systems of the programme set up by participating countries will provide reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

12.6 Monitoring and evaluation

12.6.1 Monitoring

The Managing Authority is responsible for the development and implementation of the central monitoring system of the programme. Data collection is done centrally by the JTS/Info Point.

To this end the Managing Authority is responsible for the establishment and implementation of a computerised system for recording and storing accounting data of each operation carried out to ensure physical, financial and procedural monitoring of the programme. Particular attention must be paid to the choice of the output and result indicators to measure the progress and effectiveness in carrying out the priority.

The programme specific data of the central monitoring system will be available to the Joint Monitoring Committee, European Commission, Managing Authority, Certifying Authority, Info-Point and the Joint Technical Secretariat to assist them in their monitoring work.

The input of data for the IPA will be based on the central monitoring system. The MA, JTS, IP and the JMC will carry out the monitoring by reference to physical and financial indicators specified in the Operational Programme.

Data exchange between the European Commission and the MA may be carried out electronically, in accordance with Article 111 "*Arrangements for monitoring*" of IPA Implementing Regulation, where possible.

12.6.2 Evaluation

The main purpose of evaluations is to improve the quality, effectiveness and consistency of the assistance from the Community funds and the strategy and implementation of the Operational Programme Slovenia-Croatia 2007-2013 while taking account of the objective of sustainable development and of the relevant Community legislation concerning environmental impact and strategic environmental assessment.

The Operational Programme Slovenia-Croatia 2007-2013 has therefore been subject to an ex-ante evaluation during its preparation, and will be a subject of thematic evaluations during its implementation, as well as of ex-post evaluations upon its conclusion. While for the Operational Programme Slovenia-Croatia the final ex-post evaluation will be assured by the EC in co-ordination with the Managing Authority, the responsibility for implementing the ex-ante evaluation lies with the Managing Authority.

According to other needs (major deviations) also other thematic evaluations can be realised (for example: horizontal issues, implementing structures, information and publicity measures etc.). Evaluations will seek to contribute to a more efficient implementation of the programme.

The evaluation will be carried out by independent external institutions and financed by the Technical Assistance.

12.6.2.1. Annual Implementation Report

Pursuant to Article 112 of Commission Regulation (EC) No 718/2007, the Managing Authority will each year at the latest by 30 June submit to the Commission an annual implementation report, which will be previously approved by the JMC. The first annual report will be submitted in the second year following the adoption of the programme.

12.6.2.2. Final Implementation Report

Pursuant to Article 112 of Commission Regulation (EC) No 718/2007, the final implementation report will be submitted to the Commission by 31 December of the fourth year following the last budgetary commitment at the latest. The Managing Authority will submit to the Commission a final implementation report, which will be previously examined and approved by the JMC.

12.7 Information and Publicity

The information and publicity measures for the interventions under IPA regulations are aimed at publicising the role of the Community and ensure that assistance from the IPA funds is transparent and visible (see Article 62 and 63 of the Commission Regulation (EC) No 718/2007).

Based on Article 62 on information and publicity, participating countries and the Managing Authority as referred to in Article 103 shall provide information on and publicise programmes and co-financed projects. The information will be addressed to the citizens and beneficiaries, highlighting the role of the Community and ensuring transparency.

The information and publicity measures are presented in the form of a communication plan. The information and publicity measures within the scope of the Cross-border Cooperation Programme Slovenia-Croatia will be **designed to**:

- target potential and final beneficiaries as well as regional and local authorities and other public bodies, professional associations and business communities, economic

and social partners, non-governmental organisations, especially bodies promoting equality between men and women and bodies working for the protection and improvement of the environment, project operators and promoters;

- serve the purpose of informing about the possibilities offered by the European Union, as well as by Slovenia and Croatia (if co-financed at the national level), thus guaranteeing the transparency of the joint interventions;
- inform the general public of the role that the European Union plays together with Slovenia and Croatia in the respective projects and of their results;
- guarantee transparency vis-à-vis potential and final beneficiaries by general information on the Operational Programme Slovenia-Croatia 2007-2013. Furthermore, to provide an overview of competencies, organisation and project selection procedures, as well as standardised information on project applications (application authority, contacts at the national, regional and local levels). The selection criteria and procedure for tenders and project applications will also be published. All the information will be available for download on the programme website.
- inform the public about announcements on the start of the programme in the media, giving an appropriate presentation of the participation of the European Union. Ongoing communication on projects implementation throughout the entire programme planning period and the presentation of the final results of the Cross-border Operational Programme Slovenia-Croatia 2007-2013.

