

# **HUNGARY-CROATIA IPA CROSS-BORDER CO-OPERATION PROGRAMME**

***PROGRAMMING DOCUMENT  
FOR THE PROGRAMMING PERIOD 2007-2013***

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## **1 INTRODUCTION**

### **1.1 The Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013**

The Hungary-Croatia IPA Cross-border Co-operation Programme will be implemented within the 2007-2013 European Union financial framework. This strategic document is based on a joint strategic planning effort of the Croatian and Hungarian parties. The outcome of the planning process is to be negotiated with the European Commission before final approval.

The Hungary-Croatia IPA Cross-border Co-operation Programme will be operating between 2007 and 2013 as a so called IPA Programme (Instrument for **Pre-accession Assistance**). According to the Council's Regulation No. 1085/2006 and to the Commission Regulation (EC) 718/2007 this new instrument for pre-accession assistance serves as financial resource both for candidate (Croatia, Turkey, FYR of Macedonia) and potential candidate countries (Albania, Bosnia-Herzegovina, Serbia, Montenegro) in the budgetary period 2007-2013. Assistance will be used to support both the adoption and implementation of the acquis communautaire; and the preparation for the implementation and management of the Community's common policies.

The assistance is implemented through five components shown below:

- (a) Transition Assistance and Institution Building;
- (b) Cross-Border Co-operation;
- (c) Regional Development;
- (d) Human Resources Development;
- (e) Rural Development.

The CBC component has the objective of promoting good neighbourly relations, fostering stability, security and prosperity in the mutual interest of all countries concerned, and of encouraging their harmonic, balanced and sustainable development. Croatia is going to co-operate among others with Hungary within a framework of a common programme based on a joint institutional background. The two countries lay down their strategic development priorities in a joint programming document. Calls for proposals will be available for non-profit organisations of both countries. Common financial resources available in the Programme will be used within a framework of an open call system. Implementation of the Programme will be carried out in joint structure through common projects and joint decision making.

### **1.2 Eligible area**

The eligible area lies on the South-Western border of Hungary and North-Eastern border of Croatia. The two countries are separated by the River Drava forming the greatest part of the common border. On the Croatian side, in addition to border counties – Međimurska, Koprivničko-Križevačka, Virovitičko-Podravska and Osječko-Baranjska – four other counties expressed their interest to participate in the present Programme with Hungary. The bilateral Task Force of the Programme decided on its meeting on the 27<sup>th</sup> of September 2006 in Pécs (HU) that besides NUTS III level regions along land borders between Hungary and Croatia, in line with Article 97 of the IPA Implementing Regulation, the following four NUTS III level regions will participate in the Programme: the Counties of Varaždinska, Bjelovarsko-bilogorska, Požeško-slavonska and Vukovarsko-srijemska.

Incorporating the adjacent regions results in a single programming space with very similar geographic, demographic and economic characteristics and covers approximately the same size and the same population on both sides of the common border.

The proposed adjacent counties have a considerable interest in co-operating with Hungarian border counties which is either rooted in already existing co-operation projects or ensured by strategic focuses of the given county.

Varaždinska County has signed a co-operation agreement with Zala County and is already a participant in the CADSES IIIB 'Matriosca AAP' project together with Hungarian and Slovenian partners. Special attention will be given to the development and implementation of projects related to the preservation of the Mura and Drava river basins – to the protection of nature and joint waste- and waste-water management projects. The creation of a joint tourist offer has already started through the implementation of related Interreg IIIA projects and will continue.

Bjelovarsko-bilogorska County expressed interest to participate in the Hungary-Croatia IPA Cross-border Co-operation Programme based on the fact that cross-border co-operation is recognised as one of the priorities of the County's Regional Operational Programme.

Požesko-slavonska County and Vukovarsko-srijemska County are members of the Euro-regional co-operation Danube-Drava-Sava and co-operate with other Croatian counties and partners from Hungary within the framework of that initiative. Water connection through the Danube and the Drava offers many opportunities for further co-operation between these counties and bordering Hungarian regions.

The areas eligible on the Hungarian side are the NUTS III counties of Zala, Somogy and Baranya. They are currently administrative units with elected governments. County Zala is part of the Western Transdanubian Region, counties Somogy and Baranya of the Southern Transdanubian Region.

The eligible area with the Hungarian and Croatian counties is 31 028 km<sup>2</sup>.

### **1.3 General features**

The Croatian-Hungarian border region underwent several changes in the past. However, it has been relatively stable since the end of World War I, when the borderline between Hungary and her southern neighbour was established. Most of the international boundary follows the River Drava. As a result of the common history of the two nations, there are mutual minorities in each other's territories, most of whom are bilingual and are well rooted in local society. Now the relations between the two countries in all fields of life are excellent.

During the period after the Second World War the border constituted a strong line of separation between Hungary, part of the Soviet Block, and the constituent republic Croatia of the Yugoslav Federation, an independent, neutral communist state. Due to the political tensions between the two countries the border area was almost as heavily guarded and fortified as the famous Iron Curtain further to the North-West. As a result, the border strip on both sides remained a no man's land, with train and road connections severed and neighbouring settlements cut off from one another.

After the fall of communism Croatia became an independent state, and the borders opened up considerably. New border crossings were established, and transit was eased. During the 1991 war the Croatian side of the border was affected by armed conflict. In the same period Hungary struggled with the difficulties of transition to market economy. The increase in



regional disparities made certain microregions along the common border particularly disadvantaged. When the Slavonian economy was devastated by the war, there was considerable shopping tourism from Croatia to Hungary. This has decreased lately.



**Map 1** Eligible area, major cities and road infrastructure (Source: Hungarian Central Statistical Office (HCSO); Republic of Croatia - Central Bureau of Statistics, CROSTAT; ESRI)

The emergence of mass tourism, inner and international goods traffic towards the Adriatic region has fostered the construction of the Budapest-Zagreb-Rijeka/Split highway system within a very short period of time. The completion of this main artery is said to be set for 2007 and it includes a new and modern crossing point on the River Drava. However, most passengers who travel this route use it only as a thoroughfare, and do not stop in the vicinity of the border.

The accession of Hungary to the EU in 2004 has not had yet a significant effect on the border area. However, Hungary is expected to accede to the Schengen area in January 2008, making the Croatian-Hungarian border an external Schengen one for a few years. This will then change in turn when Croatia enters the European Union, possibly at around the end of this decade. Once Croatia becomes a full fledged Schengen state a few years later, the border will be an internal one, and will thus be completely transparent. This means that by the end of the 2007-2013 programming period it is expected that administrative barriers will not hinder the socio-economic processes in the transit region along the Drava.

### 1.4 Experience of previous programmes

The Hungarian-Croatian cross-border co-operation started in 2002 when local actors along the border initiated the creation of the Hungary-Croatia Pilot Small Projects Fund within the framework of the Hungarian National Phare Programme. The Pilot Small Projects Fund was then launched in 2003 as well. Being so-called INTERREG Phare programmes, their main goal was to support non-profit cross-border co-operation and to prepare potential applicants for future INTERREG funding opportunities. 14 and 17 projects have been implemented respectively.

