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DESIGNING THE FUTURE: STRATEGIC PLANNING, EU FUNDS AND LOCAL DEVELOPMENT IN ACTION

STUDY VISIT

26-30 OCTOBER 2025, ŠIBENIK

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Territorial development in less-developed areas of Croatia

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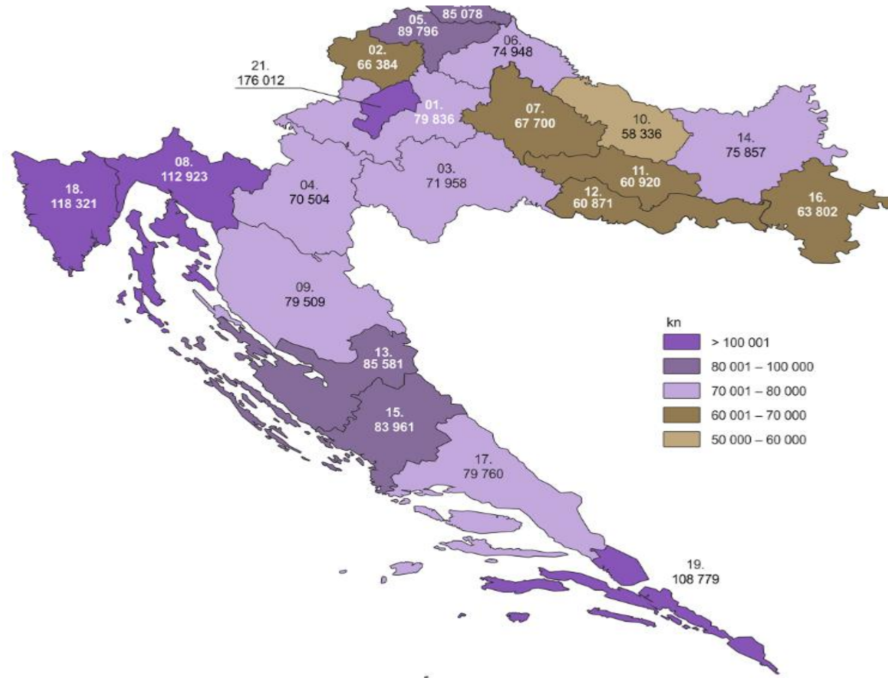
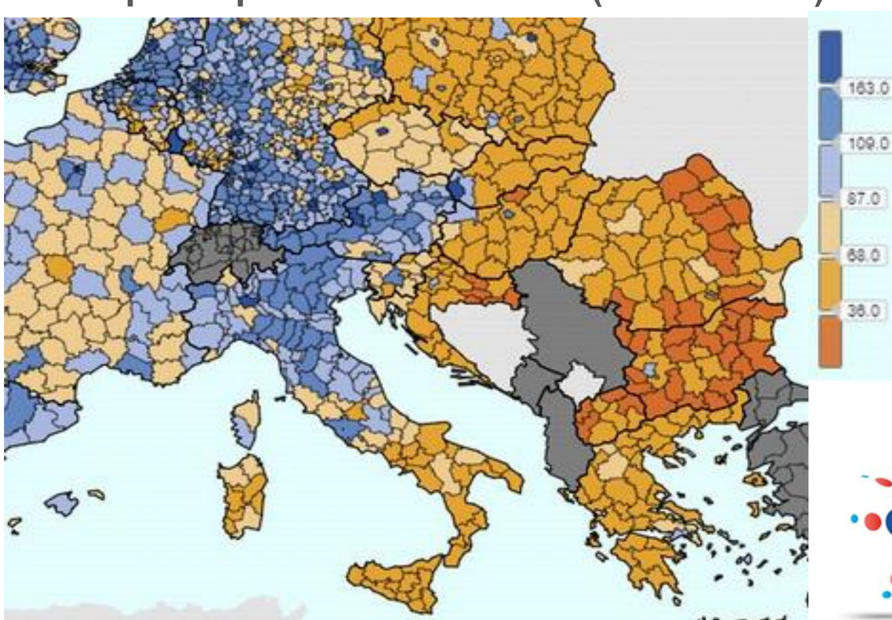
Croatian regional development concept