The general strategic goal of the information and publicity measures within the scope of the Cross-border Operational Programme Slovenia-Croatia 2007-2013 is to create a uniform public image, which has to achieve the status of a brand name or a corporate identity in the course of time. To this end, a common logo is to be used on printed material, publications, as well as in the printed and electronic media. For the strategic implementation of the contents listed above, the following **tools** shall be used:

- A programme-specific website providing ongoing information to the general public, potential and final beneficiaries as well as structured networks on the internet, which are to be prepared by the Joint Technical Secretariat in close cooperation with the Info Point;
- Information material in the form of leaflets, information binders and brochures;
- Ad hoc press releases, press conferences to inform the national, regional and local media (e.g. on the start of the programme, best practices, project completions, Monitoring Committee meetings, annual implementation reports, etc.);
- Regional and local information events and networking of project organisers, financing institutions and funding bodies (a kick-off event at the start of the programme at the regional level, as well as information events at the regional level).

The application of the above-mentioned information and publicity measures are differentiated within the programme planning period (2007 to 2013) by **three phases**, each of them having different requirements:

- Information at the start and the announcement of the Cross-border Operational Programme Slovenia-Croatia 2007-2013: The objective of this phase is to spread the information as widely as possible (potential and final beneficiaries, as well as the general public) and to inform in general about the programme, contact partners, info points, procedures and decision-making structures, etc.

Communication means: Kick-off events in both states; leaflets, press conferences, press releases at the start of the programme (as fast as possible after the programme has been approved by the EC).

- Ongoing information, communication and presentation: In this phase, the public is regularly informed on the current status of the implementation of the programme and on the completion of successful projects. Furthermore, clear information (homogenous) on the administrative procedures and information on the selection criteria and assessment and selection procedures is provided at the regional and local level.

Communication means: Brochures, information events, organisation of events to share experiences among projects, press releases on the status of the implementation.

- Presentation of results and review: At the end of the programming planning period, a presentation of the completed projects and a review of the cooperation projects created are given.

Communication means: brochures, final events, etc.

13 EXECUTIVE SUMMARY OF EX-ANTE EVALUATION

13.1 Process and content of Ex-ante Evaluation

PITIJA, svetovanje d.o.o.⁵ was appointed by the Government Office for Local Self-Government and Regional Policy (GOSP) in June 2006 as contractor for *ex-ante* evaluation of the operational programmes from cross-border co-operation programmes with Hungary and Croatia in the programming period 2007-2013.

The components of the ex-ante evaluation correspond with those contained in the relevant draft Working Paper on Ex Ante Evaluation for 2007-2013, published by Directorate General for Regional Policy in October 2005:

- Appraisal of the socio-economic analysis and the relevance of the strategy to the needs identified
- Evaluation of the rationale of the strategy and its consistency
- Appraisal of the coherence of the strategy with regional and national policies and the community strategic guidelines
- Evaluation of expected results and likely impacts (based on the interest from project applications)
- Appraisal of the proposed implementation systems.

The ex-ante evaluation was prepared on the basis of document analysis, interviews with programme authorities and the programming team as well as on the basis of findings and conclusion of the limited mid-term evaluation of the efficiency and effectiveness of the implementation of previous Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006, carried out by the ex-ante evaluation team in mid June 2006. For the assessment of impacts, the "Process Monitoring of Impacts" approach was used.

The ex-ante evaluation was carried out in parallel to the development of the Operational Programme, i.e. the assessments were done as an iterative process, based on interim results of the programming process and in close co-ordination with the GOSP and the programming team. This process can be subdivided into six phases or assessment stages:

1. The assessment of the first three components was done on the basis of the draft OP Slovenia-Croatia 2007-2013 dated 14 June 2006. The work was documented in a paper containing detailed comments that were discussed with the programming team. The main findings were also presented and discussed with the programming group at a meeting on 4 July 2006.
2. In mid April 2007, the ex-ante evaluators provided the GOSP and programming team with additional comments on the draft OP dated 6 April 2007, and carried out an initial appraisal of the likely achievement of planned results/impacts. Impact diagrams were prepared based on the strategy of the OP.
3. Evaluation of the appropriateness of the structure and hierarchy of the objectives and identified indicators and their proposed quantification was carried out on the basis of the draft OP version dated 4 July 2007.
4. At a meeting with the GOSP on 7 August 2007, the impact diagrams and the implementation system were discussed (especially with regard to identification of responsibilities among the administrations of the two countries and the role of the EC in the implementation). Following the meeting, the GOSP made some corrections to the OP.