The Phare External Border Initiative Programme which supported flagship projects on all of Hungary's border sections supported two projects in the Hungarian-Croatian border region: the construction works of the bypass road that channels the heavy international traffic of road No. 58 away from the city centre of Harkány and the extension of the Miroslav Krleža Hungarian-Croatian Educational Centre with a dormitory, also involving the renovation of already existing wings of the school. The projects were co-financed by 1.5-2 million EUR from Phare sources.

The Neighbourhood Programme Slovenia-Hungary-Croatia 2004-2006 (NP) was prepared in 2004 in partnership among Slovenia, Hungary and Croatia. The Neighbourhood Approach meant a significant development in co-operation along the external borders of the European Union, incorporating external (CARDS/PHARE for Croatia) and internal (ERDF) EU financial sources in the same programme. A major step forward for the Croatian partner organisations was that in this case the funds were opened to them as well, making them applicants in their own right (whereas the Pilot Small Projects Fund only allowed for co-operation-type projects with funding only on the Hungarian side).

The Neighbourhood Programme was built on two priorities: economic and social cohesion and sustainable development. Within each priority there were three measures: Priority 1 contained the fields Joint economic space (1.1), Joint human resources development (1.2) and Joint tourism and culture space (1.3), while Priority 2 supported projects in the field of Sustainable use of natural resources and environmental protection (2.1), Nature protection (2.2) and Accessibility (2.3).

*The first call for project proposals* was launched in December 2004. The amount available under this call in Hungary was 8 366 680 EUR<sup>1</sup> (2 062 720 200 HUF) and in Croatia 2 000 000 EUR. In total 109 applications were submitted on time by Hungarian applicants and 85 applications by Croatian applicants. Out of the projects submitted in Hungary 77 involved Croatian partners; in Croatia, however 17 projects were focusing on Hungarian-Croatian co-operation out of the 85 that were handed in.

As a result of the decision of the responsible Committees, 28 projects are being implemented with partners involved both from Hungary and Croatia, two of these are even trilateral projects, establishing a broader, Slovenian-Hungarian-Croatian partnership. These projects altogether represent an amount of 5 857 379 EUR.

The following table sums up the first call's subsidized Hungarian-Croatian joint projects, the project type representing the highest level of co-operation, ensuring funding on both sides of the border:

Project title and objective	Amount of subsidy in EUR	Applicant HU	Applicant HR
<b>'CB-RIS'</b> The project aims to enable improved access to and the use of new information and communication technology thus providing local authorities in the border regions with a state-of-the-art water traffic and transport monitoring system.	HU – 237.674 HR – 170.013	National Association of Radio Distress-Signalling and Info Communications, Baranya County Member Organization	Inland Navigation Development Centre Ltd.
<b>'CoCuCo OBP'</b> The project supports the preparation of the UNESCO World Heritage application of Osijek and presents an interregional extension of the project 'European Capital of Culture 2010' of	HU - 200.873 HR – 149.101	General Assembly of Baranya County	Osijek-Baranja County

<sup>1</sup> Exchange rate: 246.54 HUF/EUR, 12/04 (Source: InforEuro)

Project title and objective	Amount of subsidy in EUR	Applicant HU	Applicant HR
the City of Pécs. <b>'CrossboR&amp;D'</b> The objective of the project is to improve the transfer of technology, innovation and research results from the academic environment to SME-s and to enhance the innovative level of SME-s, strengthening the competitiveness of the cross-border region as a whole.	HU - 141.470 HR – 119.059	University of Pécs	Center For Entrepreneurship Osijek

Among the lessons from the first call for proposals of the Slo-Hu-Cro Neighbourhood Programme is the fact that co-operation in the field of tourism (measure 1.3) was the most popular both in Hungary and in Croatia. Common thinking and acting through tourism and culture projects is of great interest for the border region's organisations. Another significant proportion of the submitted applications focused on measure 1.2, Joint human resources development. Measure 2.1, Sustainable use of natural resources and environmental protection, also registered a significant number of applications on the Hungarian side. The division of applications between all measures was more balanced in the case of Croatia.

*The second call for proposals* of the Neighbourhood Programme was launched in November 2005. The amount available in Hungary was 6 078 840 EUR<sup>2</sup> (1 527 224 200 HUF) and in Croatia 6 000 000 EUR. Hungarian applicants submitted 179 project proposals, while Croatians submitted 112. In Hungary 103 projects had Croatian partners, while in Croatia 32 projects were built on co-operation with Hungarian organisations.

The following table introduces the Hungarian-Croatian joint projects of the second call for proposals granted a subsidy:

Project title and objective	Amount of subsidy in EUR	Applicant HU	Applicant HR
<b>'Pannonian Tourism'</b> The project carries out region-specific cross-border competence development activities for owners of rural tourism farms. It produces a curriculum and training manual that will both be in line with the sections of the European Curriculum for Training in Rural Tourism.	HU – 101.507 HR – 78.697	South-Transdanubian Regional Labour Centre	Croatian Employment Service, Regional Office Osijek
<b>'BP Net'</b> The main objective of the project is to improve co-operation between regional supporting structures for SME development through creating and maintaining a Cross-border Business Park Network.	HU – 92.561 HR – 153.717	Municipality of Nagyatád City	Municipality of Križevci City
<b>'Pannonian Palette'</b> The main objective of the project is to establish stronger economic and social cohesion in the cross-border area through an increased level of co-operation between partners in the domain of culture, education, tourism and heritage.	HU – 78.371 HR - 109.342	Együd Árpád Culture House and Elementary Art School	Municipality of Koprivnica City

The second call for proposals generally brought a larger number of applications in all three participating countries. The project proposals aiming at Hungarian-Croatian co-operation gained a bigger share among the applications submitted in Croatia (from 20 per cent in the

<sup>2</sup> Exchange rate: 251.36 HUF/EUR

first call to almost 30 per cent). Still, given the opportunity, the majority of Croatian organisations preferred to establish links to Slovenian counterparts.

Measure 2.2, Nature protection, anew proved to be among the least frequented fields, whereas tourism, human resources and economic co-operation once again proved to be very popular among applicants. The sustainability and environmental issues covered by measure 2.1 also induced a substantial number of applications.

In general, the circle of potential and actual applicants did not change significantly between the two calls of the Neighbourhood Programme. In several cases, unsuccessful project proposals from the first call for proposals were – with changes and improvements – re-submitted to the second. Also the project partners awarded with subsidy often went on to create new projects for the second call together. Administratively and content-wise only a slight tendency of improvement could be observed between the calls. Several deficiencies (mostly affecting administrative and eligibility issues) repeatedly turned up in applications of the second call for proposals. However, the experience gathered by applicant organisations during the cross-border programmes of the border region to date and the newly acquired skills of those awarded a subsidy are sure to contribute to an increase in adequacy, precision and project quality in the period of 2007 to 2013.

### **1.5 Summary of the partnership and programming processes**

The partnership process of the planning period was characterised by endeavours to include social and economic partners. The members of the Task Force represented the local administrative units in the eligible area, as well as the participating countries. These entities were actively involved in shaping the Programme.