GDP per capita at NUTS 3 level



- Small country, but with significant internal disparities
- There is a historical legacy of highly imbalanced regional development. Areas along the border with Bosnia and Herzegovina were traditionally among the least developed areas.
- Most developed areas are capital city and several counties on the coast

GDP per capita at NUTS 3 level (EU-27 = 100)



- From European perspective all areas except for the capital city Zagreb and three coastal counties (Istria, Primorsko-goranska and Dubrovnik-Neretva) are above 75% of EU average in terms of GDP per capita in PPS

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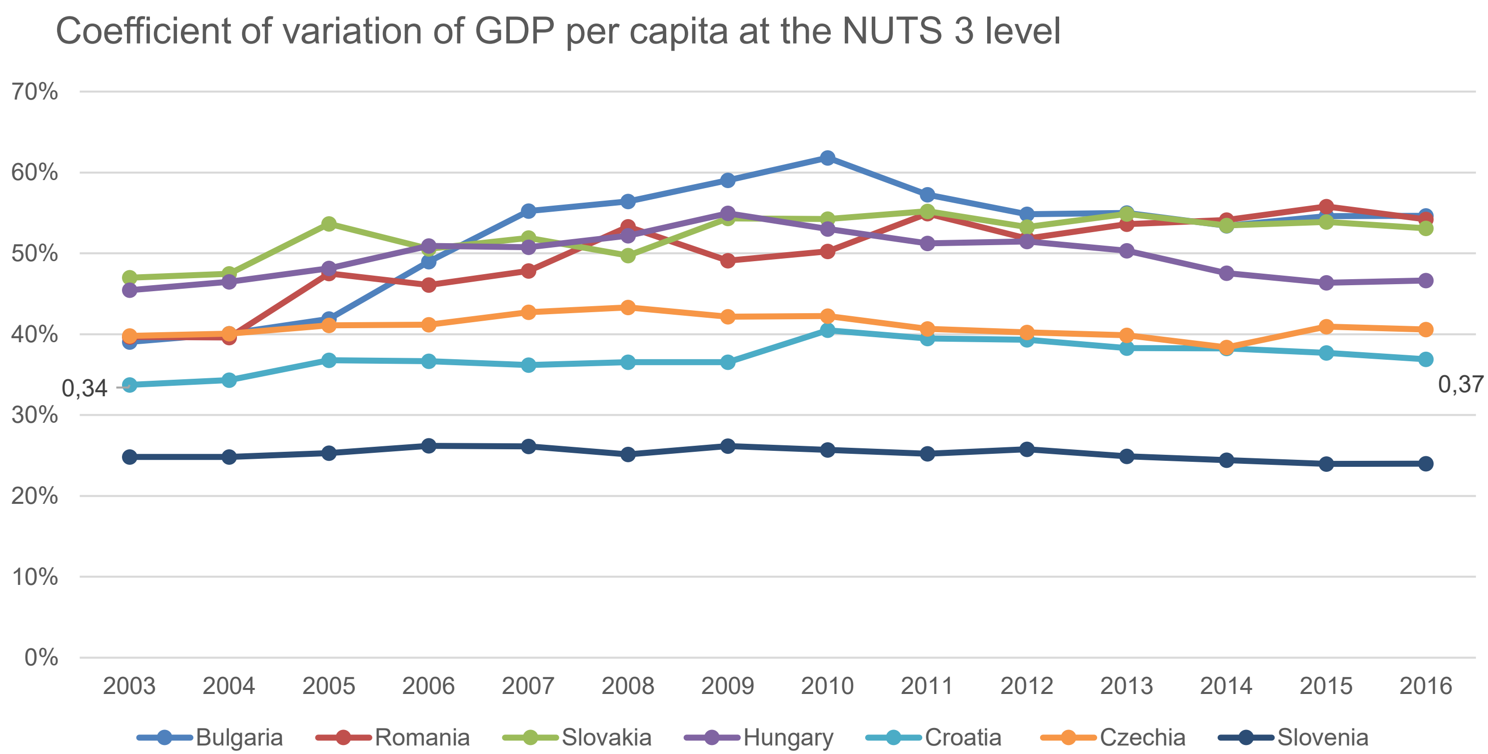
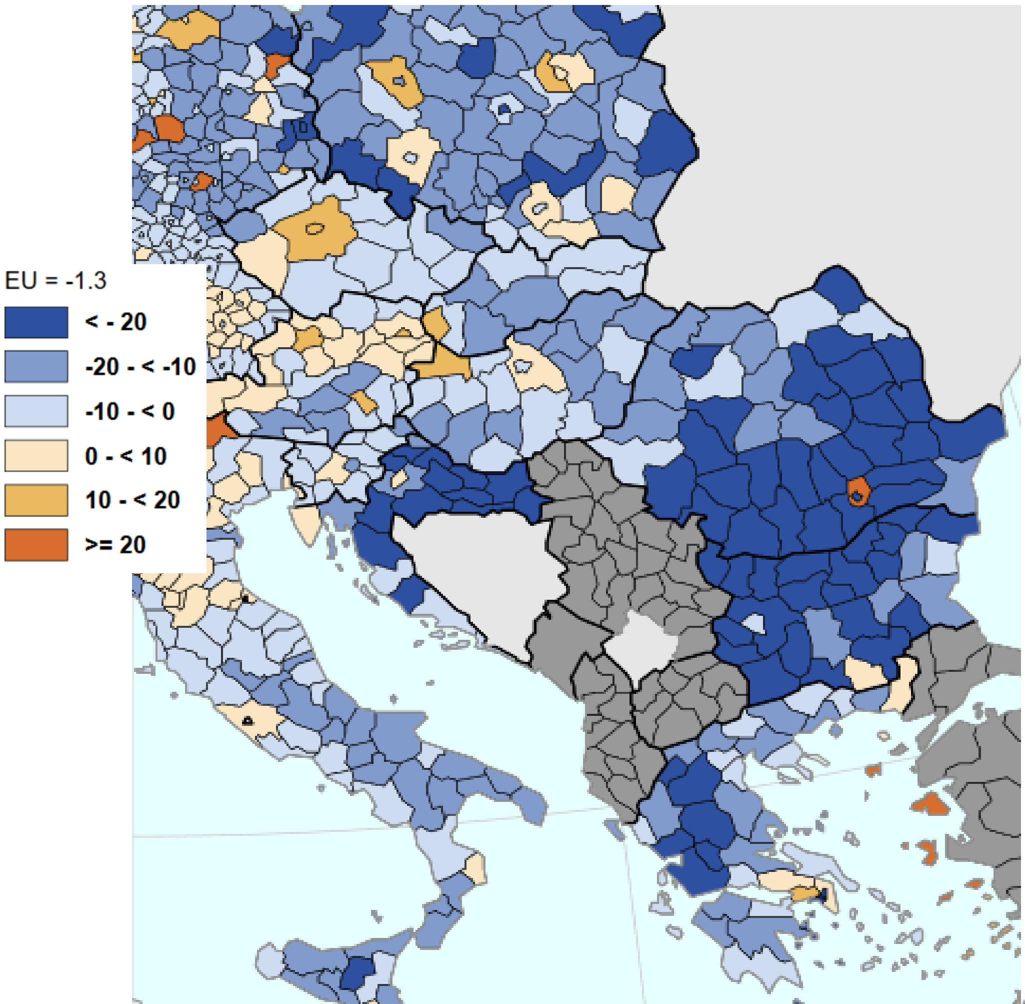
Evolution of regional disparities