⁵ This report was prepared by Tatjana Božinac Mohorčič, Marija Kržan, Alja Dražumerič, Tamara Smokvina and Martin White.

5. The impact diagrams were revised on the basis of the draft final version of OP dated 27 August 2007. Based on this draft final version, the implementation of strategy, the evaluation of expected results and the appropriateness of the monitoring system were appraised. These issues were further discussed with the GOSP on 31 August 2007.
6. A draft final version of Ex-ante Evaluation (EaE) was submitted to the GOSP on 31 August 2007.

13.2 Summary of the conclusions and further recommendations for each key component of Ex-ante Evaluation

13.2.1 Appraisal of the socio-economic analysis and the relevance of the strategy to the needs identified

The socio-economic analysis contains relevant and up-to-date information on the economic and social situation in the Slovene and Croatian beneficiary regions. Following early resolution of some inconsistencies between the SWOT analysis and the descriptive areas, the OP presents a good overview of the main disparities, deficits and development potentials. The findings of the economic analysis are now appropriately reflected in the SWOT analysis and the strategy focuses on resolving those problems where there is existing potential and interest in the beneficiary regions to address them.

The selected programme objectives and priorities are relevant to the identified needs. The selected priorities were based on a regional input and wide regional agreement, which means that the regions can take ownership of the programme. The regions know that tourism is the most important economic driver, and experience with the previous Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 showed that the majority of eligible project applications were submitted in the area of tourism, followed by sustainable use of natural resources and environmental protection and joint development of human resources. This is supported by a satisfactory response to the most recent call for project ideas which showed around 40 % were focussed on the tourism sector, and 15 % each on the entrepreneurship and environment protection sectors. However there are several weaknesses that have to be overcome, such as the seasonality of demand and thus income, the weak long-term planning, and insufficient emphasis given to environment and nature protection.

The analytical and strategic parts of the OP Slovenia-Croatia 2007-2013 are consistent.

13.2.2 Evaluation of the rationale of the strategy and its consistency

The draft OP dated 14 June 2006 was of good quality and well structured. Some improvements were made in response to comments by the Evaluator. The justifications for the two vertical priorities properly reflect the SWOT analysis, the objectives are in line with strategic premises and principles, the selected fields of intervention appropriately address the objectives, and the identified measures support the achievement of specific objectives.

A good balance has been achieved between the actions contributing to economic growth, improved quality of life, and long-term sustainability. The Programme also supports actions related to social cohesion and the reduction of disparities caused by the border, although to a lesser extent than the ones related to economic growth and long term sustainability.

The two vertical priorities complement each other, with the development of tourism, entrepreneurship and social integration going hand in hand with environmental protection and preservation of protected areas. The applicant regions live from tourism, and the focus on dealing with seasonal demand and weak strategic planning, and benefiting from joint

marketing is appropriate. At the same time, the regions are aware of the importance of natural and cultural heritage, and the Programme appropriately supports strategic and long-term planning necessary for preservation of natural resources.

The horizontal priorities focus on development of an information society and increasing education of people working in tourism related activities, culture, protection of the environment and nature. This will result in better-qualified and knowledgeable employees, and consequently in better offers of services. Horizontal priorities complement the vertical priorities well. While the vertical priorities focus on products and services in different sub-sectors, the horizontal priorities give the opportunity to strengthen information society and human resource development in the same areas, thus leading to a comprehensive reinforcement of the sub-sectors and a more positive wider impact.

13.2.3 Appraisal of the coherence of the strategy with regional and national policies and the community strategic guidelines

The appraisal of the coherence of the strategy of the Operational Programme (OP) Slovenia-Croatia 2007-2013 was carried out mainly with available working versions of the strategic national or regional documents.

At a national level, coherence was checked against the Guideline from the Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines 2007-2013, the Slovenian National Development Plan, the Slovenian National Strategic Reference Framework, the Operational Programme for the ERDF for 2007-2013, the Strategic Coherence Framework of the Republic of Croatia and the Strategic Development Framework 2006-2013, and the National Strategy for Regional Development of the Republic of Croatia. The OP Slovenia-Croatia 2007-2013 is in line with all these documents.