Close co-operation was established from the first moment on with the Regional Development Agencies active in the eligible territory. Consultations were also held with line ministries, Road Management Agencies, national level Schengen authorities, with the main higher education institutions and diplomatic representations during the planning process in both countries. These took the form of partnership workshops, one-to-one meetings, e-mail and telephone exchanges, as well as the incorporation of written recommendations. The different versions of the draft Programme were continuously circulated amongst social partners during the planning process. A table summarising the different social and economic partners consulted can be found in Annex 1.

The bottom-up approach was strengthened by the active participation of the eligible area's local and territorial stakeholders, the municipalities and microregions, civil organisations, educational institutions, chambers and other entities. In this respect, the importance of the **partnership workshop** held with about 60 participants in Čakovec, Croatia, on the 29<sup>th</sup> of June 2006 has to be underlined, as a result of which the planners received numerous written comments as well, in addition to the suggestions made on the workshop.

The actual preparation of the HU-HR CBC Programme began with the organisation of a '**kick-off meeting**' between the National Office for Regional Development being the Managing Authority (legal successor of Managing Authority is the National Development Agency as of July, 2006), VÁTI Interreg Directorate, responsible for coordination of the programme, Ministry of Foreign Affairs and European Integration of Croatia, and contracted experts having the role of elaborating the Programme Document (VÁTI Strategic Planning and Evaluation Directorate) held on the 21st of April 2006 in Budapest. The participants discussed the work plan of the programming process, the institutional and financial framework and went through the findings of the preliminary analysis.

Starting from April 2006 the drafting of the future Programme Document was led by VÁTI Strategic Planning and Evaluation Directorate with an active involvement of the experts assigned to the new programme on the Croatian side through the Technical Assistance to the Central Office for Development Strategy and Co-ordination of EU Funds. A very first – indicative – draft, containing the spatial analysis of the border region, the SWOT analysis and the preliminary set of objectives and measures, was prepared for as early as June 2006, providing a basis for further specification and detailing.

From the management point of view, responsibility for cross-border co-operation in Croatia was institutionally transferred from the Central Office for Development Strategy and Co-ordination of EU Funds to the Ministry of the Sea, Tourism, Transport and Development (see MSTTD). Therefore all of the activities related to the programming process were transferred to, and from that point on, coordinated by the Directorate for Integrated Regional Development in the Ministry of the Sea, Tourism, Transport and Development.

The **1<sup>st</sup> Task Force** meeting took place on the 26<sup>th</sup> of July 2006 in Pécs, Hungary. Further steps were taken towards the finalisation of the situation and SWOT analysis and the proposed structure of objectives and measures were partially reviewed. The members also debated about financial allocations, the proposed share of co-financing, territorial eligibility issues and about the nature of the planned ecotourism measure (project or programme). In early September the second version of the Programme Document was sent to the 10 Croatian counties (border and adjacent), and to the interministerial working group for CBC. On the 18<sup>th</sup> September, a **workshop with all of those stakeholders** was organised to discuss the draft document and give feedback to the drafting team.

The **2<sup>nd</sup> Task Force** meeting on 27<sup>th</sup> of September 2006 was again organised in Pécs, with the participation of representatives of the Croatian border counties. The meeting decided on the inclusion of Croatian counties adjacent to the direct border counties into the new programme's eligible area. Besides, the future ex ante and SEA assessment, co-financing issues and various topics brought up by the participants (possible creation of 'special projects', possible eligibility of small- and medium size enterprises) were also on the agenda.

The **3<sup>rd</sup> Task Force** meeting, organised on the 22<sup>nd</sup> of November in Koprivnica, Croatia, mainly discussed the strategy of the Programme. The members concluded that the situation analysis and the SWOT analysis are to be considered suitable for presenting it to the ex ante and SEA assessors. On discussion were also the comprehensive plans foreseen in measure 1.2 and the maximum project size was proposed to be EUR 1 million. Further, the Task Force came to the decision that there should be no mention of 'special projects' in any of the Programme's documents, instead, all measures shall launch regular calls for proposals for all the allocated amounts.

The **4<sup>th</sup> Task Force** meeting on the 31<sup>st</sup> of January 2007 in Budapest took place after ex ante and SEA experts had compiled their comments on the draft Programme Document and have had discussions with the planners. With the help of presentations the members of the Task Force were introduced to the main findings and also learned how the planners adopted the suggested changes into the document. The meeting led to the regrouping of the intervention areas by keeping the original strategic lines and the members also decided to launch the call for proposals in all measures simultaneously. A decision was taken on the planned comprehensive plans of measure 1.2 to be a unified document.

The **5<sup>th</sup> Task Force** meeting held on 7<sup>th</sup> March 2007 in Osijek, Croatia went further in elaborating the programme document according to ex ante findings: defining proper indicators and discussing specific aims of the intervention areas. The implementation chapter and the first draft environmental report were also introduced and presented to the members.

The **6<sup>th</sup> Task Force** meeting of 11 April 2007 in Nagykanizsa, Hungary saw the completion of the programming process. The members of the Task Force approved the strategy of the programme with the relevant chapters in the document. Some specific issues were highlighted, such as the budget table and the system of indicators. Technical details about Information Points and Programme Committees were discussed, as well as the final ex ante report was presented. The meeting ended with the formulation of forthcoming steps regarding the finalisation and submission of the programme document.

The table below sums up the meetings, the participants and the main topics discussed:

<b>Meeting</b>	<b>Participants</b>	<b>Incorporated suggestions, conclusions, changes to the Programme Document</b>
Workshop for territorial stakeholders, 29 June 2006, Čakovec	Representatives of the Central Office for Development Strategy and Coordination of EU Funds, of the MSTTD, of the Croatian Employment Service, of Croatian counties, representatives of VÁTI, of the Hungarian Road Management and Coordination Directorate, of the South-Transdanubian Environmental Protection and Water Management Directorate, of the Labour Centres of Somogy and of Baranya County, of municipalities and microregions, of universities and chambers	<ul style="list-style-type: none"> <li>• deepening of the analysis in several fields (e. g. tourism), broadening the scope with all eligible counties as well</li> <li>• the use of a material prepared by the Hungarian Road Management and Coordination Directorate on border crossings in the planning process</li> <li>• extending the scope of river tourism to the Mura also</li> <li>• establishing a distinct division between operations under regional OP-s and cross-border programmes</li> <li>• including road network development (with focus on local and cross-border roads) into the strategy</li> </ul>
1 <sup>st</sup> Task Force meeting, 26 July 2006, Pécs	Members of the Task Force, representatives of VÁTI and of MSTTD	<ul style="list-style-type: none"> <li>• suggestion that part of the document dealing with the economy should cover more</li> <li>• suggestion that priority 1 should be rethought as a priority on joint economic space, with Drava ecotourism being a component</li> </ul>
Workshop for stakeholders, 18 September 2006, HR	All stakeholders in Croatia, representatives of MSTTD	<ul style="list-style-type: none"> <li>• discussion on the draft Programme</li> <li>• feedback to the drafting team</li> </ul>
2 <sup>nd</sup> Task Force meeting, 27 September 2006, Pécs	Members of the Task Force, representatives of the European Commission, of VÁTI and of MSTTD	<ul style="list-style-type: none"> <li>• finalisation of the eligible programme area, involving 4 adjacent counties in Croatia</li> </ul>
3 <sup>rd</sup> Task Force meeting, 22 November 2006, Koprivnica	Members of the Task Force, representatives of VÁTI and of MSTTD	<ul style="list-style-type: none"> <li>• decision on the Programme Document being suitable for ex ante and SEA assessment</li> <li>• decision that no special projects shall be mentioned in the Programme's documents</li> <li>• maximum project size proposed to be EUR 1 million</li> <li>• adoption of the wording '85% EU- and 15% national funds', with the action plans detailing co-financing issues</li> </ul>
4 <sup>th</sup> Task Force meeting, 31 January 2007, Budapest	Members of the Task Force, representatives of VÁTI and of MSTTD, ex ante assessors, SEA assessors	<ul style="list-style-type: none"> <li>• proposal that one comprehensive plan (for several fields) should be prepared in measure 1.2</li> <li>• suggestion that calls shall be launched for all measures simultaneously</li> <li>• suggestion to re-think common heritage management as an activity</li> <li>• restructuring of the intervention areas</li> </ul>
5 <sup>th</sup> Task Force meeting, 7 March 2007, Osijek	Members of the Task Force, representatives of VÁTI and of MSTTD, ex ante assessors, SEA assessors	<ul style="list-style-type: none"> <li>• elaborating the programme document according to ex ante findings: defining proper indicators and discussing specific aims of the intervention areas</li> <li>• presentation of the implementation chapter and the first draft environmental report</li> </ul>
6 <sup>th</sup> Task Force meeting, 11 April 2007, Nagykanizsa	Members of the Task Force, representatives of VÁTI and of MSTTD	<ul style="list-style-type: none"> <li>• approval of the programme strategy</li> <li>• budget table and of the system of indicators</li> <li>• discussion on Information Points and Programme Committees</li> <li>• presentation of the final ex ante report</li> </ul>

The ex ante evaluation and the strategic environmental assessment of the Programme has been carried out by the consortium led by Vital-Pro Consulting Ltd. The main goal set out was to improve the quality of the Programme by means of suggestions and proposals

elaborated by ex ante evaluators as well as SEA assessors. Both expert groups participated at task force meetings to acquaint the members with the evaluation methods and to develop their programming skills. The evaluators/assessors and planners have been working in close co-operation, the results of which can be found in the relevant reports annexed to the programme document (see Appendix I and II).

According to the partnership based process it can be stated that common plans and strategies for joint vision and joint actions are missing in the region. That is why significant efforts should be made in order to promote joint planning activities and relevant researches and co-operation activities.

## **1.6 The main findings of the ex ante evaluation**

The Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013 is a generally good Programme; the content, the structure of the Programme and the logic of the interventions are appropriate, yet a few deficiencies can still be identified in it. The ex ante evaluators are confident that on the whole the Programme is of appropriate quality, which both formally and in terms of its content meets the requirements of a CBC Programme and which is a professionally good basis for the start of negotiations with the European Commission.

The ex ante evaluation proved to have played a significant role in the development of the content of the Programme, its technical substance, the logic of the interventions and their feasibility. The planners were open to the opinions of the evaluators and agreed with the majority of the issues identified, accepting a significant portion of the proposals and by the end of the evaluation process drawing similar conclusions to those of the evaluators.

**The situation analysis** was significantly improved through the process of ex ante evaluation, in particular with regards to the structure and volume as well as depth and accuracy of the analysis; the link between the different subchapters is also stronger now. The quality of **the SWOT analysis** has also strongly developed after a workshop focusing on methodology. It can be stated that the link between the SWOT and the situation analysis has improved a lot, too. Both chapters are – despite some weaknesses – adequate to build a strategy on. **The vision** defined in the Programme is logical and relevant to the situation described. An attempt to maximise the benefits and opportunities of the natural heritage as the most important common resource is realistic, thus building a long-term vision on it is relevant. The chapter about **horizontal objectives and principles** contains both objectives and principles; the naming of some of the elements is recommended to be changed to “cross cutting themes” which better suits their nature. Additionally, some of the horizontal objectives and principles lack concrete details in terms of the implementation, it is not entirely clear how these objectives will become tangible on the project level. As to the relevance of the specific objectives, these are generally justified. The inner consistency and the structure of the strategy are good.

**The structure of the priorities** (target, justification, eligible activities) is clear and easy to follow. As a result of the iterative collaboration between planners and evaluators, **the indicator system** improved significantly in terms of its structure and quality, thus in general terms it meets the requirements. Finally, **the presented budget** meets the requirements of concentration and feasibility and the budget allocations for the priorities seem reasonable and balanced. **The external coherence of the programme** significantly improved throughout the process of the ex ante evaluation; the depth of the presentation of coherence varies depending on the programmes concerned. **The implementation chapter** of the Programme provides a detailed, thorough picture of the planned implementation mechanisms to be used in the implementation period. In fact, the chapter is a bit too detailed

for a CBC Programme: it describes mechanisms that would belong to an implementation guide.

The described **monitoring and evaluation system** is in line with the relevant Regulation, however, it lacks the concrete details of operation. Concerning the risks of implementing such a programme with so many actors involving two countries are numerous, therefore the evaluators suggest that **a risk analysis** be carried out whereby the major risks, their probability and their possible impact are identified. Finally, the evaluators underlined that the **indicator system** presented in the Programme can in itself not ensure sound measurement and monitoring. According to lessons learnt from earlier programmes, a detailed design of the monitoring system is strongly required.

The following chart lists the most important comments made by the evaluators during the course of the ex ante evaluation and the answers or solutions provided by the Programme's planners in the finalised Programme Document.

<b>Ex ante remarks and suggestions</b>	<b>Status in the OP</b>
<b>Situation analysis</b>	
Tourism, as a service sector, should be a part or a sub-chapter of the chapter on the economy.	Accepted. Tourism restructured.
Individual chapters should be concluded by summaries.	Slightly different solution. Summary and an outline of the major issues follow the SWOT as concluding remarks.
No analysis goes beyond the county level, it is suggested to at least highlight the micro-regions that have extreme figures.	Accepted. More focused data were highlighted where applicable.
The absolute number of enterprises is misleading, a specific index is suggested to compare data from areas of different size.	Accepted. Specific rates are indicated in the relevant table.
Concerning the ratio of the three sectors, just as in connection to tourism, a sub-chapter should be dedicated to agriculture and industry.	Accepted. Sub-chapters 2.2.1 and 2.2.2 added.
A more detailed description of tourism and its potentials along the Drava is necessary, linking it with the chapter on the area's natural characteristics.	Accepted. The Drava riverside and relevant tourism destinations have been outlined.
A short description of co-operation initiatives (e. g. Euro-regions) is missing.	Accepted. Euro-regions are being mentioned.
There is no mention of the cycling paths in the situation analysis.	Accepted. Cycling paths are integrated into the text.
<b>SWOT</b>	
It is recommended that the topics dealt with in the SWOT analysis closely follow the chapters defined in the situation analysis.	Accepted. The SWOT analysis is structured accordingly.
A very short summary has been provided of the SWOT and of the entire situation analysis.	Accepted. Concluding remarks have been expanded.
<b>Strategy</b>	
In case of Area of intervention 2.1 it is not necessary to underline the connection to Objective 5 since this link exists in other cases as well.	Not accepted. The link to Objective 5 is to be underlined and it remains in the OP.