1. Regional disparities in Croatia are fairly stable over time in terms of GDP per capita
2. In comparison with peer countries, disparities are relatively modest

Complex demographic situation

Projected relative change of the population 2019-2050



Main challange is demographic situation

- Almost all Croatian regions are losing population (except for Zagreb and one coastal county).
- In some counties, population decrease was over 15% in period 2011-2021
- Projections are that this trend will likely to continue
- Most of the counties will lose over 20% of population until 2050
- Population decrease is unstoppable, so the main policy goal is to diminish this decrease

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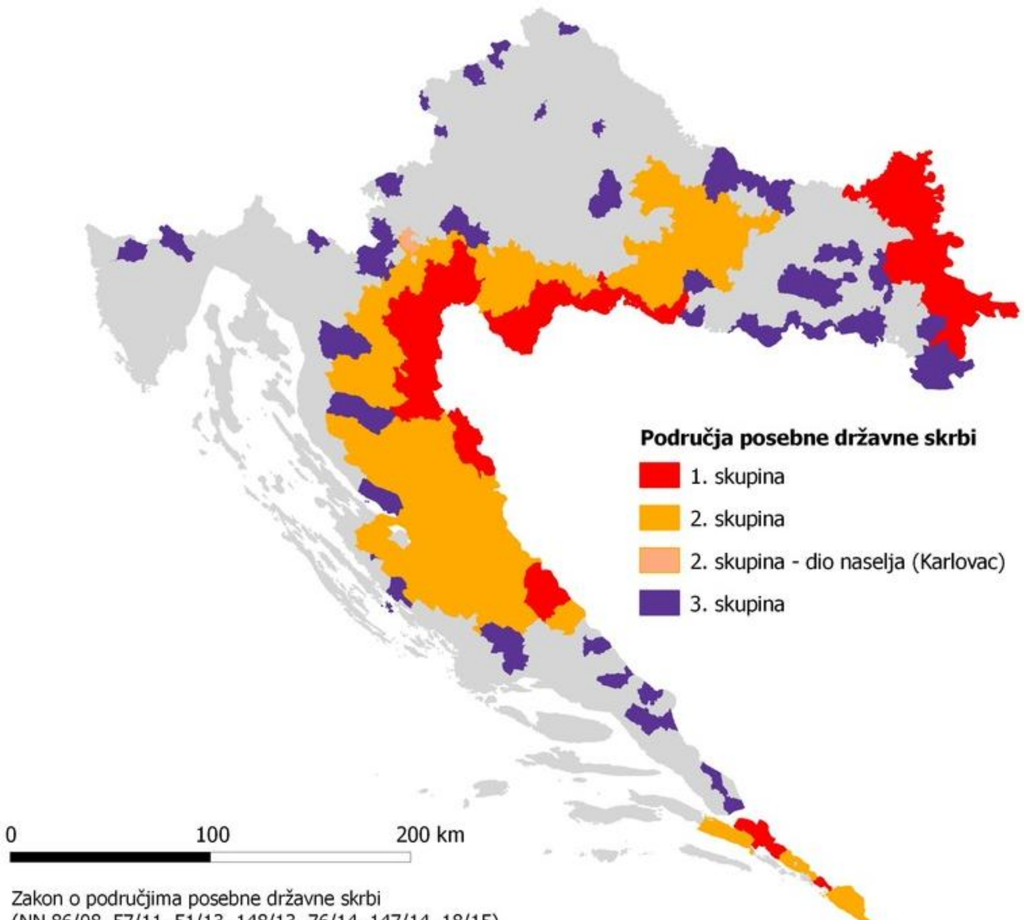
War-torn areas in Croatia

- 26% of the Croatian territory was under occupation during the Homeland war 1991-1995
- Most of the occupied territory were in historically least developed areas (some of them were lagging behind since the first historical records on production appeared)
- Their economic structure was dominantly industrial with very strong agriculture sector
- During the war occupied areas suffered from vast destruction of housing stock, physical infrastructure and production capacity. Total damages surpassed 37 billion USD (prices 1998), approx one-year GDP at the time.
- In period 1996-2000 156.000 family houses and flats were recontracted or newly built. Also, physical infrastructure was to a large extent reconstructed.
- Despite huge recontruction effort, due to lack of job opportunities and lower wages in private sector returnees after couple of years started to outmigrate to other areas in Croatia and abroad.