At regional level, programming was carried out almost in parallel with the national level for both Objective 1 and 3, and some regional documents were not available for this ex ante evaluation. However coherence between the OP and regional development plans is ensured because regional and local actors were actively involved in defining appropriate and acceptable priorities in the OP, and because the later drafting of RDPs took into account the text of the draft OP.

13.2.4 Evaluation of expected results and likely impacts

Indicators of achievement, presented in draft version of Operational Programme Slovenia – Croatia 2007-2013, dated 6 April 2007 follow the instructions of the EC in draft Working paper – Indicators for monitoring and Evaluation: A practical Guide, dated 23 January 2006, Core indicators for ERDF and Cohesion Fund in relation to the co-operation objectives.

Indicators of outputs at programme and priority level are appropriate. The numbers of the projects estimated under the two priority areas are realistic, taking into account the huge number of the project applications in the framework of the 2004-2006 financial period. It can be expected that under the 2007-2013 financial period, applications will be submitted in similar or even higher quantity.

The indicators relating to achievements of the objectives are also appropriate.

It is accepted that the establishment of indicators for the achievement of results, and especially impact, is a complex process, and that neither Croatia nor Slovenia have much past experience on which to base benchmarks. It is therefore recommended that the implementing bodies review the potential indicators of achievement of objectives at the time

of the selection of projects to assess whether they are applicable and measurable, and if so, to assign a quantified and time bound target for each.

To assist the implementing bodies in the consideration of indicators for the achievement of results and impact, the Evaluators have prepared impact diagrams at the level of priorities, and validated these in collaboration with the Programming Group. These diagrams allow identification of the core impact mechanisms, i.e. the expected contributions of Activity Fields and project types towards the achievement of results and impacts. If they are incorporated in project applications and reports, preferably together with indicators for the achievement of results and impact, they will allow stakeholders to monitor whether the planned objectives are being achieved or not.

The OP contribution towards the achievement of the Lisbon strategy objectives is expected to be limited. Measures such as development of entrepreneurship and efficient use of energy follow Lisbon objectives but no significant impact is expected in these areas due to limitations both in the overall budget and in the environment for business development. Although promoting the co-operation between the SME and R&D sectors is welcomed, this will require involvement of national and local authorities. The activities related to information society and HRD are addressed horizontally rather than vertically and the results and impacts will be difficult to measure or assign to the interventions.

Although the programme is not ambitious with respect to the Lisbon objectives, it is expected to have a positive impact on the sustainable development of the area, increased competitiveness and economic growth, improved quality of life and improved quality of cross-border co-operation at local and regional levels. Taking into the consideration the targeted co-operation area, the programme focuses on the appropriate generators of development of regions on the both sides of the border.

13.2.5 Appraisal of the proposed implementation systems

The implementation structure identifies institutions and bodies relevant for the management of the OP. There are some risks to implementation that need to be managed. Firstly there are insufficient human resources available within the Managing Authority, the Paying Authority, the Joint Technical Secretariat, and the Croatian administration. Secondly, the sole National Authority in Croatia will be the Ministry of the Sea, Tourism, Transport and Development, which might be tempted to give priority to projects within its own area of competence, at the expense of other areas, such as agriculture, entrepreneurship, waste and water management etc., which fall under the responsibility of other ministries.

For the time being the persons (MA, JTS and IBs) who are responsible for the implementation of the Neighbourhood programme Slovenia-Hungary-Croatia 2004-2006 are involved also in the preparation of the documents needed for the next programming period. Most of the staff already working on the Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 will continue to work on the new programme. Additionally, before publishing the first Call for Proposals the MA will prepare the procedures for hiring new staff co-financed by technical assistance of the programme 2007-2013. New staff will be engaged within the 2nd half of 2008. Staff employed in the JTS, CA and controllers working for this programme will be paid from the TA budget. One person within the JTS will be employed in Croatia as an Info Point but he will act as part of JTS. Special attention will be paid to controllers in Croatia; the MA will prepare a guide for checking the eligibility of expenditure, and organise meetings with the Slovenian controllers in order to harmonise the procedures and assist the Croatian controllers.

It is envisaged that the IPA funding will be dealt through a Public Fund for Regional Development, while the national co-financing on state level will be ensured by the Managing

Authority for Slovenian project partners, whereas for Croatian project partners no national co-financing on state level is foreseen. This will create an administrative burden, for which additional human resources will be required.