In case of Area of intervention 2.2 it is not necessary to underline the connection to Objective 2.	Not accepted. The reference to Objective 2 remains in the OP.
<b>Priorities and areas of intervention</b>	
Area of intervention 1.2 contains a number of activities that give room to environment- and nature protection components besides the eco-tourism elements, therefore, the term 'Economic' is too restrictive in case of this priority.	Accepted. The priority and the measures have been renamed, Priority 1 is called 'Sustainable and attractive environment' and Area of intervention 1.2 is titled 'Sustainable tourism in the Mura-Drava-Danube river area'.
Beyond the areas of intervention, the priorities contain a detailed description of the activities as well. This is not actually required to be done in an OP but rather in the Action Plan later on.	Considered. After discussions in the Task Force, however, the description of eligible activities remained part of the OP.
<b>Horizontal objectives</b>	
Only one sentence is dedicated to the issue of equal opportunities for women, ethnic minorities and people with disabilities and a description of the situation of these target groups in the region is missing. Such a description would be of special significance in the case of the Roma minority.	Accepted. The importance of the improvement of the Roma minority's situation has been underlined and also constitutes an indicator.
A more complex interpretation of sustainability is necessary, a socio-economic-environmental approach shall be applied throughout the entire scope of priorities, not only in case of the environment-related ones.	Accepted. Social aspects of sustainability have also been outlined.
<b>External coherence</b>	
External coherence has not been demonstrated with regard to CSG and ERDF.	Accepted. The coherence with these programmes has been incorporated.

## 2 SITUATION ANALYSIS

### 2.1 Demography, spatial distribution and dynamics

#### 2.1.1 Population dynamics

The total population of the eligible border area is 2 302 552 people (2001), distributed almost equally on both sides. As the following table demonstrates both sides of the border region are characterised by a net natural population decrease (Table 1). This decrease is somewhat faster on the Croatian side and it is quite fast in certain counties (such as the county of Bjelovarsko-Bilogorska).

COUNTY	POPULATION		POPULATION CHANGE	LIVE BIRTHS	DEATHS	NATURAL INCREASE PER 1000 INHABITANTS
	1991	2001	100% = 1991	2001		
Somogy	344 708	335 237	97.2	3 172	4 600	-4.25
Baranya	417 400	407 448	97.6	3 705	5 209	-3.69
Zala	306 398	297 404	97.1	2 465	3 924	-4.91
<i>Total Hungarian side</i>	<i>1 068 506</i>	<i>1 040 089</i>	<i>97.3</i>	<i>9 342</i>	<i>13 733</i>	<i>-4.22</i>
<b>HU Total</b>	<b>10 381 959</b>	<b>10 076 994</b>	<b>97.1</b>	<b>96 138</b>	<b>131 530</b>	<b>-3.51</b>
Koprivničko-Križevačka	129 397	124 467	96.2	1 104	1 708	-4.85
Viroviticko-podravaska	104 625	93 389	89.3	843	1 273	-4.60
Osječko-Baranjska	367 193	330 506	90.0	2 794	4 030	-3.74
Medijimurska	119 886	118 426	98.8	1 249	1 272	-0.19
Požesko-slavonska	99 334	85 831	86.4	822	1 006	-2.14
Vukovarsko-Srijemska	231 241	204 768	88.6	1 901	2 249	-1.70
Varaždinska	187 853	184 769	98.4	1 683	2 492	-4.38
Bjelovarsko-Bilogorska	144 042	133 084	92.4	1 129	1 958	-6.23
<i>Total Croatian side</i>	<i>1 383 571</i>	<i>1 275 240</i>	<i>92.2</i>	<i>11 525</i>	<i>15 988</i>	<i>-3.50</i>
<b>HR Total</b>	<b>4 774 635</b>	<b>4 437.460</b>	<b>92.9</b>	<b>40 094</b>	<b>50 569</b>	<b>-2.36</b>
<b>TOTAL BORDER REGION</b>	<b>2 453 077</b>	<b>2 302 552</b>	<b>93.9</b>	<b>20 451</b>	<b>29 836</b>	<b>-4.08</b>

**Table 1** Population dynamics (Source: CROSTAT, Census 1991, 2001; HCSO, Census 1991, 2001)

Migration to and from the region, including migration from other counties and abroad, is balanced in the entire border region, and does not cause a significant distortion to the natural balance (-0.84). Only Zala and Somogy counties were able to present positive migration balance according to the census of 2001. (For more data see Annex 2.) However, in Požesko-slavonska, Vukovarsko-Srijemska and even Bjelovarsko-Bilogorska and Viroviticko-podravaska counties the values of out-migration are rather high. According to the ageing index in Zala and Bjelovarsko-Bilogorska, the ratio of young and the elder generation has been balanced, and only Medijimurska, Požesko-slavonska, and Vukovarsko-Srijemska showed up younger age structure. If we consider that in these counties the ratio of young generation has been the highest, (except Bjelovarsko-Bilogorska) the threat of depopulation is predictable as a real social problem. Table 2 presents the net migration together with the ageing data.

COUNTY	NET MIGRATION (per 1000 inhabitants)	PROPORTION OF POPULATION < 15 YS.	PROPORTION OF POPULATION > 65 YS.	AGEING INDEX <sup>3</sup>
<b>2001</b>				
Baranya	-0.58	16.17	14.92	0,92
Somogy	0.06	16.90	15.47	0.92
Zala	0.32	15.76	16.11	1.02
<i>Hungary</i>	<i>-0.11</i>	<i>16.62</i>	<i>15.16</i>	<i>0.91</i>
Varaždinska	-0.22	17.21	15.26	0,89
Koprivničko-Križevačka	-0.68	16.92	16.49	0,97
Bjelovarsko-Bilogorska	-2.17	17.14	17.29	1.01
Viroviticko-podravska	-2.07	18.16	16.13	0.89
Požesko-slavonska	-3.64	19.77	15.78	0,80
Osječko-Baranjska	0.08	17.77	14.94	0,84
Vukovarsko-Srijemska	-4.66	19.22	14.44	0.75
Medijumska	0.19	18.55	13.62	0.73
<i>Croatia</i>	<i>-1.43</i>	<i>17.01</i>	<i>15.63</i>	<i>0.92</i>

**Table 2** Overview of net migration and young and elder population in the eligible area (Source: CROSTAT, Census 2001; HCSO, Census 2001)

As Table 2 demonstrates the age structure of the border region on the whole region is similar to the national average on both sides. On the Croatian side there is a somewhat higher proportion of young people than the national average. However, the demographic structure of certain (rural) microregions within the eligible area is markedly different from the entire region. Many of these microregions are along the common Mura-Drava border. The presence of a high ratio of young people in the border area is explained with a high ratio of the local Roma population.