Areas of Special State Concern



- In order to speed up post-war recovery two important laws were passed in 1996: Law on Areas of Special State Concern and Law on reconstruction
- While successful in terms of reconstruction effort and initial return of population they failed to secure long-term sustainable economic development
- Law did provide range of benefits for the companies and population (mainly in the form of tax breaks), but there was no coherent strategic approach to socio-economic development

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Croatian regional development policy - from regional laws to systemic policy (still working on it)

First period

- from the mid-1990s to the middle of the first decade of the 2000s
- Adoption of laws covering development of various territories (Areas of Special State Concern, City of Vukovar, Hilly and Mountainous Areas, Islands)
- Traditional approach based on investments in infrastructure, tax breaks and subsidies
- Very weak presence of strategic planning and monitoring
- Institutional jungle

Second period

- Since the beginning of EU accession process until today
- New legislative, institutional and strategic framework for regional development
- Continuous monitoring of development - development index as a key measure
- Strategic planning, partnership, monitoring and evaluation, etc.
- Urban development, territorial approach
- Dominant impact of EU funding

Main incentives for war-torn areas in period before the accession to EU

Areas of incentives	Types of incentives
Housing	subsidies for construction, favourabe rent, favourable purchase
Fiscal incentives	tax, non-tax and customs benefits
Agriculture	favourabe land rent, favourable land purchase, subsidies for production
Entreprenurship	loans and gurantees
Employment in public sector	increase in wages for specific occupations (teachers, doctors, etc)
Education	scholarships for students

Features of incentives for war-torn areas before the accession to EU

- Strong focus on building infrastructure, tax reliefs and current grants for LGUs
- Housing care and renovation programs were among the most important measures
- A very large number of measures in use, but most of them with very little fiscal (and thus development) effect – **fragmented approach**
- Almost all measures aimed at the local level, very few measures aimed at the county or supra-county level – **fragmented approach**
- In support for economic development, tax breaks prevailed, while **financially stronger programs of grant suppor**t for economic development were lacking

Features of incentives for war-torn areas before the accession to EU

- In general, there is **missing link between strategic development programs and incentives**; lack of incentives awarded through competitive and transparent procedures (tenders).
- A significant number of measures were regulated by law, which complicated the process of changing measures
- The dispersion and financial fragmentation of development instruments reduces their effectiveness
- No monitoring and evaluation

Program of integrated physical, economic and social regeneration of small deprived cities 2014-2023

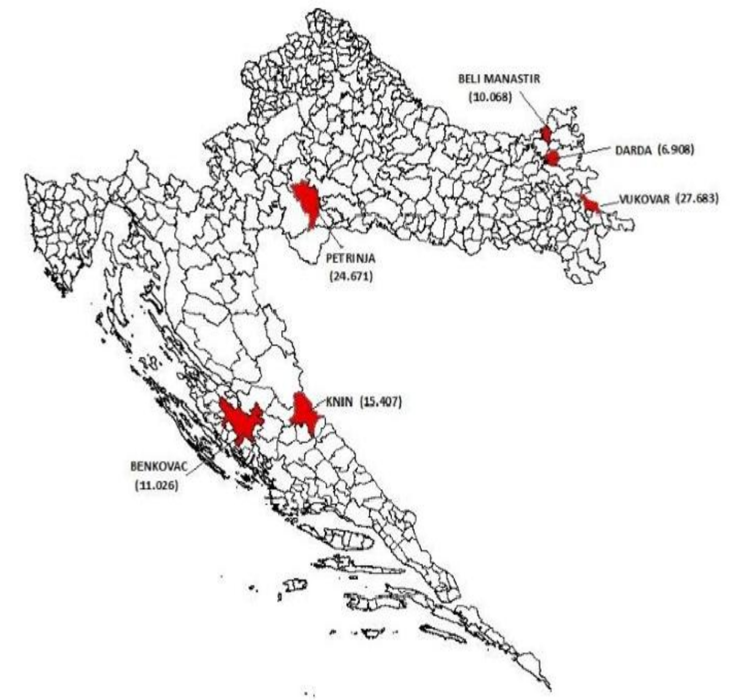
- The goal of implementing the Program is to encourage faster development of **small urban areas** in **least developed parts** of Croatia
- **Specific objectives** included:
  - reducing social inequality, exclusion and poverty,
  - improving the quality of physical infrastructure,
  - increasing attractiveness for living and potential investments,
  - strengthening growth potential.

- Small towns are recognized as the most important **growth engines** within their, mainly rural, surrounding

Program of integrated physical, economic and social regeneration of small towns in war-affected areas 2014-2023

- By concentrating significant investments from EU funds on a smaller number of the most important urban centers, goal is to achieve a **change in development perspective of those areas**
- A high degree of **flexibility** has been achieved in the use of ESI funds in these areas, which should enable better adaptation of interventions to local needs.
- However, at the same time, the **quality of the project proposals** is monitored to ensure that the funds are not scattered on a series of smaller projects without any connection to each other.
  - At least, that was the intention.