The lead partner approach will enable joint project partners to start implementation of project activities at the same time, and they will be subject to equal treatment (in terms of management, implementation and financing). However, since the Croatian national co-financing is not assured at the state level, partners from both sides of the border are not in equal position.

In Slovenia, the national co-financing on state level will be centralised and ensured in principle by GOSP. For this purpose 1,5 equivalent project officers will be made available who will be responsible for granting the national funds on state level. These officers are already working for GOSP as Intermediate Bodies for the Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006. In the amendment of the internal organisational structure to be enforced at the latest by December 2007, these officers will be given also the tasks of the National Authority for the new OP SI-HR 2007-2013. Since most of projects approved within the NP SI-HU-HR 2004-2006 are to be completed partly by December 2007, partly by February 2008 and a few by April 2008, it will be possible to allocate these human resources, already skilled as project officers, to the OP SI-HR 2007-2013, where the first projects are expected to be approved in the second half of 2008.

On the Croatian side the National Authority ensured national co-financing for technical assistance only, so more effort would have to be put into information to the potential applicants, convincing the applicants to include their own co-financing in the project and develop projects of high quality. The information and publicity measures in both countries will be carried out by the JTS in cooperation with the MA.

In Slovenia there is a national monitoring system – the Information System of the National Agency for Regional Development (ISNARD) – which has been used to monitor the implementation of the National Development Programme and Structural Funds. However it needs to be updated to support the English language, allow access from remote locations, automate data exchange with other connected information systems, simplify data entry, simplify the system of indicators, support the financial flows in the new financial perspective, and support the leading partnership approach. The Managing Authority has started the upgrading process, but there is a risk that the functionality of the system will not be achieved in time.

The Managing Authority will provide a central monitoring system complying with all requirements set for the European territorial cooperation and IPA programmes. The Managing Authority has been using ISNARD as the central monitoring system for the Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 since 2005. Some adaptations are needed to upgrade the system in line with the implications of the lead partner principle. The Managing Authority intends to provide inputs for upgrading the central monitoring system by the end of 2008 when the first projects are expected to be approved.

The Managing Authority still needs to build up an evaluation system to carry out mid-term evaluations (procedures, manuals, guidelines, and staff). In order to ensure the efficient use of evaluations, an evaluation culture must be developed in all areas, whereby those involved see mid-term evaluation as a positive management tool, helping them to identify problems in time and to take corrective action. The final outcome of mid-term evaluation is successful completion of projects and the achievement of worthwhile and long-lasting results.

The evaluations will be carried out by independent and skilled external evaluators. On internal level only assessment of small changes can be done on minor technical issues and will be carried out by JTS.

A new division has been created within GOSP, which is responsible for organising the evaluations of all cohesion policy and IPA programmes managed in Slovenia. This division is in charge of preparing the manual, guidelines, evaluation plan and templates for evaluations. According to our estimation 6 to 8 months will be needed for the evaluation system to be operational.

Annex 1:

LIST OF ABBREVIATIONS:

AA – Audit Authority
BWG – Bilateral Working Group
CA – Certifying Authority
CBC – Cross Border Cooperation
CU – Control Unit
EAFRD – European Agricultural Fund for Rural Development
EC – European Commission
EIB – European Investment Bank
ERDF – European Regional Development Fund
EU – European Union
GDP – Gross Domestic Product
GOSP – Government Office for Local Self-Government and Regional Policy
HR – Croatia
ICT – Information and Communication Technology
ILO methodology – International Labour Organisation
IP – Info Point
IPA – Instrument for Pre-accession Assistance
JMC – Joint Monitoring Committee
JTS – Joint Technical Secretariat
LDEI - Local Development and Employment Initiative
LB – Lead Beneficiary
MA – Managing Authority
MEUR – Million Euros
MSTTD – Ministry of Sea, Transport, Tourism and Development
NA – National Authority
NDP – National Development Programme
NP – Neighbourhood Programme
NSRF – National Strategic Reference Framework
NUTS – Nomenclature of Territorial Units for Statistics
OP – Operational Programme
P – Partner
R&D – Research and Development
RDA – Regional Development Agency
SEA – Strategic Environmental Assessment
SI – Slovenia
SME – Small and medium-sized enterprises
SWOT analysis – Analysis of Strengths, Weaknesses, Opportunities and Threats
WWTP – Waste Water Treatment Plant