Interestingly enough, there is a rather low ratio of elderly people on the Hungarian side of the common Mura-Drava border area. The same trend is not repeated on the Croatian side, where there is a rather high ratio of elderly citizens, clearly clustered in the immediate vicinity of the border (Annex 6, Map 6.1).

In terms of personal and people to people connections, the presence of minorities is very important. They connect the two sides of the border. There are small ethnic minorities of the two countries in each others' territories, roughly equal in size. However, nowadays the level of people to people connections is quite low in the border region according to the Regional Development Agency of Southern Transdanubia.

The total Hungarian minority in all of Croatia is 0.37%. 16 595 people declared to be of Hungarian origin at the 2001 census. The ratio of the Hungarian minority on the Croatian side of the eligible area is 0.56%, although the figure is 2.96% for Osječko-Baranjska, 1.0% for Vukovarsko-Srijemska and 0.89 percent for Bjelovarsko-Bilogorska County. In Hungary, 15 620 individuals declared to belong to the Croatian minority in 2001. More than half of them live in the eligible area (Zala 36.38%, Baranya 16.23%, Somogy 6.21%).

<sup>3</sup> Population 65 and over per population 0 to 15 years

## 2.1.2 Spatial structure

Both sides of the eligible area can be characterised as rural regions of peripheral location. The only major urban centres in the region are Pécs and Osijek, other urban centres are of more local importance. Small villages prevail in the settlement structure of the area (particularly in two Hungarian counties, Baranya and Zala, where there are a large number of micro villages).

In the urban hierarchy Pécs (155 205 inhabitants), Kaposvár (67 662), Zalaegerszeg (60 061), Nagykanizsa (51 694), Komló (27 387) are the most important settlements. On the Croatian side the major towns are Osijek (114 616), Koprivnica (25 776), Čakovec (15 885), Virovitica (15 683), Varaždin (49 075) and Bjelovar (41 869). The Croatian capital of Zagreb, although not in the region, is also close by. The eligible area is characterised on both sides by a loose network of smaller towns, as shown on Map 1 in chapter 1.3.

A large number of rural microregions on the Hungarian side is characterised by tiny settlements (Ormánság, Zselic, Hegyhát, many areas of Somogy). These areas demonstrate low employment potential, ageing population, higher presence of the Roma minority and high propensity of outward migration. The bad state of the internal transport routes makes the accessibility of intraregional centres and main international thoroughfares very difficult. 96 settlements in Baranya and 74 in Somogy are cul-de-sac settlements (settlements without transit road).

## 2.2 Economy

The public sector is responsible for quite a large share of economic output on both sides of the border. It is even more important on the Hungarian side, where it constitutes the largest share of GDP. Since the private sector is unable to provide enough jobs, imbalance may occur in the employment capacity of private and public sector.

Both Croatia and Hungary have shown relatively intensive economic growth in the last decade. The Croatian economy has recovered the economic backsliding caused by the war. Counties in the eligible area have shown lower GDP figures than the national averages. However the dynamics of development is more significant – at least in the Hungarian counties. Between 2002 and 2004 only Požeško-slavonska could converge to the national average. Generally it can be stated that the underdeveloped Hungarian counties are producing a slight development while the Croatian counties are lagging behind. It is obvious that the national Croatian economy is still concentrated on Zagreb and the Coastal Area which is causing that lagging process mentioned above.

County	2002 <sup>4</sup>	2003	2004	Index 2004/2002
Zala	53.6	59.1	58.2	108.6
Somogy	41.9	43.4	43.8	104.5
Baranya	46.0	47.6	47.5	103.3
<b>HUNGARY</b>	<b>61.8</b>	<b>63.4</b>	<b>64.0</b>	<b>103.6</b>
Viroviticko-podravaska	36.0	36.4	35.7	99.2
Osječko-Baranjska	36.9	36.3	37.8	102.4
Međimurska	39.1	38.6	38.2	97.7
Koprivničko-Križevačka	46.9	46.2	44.5	94.9
Vukovarsko-	26.9	27.7	27.9	103.7

<sup>4</sup> Estimated value for Croatia

County	2002 <sup>4</sup>	2003	2004	Index 2004/2002
Srijemska				
Varaždinska	45.3	45.4	42.1	92.9
Požesko-slavonska	32.8	34.8	34.9	106.4
Bjelovarsko-Bilogorska	36.8	36.0	36.4	98.9
<b>CROATIA</b>	<b>46.1</b>	<b>48.2</b>	<b>49.1</b>	<b>106.5</b>

**Table 3** GDP per inhabitants in percentage of EU25 average in current price at PPP (Source: EuroStat)

As the data in the table below demonstrate the number of firms on the Hungarian side is significantly higher than on the Croatian side. This is true in the category of single entrepreneurs (called “crafts” in Croatia) with the exception of Osječko-Baranjska County. It is especially true of non-single companies, where the number of enterprises on the Hungarian side is strikingly higher. Although the number of dormant enterprises might play a role on both sides (statistical sources naturally cannot specify the extent of this role), this in itself is unlikely to explain the difference between entrepreneurial activities.

COUNTY	Number of single entrepreneurs (HU) / crafts (HR) per 1000 inhabitants	Number of non-single companies per 1000 inhabitants	Number of employed in business sector per 1000 inhabitants
Somogy	50	39	-
Baranya	45	51	-
Zala	53	46	-
<b>Total Hungarian side</b>	<b>49</b>	<b>45</b>	
Koprivničko-Križevačka	17	9	149
Viroviticko-podravska	52	6	113
Osječko-Baranjska	50	10	132
Medijimurska	34	15	190
Požesko-slavonska	51	8	186
Vukovarsko-Srijemska	52	5	77
Varaždinska	55	11	182
Bjelovarsko-Bilogorska	29	8	117
<b>Total Croatian side</b>	<b>43</b>	<b>9</b>	<b>143</b>
<b>TOTAL BORDER REGION</b>	<b>46</b>	<b>27</b>	

**Table 4** Ratio of enterprises (Source: Croatian County Chambers of Commerce, 2004. Chamber of Commerce 2005, Chamber of Crafts 2005, Hungarian Census 2001)

## 2.2.1 Agriculture

Agriculture is quite significant in the Croatian counties, unlike in the Hungarian ones, where the importance of the agricultural sector was greatly reduced after economical transition. Nevertheless the vast majority of the land is used for agricultural activity in all of the three counties on the Hungarian side: proportion of crop land shows high values (almost 85% in Baranya, 86% in Somogy and 84% in Zala) out of which the arable land and forests are the most frequent land use categories – for instance the rate of forest cover exceeds 20% in all three counties.

Out of the other categories vineyards have to be mentioned. Although their proportion is below 1% of the total area in all counties, the area is famous for its wine regions (Villány-Siklós) and production.

The situation is different on the Croatian side, where the proportion of arable lands varies between 50 and 60 percent. Generally more than the half of the land is arable land, although the ratio of pastures is much higher than on the Hungarian side, see Table 5. The area of meadows is rather small in Osječko-Baranjska, Požeško-Slavonska and Vukovarsko-srijemska Counties. Koprivničko-križevačka and Bjelovarsko-bilogorska can count significant bovine stock. According to the agricultural census in 2003 one third of the bovine stock in Croatia was bred here.