Basic figures about the Program and implementation



- 5 small urban areas, 100 thousand people in total
- 120 (127) million euro of funding from EU funds for investments
  - EUR 100 (107) million from the European Regional Development Fund (ERDF)
  - EUR 20 million from the European Social Fund (ESF)
- Implementation period: 2014-2023
- All intervention plans were prepared based on **methodological instructions and under the supervision of Ministry of Regional Develpment and EU Funds**

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Selection of intervention areas

Steps in selection a small cities:

1. calculation of the index of multiple deprivation for all cities with a size of 10,000-35,000 inhabitants
2. separation of cities whose entire territory was occupied during the aggression against the Republic of Croatia - Beli Manastir, Benkovac, Knin, Petrinja and Vukovar
3. Addition of areas with a significant share of the Roma minority
    - area of the town of Beli Manastir was extended to the municipality of Darda

Intervention plans – potential areas of intervention

- They provide strategic framework for financing
- Ex-ante evaluation of 5 intervention plans
- Technical assistance for preparation of intervention plans
- Quite flexible in terms of eligible areas for intervention
  - Investments in the construction/reconstruction of **public facilities** (eg public green areas, footpaths, parking lots, public buildings and facilities used for educational, cultural and recreational purposes);
  - Investments in the construction/reconstruction of all types of small basic **communal infrastructure** (gas, electricity, water, sewage);
  - Construction/reconstruction of **municipal roads**;
  - **Social housing programs** in cooperation with local and regional administration

Intervention plans – potential areas of intervention

- Investments in the basic **social infrastructure** related to the expansion of the service network in the community;
- Other activities that are necessary for the complex development of the infrastructure of smaller cities and rural areas (including the demolition of buildings and structures that use resources inefficiently and damage the environment);
- Construction or renovation of **business support facilities**, especially related to ESF support for self-employment, micro-enterprises and social entrepreneurship activities;
- Direct support for the **creation of new companies**, the survival and growth of existing SMEs and business support institutions.

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Intervention plans – potential areas of intervention

- Support for **self-employment**;
- Support for the development of **social entrepreneurship**;
- Expanding the network of **social services** in the community;
- Employment **training and skills** acquisition adapted to the needs of vulnerable groups;
- Activities aimed at encouraging **youth employment** and facilitating their transition from the education system to the labor market;
- Investing in **youth centers**, information centers and youth clubs;
- Promoting the inclusion of **vulnerable groups** in the labor market and their social inclusion and the fight against all forms of discrimination;
- Providing support to **educational institutions** in creating and implementing educational programs.

Coordination structure and results

Coordination Committee of the Program of Integrated Physical, Economic and Social Regeneration of Small Towns

- Ministry of Regional Development and EU Funds, Ministry of Labour and Pension System, Central Agency for Financing and Contracting, Croatian Employment Agency
- Mayors of all cities, Heads of PIUs
- Discussing open questions and monitoring progress
- 11 meetings, many difficulties with matching ERDF and ESF+ investments

Fund	**Number of projects**	**Value of contracted EU grants**	**Payments from EU grants**
		EUR	**EUR**
European Regional Develoment Fund	308	108.413.522	90.319.443
European Social Fund	68	12.373.251	10.439.084
Total	**376**	**120.786.773**	**100.758.527**

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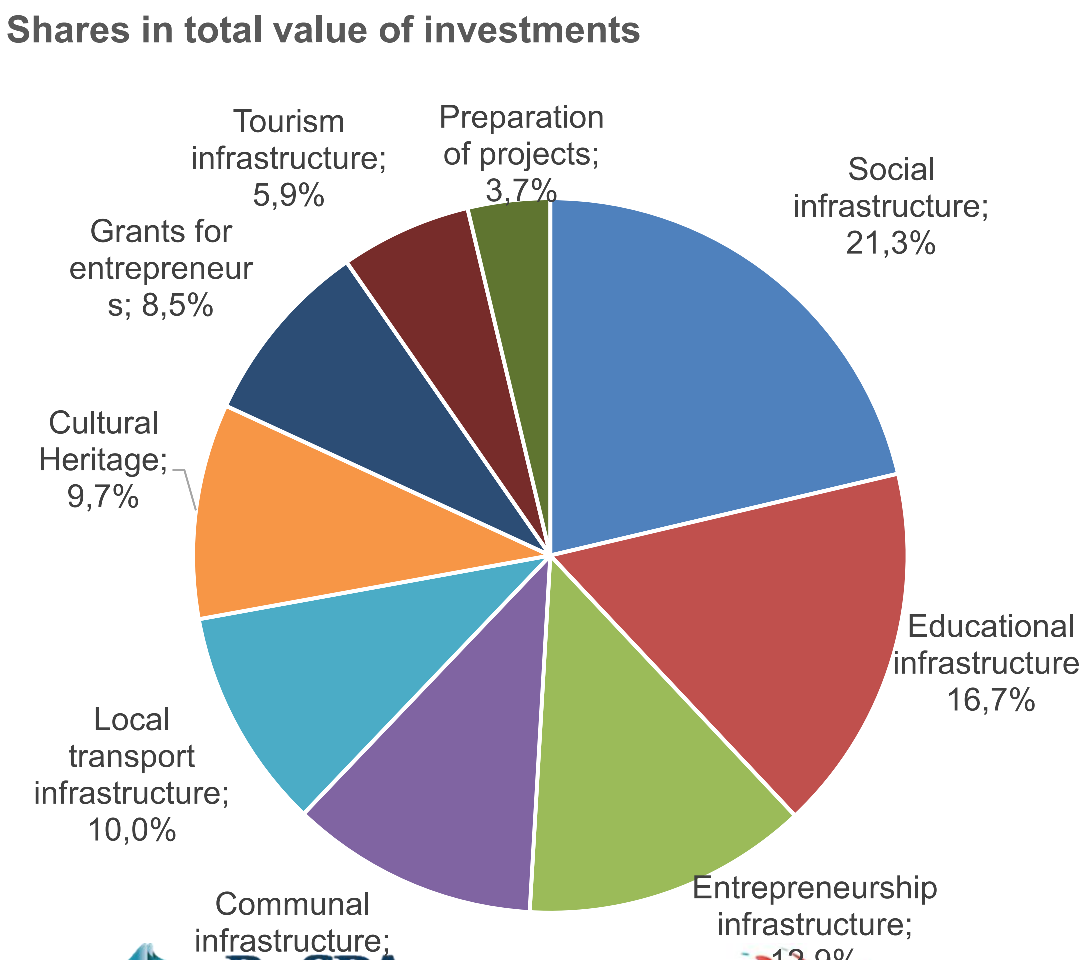
Diverse interventions



- All cities had their own mix of investments based on the Intervention plans
- Such an approach made it possible to exploit a diverse set of local potentials
- Special attention to directly or indirectly revenue-generating investments in order to improve local tax base

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Examples of projects

- Reconstruction and equipment of the Information and Innovation Incubator" - Knin
- Grant scheme - Development and implementation of a program for social cohesion and increasing employment in Knin
- Grant scheme - development of entrepreneurship in the city of Knin
- Reconstruction and arrangement of the old town center of the town of Benkovac - Phase 1
- Cultaral Home in Benkovac
- Grant scheme for the development of entrepreneurship in the area of Petrinja
- Improvement of infrastructure for preschool and school age children in Petrinja
- Reconstruction of the Workers' Home building in Borovo naselje (Vukovar) for the needs of the Polytechnic School
- Furnishing of Branjin Vrh home in Beli Manastir
- The house of the Baranja kulen in Beli Manastir

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Some visuals of the supported projects

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Lessons learned

- ✓ Improving development perspective in urban areas is of critical importance
- ✓ Concentration of funding in necessary but opens problem of high selectivity
- ✓ Invest significantly in strategic framework and project preparation
- ✓ Ensure multi-year implementation framework (7 yrs+)
- ✓ Ensure strong coordination between central and local level
- ✓ Promote results and keep the positive momentum

Thank you for your attention!

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