The agricultural production on both sides takes place on small farms and the parcels are mainly in private ownership.

	Agricultural land in %	Arable land <sup>5</sup>	Horticulture <sup>6</sup>	Pastures	Meadows	Orchards <sup>7</sup>	Vineyards
% of all agricultural land							
Baranya	84.80	52.03	0.83	0.22	7.30		0.77
Somogy	85.95	44.96	1.35	0.86	9.07		0.71
Zala	84.02	33.78	1.52	0.06	16.14		0.96
Međimurska	68.26	50.61		0.00	11.27	4.11	1.57
Bjelovarsko-bilogorska	46.39	28.93		1.53	14.00	1.39	0.55
Varaždinska	51.34	34.96		0.77	10.80	1.86	2.94
Koprivničko-križevačka	56.88	38.45		1.22	14.40	1.33	1.49
Virovitičko-podravska	53.79	43.31		3.73	4.98	0.96	0.81
Osječko-baranjska	57.62	50.98		3.99	1.30	0.82	0.53
Požeško-slavonska	36.53	21.11		6.69	6.74	1.35	0.64
Vukovarsko-srijemska	59.38	56.08		1.73	0.40	0.67	0.50

**Table 5** Types of land use on the eligible area (Source: HCSO, 2003, CROSTAT, Agricultural Census 2003).

## 2.2.2 Industry

The manufacturing sector accounts for quite a significant proportion of the value added in the border area. The table in Annex 4 demonstrates the breakdown of the economic output in the border area according to branches of industry. The Hungarian side is characterised by an industrial sector with relatively strong multinational presence, especially in the tobacco sector. Porcelain manufacturing is a traditional branch in Pécs. The Croatian industry is characterised by firms in the food processing sectors, some of which are internationally recognised brands. In both countries the energy sector occupies a large share, but this statistical category includes public utilities as well. There is a potential in the region for underground natural gas and oil, although no serious plans exist to explore and exploit them.

<sup>5</sup> Arable land and gardens together in Croatia

<sup>6</sup> Horticultural activity contains small and nursery gardens, orchard in Hungary;

<sup>7</sup> Only for Croatia

### 2.2.3 Service and tourism

The eligible area has significant endowments for developing different types of ecotourism<sup>8</sup> and establishing a specific joint tourism brand for the whole border region. One of the most important natural assets in the eligible area is the Mura-Drava-Danube river system with its special landscape and ecosystem. Besides, typical hilly and woody areas of Southern-Transdanubia accompanied by elements of scenery and specific land use (vineyards) provide a good potential for environmentally oriented tourism such as eco-, water-, and several other kinds of active tourism (mounted tours, cycling, hiking, hunting) as well. Due to the settlement structure of Baranya and Zala counties characterised by areas of micro villages there are opportunities for rural tourism, too. A certain amount of these branches of tourism already exists in the region, especially in the Danube-Drava National Park (DDNP). Due to the strong border control regime, licensing from DDNP and the shortage of tourism facilities the river area has been hugely underutilised so far, resulting in a lack of serious tourism related revenues for the microregions in the border area. The wider vicinity of the river area encompasses key touristic destinations on both sides, some of which are already developed touristic products. Examples of these are discussed below.

Urban tourism is highly concentrated in certain microregions within the eligible area. The architectural heritage of **Pécs** includes among others Roman and Turkish sites, and has been enrolled on the UNESCO World Heritage list. The city attracts a considerable flow of tourists, both domestic and foreign. However, there has been a steady decline in the number of visitors in the city since 2002, and visitors only spend an average of 2.1 nights there. Pécs will become the Cultural Capital of Europe in 2010, an event which is expected to attract a larger number of visitors. Ethnotourism<sup>9</sup> is strong in the town of **Mohács**. In addition, tourism shows a sizeable presence in Kaposvár.

**Thermal tourism** is already strongly present, and a further potential exists in the region. The two sides are currently mostly competitors in this sector, although there is a potential for joint marketing and other forms of co-operation. **Hévíz**, **Kehidakustány** and **Zalakaros** are important destinations in Zala County. Near Pécs, the **Harkány-Siklós-Villány** area is rapidly developing into a very **strong centre of internationally recognised thermal tourism**. Furthermore, the vineyards and wines of Villány can be viewed as strong attraction for gastro-tourism. **St. Martin Spa** in Međimurska County is an important destination with 10 200 overnights per year. Further overnight figures for two famous spas are: **Bizovačke Spa** in Osječko-Baranjska County 34 767 and **Varaždinske Spa** in Varaždinska County 80 177.

The **town of Osijek** has significant built heritage. The city has 39 179 overnights per year. The castle of **Trakošćan** is probably the most popular destination in Varaždinska county, but the town of **Varaždin** counts 42 759 overnights per year.

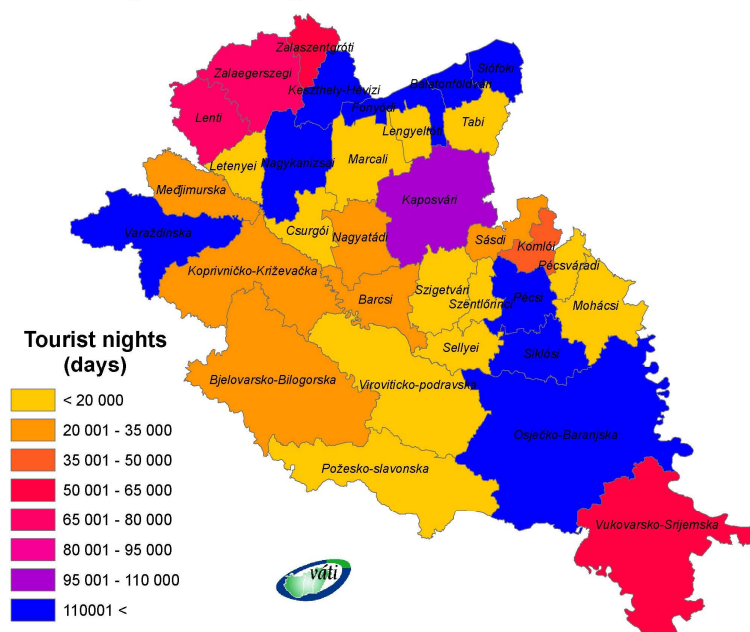
Tourism related training and education is widely available in the region (e.g. Nagykanizsa, Pécs, Osijek). Unfortunately there is a continuous threat of the deterioration of built and other cultural heritage due to inadequate financing in this field.

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<sup>8</sup> **Ecological tourism**, usually shortened to **ecotourism**, is a form of tourism which aims to be ecologically and socially conscious. Generally speaking, ecotourism focuses on local culture, wilderness adventures, volunteering, personal growth, and learning new ways to live on the planet; typically involving travel to destinations where the flora, fauna, and cultural heritage are the primary attractions.

<sup>9</sup> **Ethnotourism**: special kind/type of cultural tourism with the aim of attracting tourists/visitors interested in the cultural heritage (folklore, traditions, popular customs, architecture, clothing or maybe regional cuisine etc.) either of a given (micro)region or of an ethnic group(s)

**Tourist nights in the eligible area**



**Map 2** All tourist (domestic and foreign) nights in the eligible area (Source: CROSTAT, HCSO 2005)

### 2.3 Labour market

The eligible area is characterised by higher unemployment rates relative to the national average. In Hungary the situation is clearly more disadvantageous in the South than in the North. The Hungarian economy was characterised by full employment during the former regime. After the collapse of communism, some areas of Hungary managed to recover. However, revival in the eligible Hungarian counties has been minor. As the figures below illustrate, the labour market situation improved from 1995 to 2000, but then deteriorated again towards 2005.

The Hungarian counties register (according to the Hungarian Central Statistical Office) very unfavourable unemployment statistics for 2005. Deeper analysis reveals even greater problems. Microregions along the border register rather high rates of unemployment (see Annex 6, Map 6.2).

The counties on the Croatian side are hit by even higher rates of unemployment. The Croatian average unemployment rate is 17.3%. Almost all Croatian counties in the eligible area have registered higher rates, some critically high, approaching or above 30%.

County	Unemployment rate <sup>10</sup> 1995	Unemployment rate 2000	Unemployment rate 2005
Baranya	12.0	7.1	8.4
Somogy	12.3	8.3	9.3
Zala	8.7	3.8	6.4
<b>HUNGARY</b>	<b>10.3</b>	<b>6.4</b>	<b>7.2</b>
Viroviticko-podravnska	n.a	n.a	20.2
Osječko-Baranjska	n.a	n.a	24.2
Međimurska	n.a	n.a	12.1

<sup>10</sup> Represents unemployed persons as a percentage of the labour force (paid employment or unemployed persons classified by economic activity in the reference week)



County	Unemployment rate <sup>10</sup> 1995	Unemployment rate 2000	Unemployment rate 2005
Koprivničko-Križevačka	n.a	n.a	15.9
Vukovarsko-Srijemska	n.a	n.a	26.5
Požesko-slavonska	n.a	n.a	19.7
Bjelovarsko-Bilogorska	n.a	n.a	15.9
Varaždinska	n.a	n.a	16.6
<b>TOTAL Croatian eligible area</b>			22.6
<b>CROATIA</b>	-	16.1	17.3

**Table 6** Unemployment rate (Source: CROSTAT, Year Book 2005; HCSO, 2005)

The employment rate is also disadvantageous: in most parts of the region it is below or close to 50%, with sometimes dramatically low figures. This is a very disadvantageous situation compared to the EU average, which exceeds 60%.

	Employment rate 1995	Employment rate 2000	Employment rate 2005	Activity rate <sup>11</sup> 1995	Activity rate 2000	Activity rate 2005
Baranya	46.2	42.2	47.0	48.0	49.8	51.4
Somogy	46.9	42.6	45.6	48.6	51.1	50.3
Zala	54.8	49.8	55.6	54.5	57.0	59.4
<b>HUNGARY</b>	49.6	46.6	50.5	52.0	53.0	54.5
Viroviticko-podravska	n.a	n.a	46.2			51.5
Osječko-Baranjska	n.a	n.a	49.2			50.9
Međimurska	n.a	n.a	54.1			63.7
Koprivničko-Križevačka	n.a	n.a	48.9			55.4
Vukovarsko-Srijemska	n.a	n.a	40.5			50.3
Požesko-slavonska	n.a	n.a	48.7			51.0
Bjelovarsko-Bilogorska	n.a	n.a	47.8			58.2
Varaždinska	n.a	n.a	57.1			53.2
<b>CROATIA</b>	-	42.6	43.3			53.3
<b>EU27</b>	-	62.1	63.3	-	68.5	69.6
<b>EU25</b>	-	62.3	63.7	-	68.7	70.1

**Table 7** Employment and activity rate (Source: CROSTAT, Year Book 2005; HCSO, 2005; EuroStat)

## 2.4 Education and research

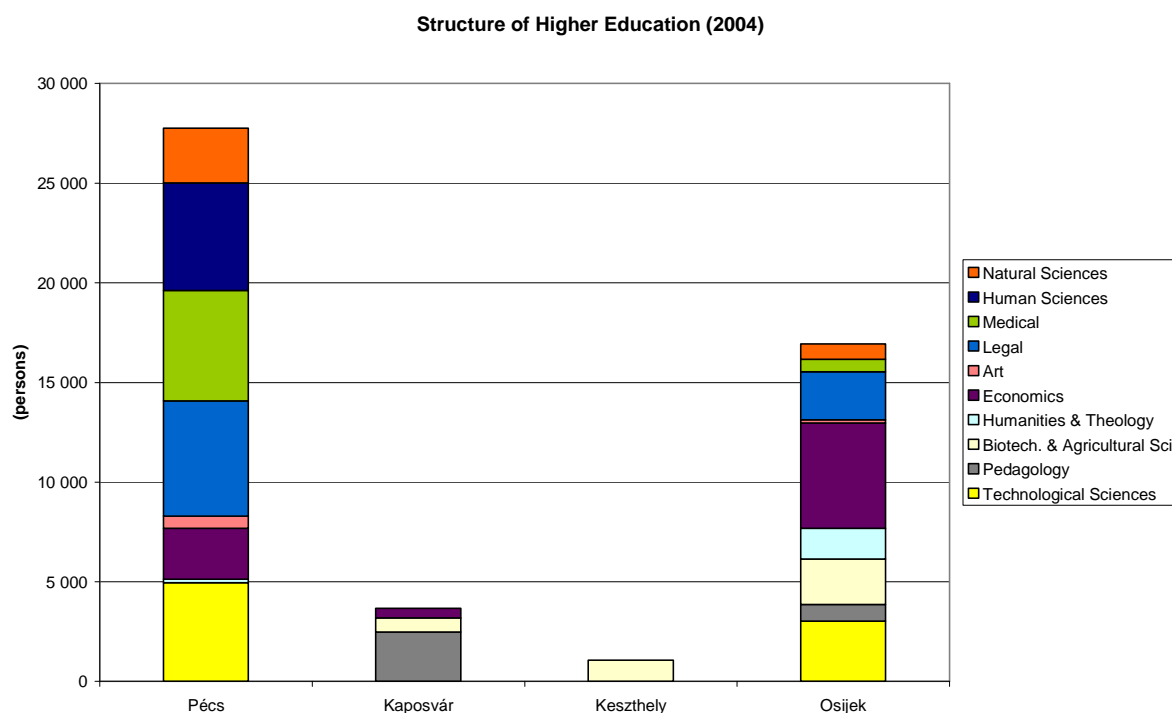
The education and training system is an inseparable element of the labour market, while research is the catalyst of the economy in a modern knowledge based society. Therefore it is important to cover these fields.

The primary and secondary education system is well developed in both countries. The recent structural changes of the education system on the Hungarian side might have impact on primary education in the short run.

<sup>11</sup> Represents the labour force as a percentage of the working age population (all persons aged 15years and over)

Higher education is advanced in the region. As the figures below demonstrate, degrees in virtually all fields of studies can be earned in the university centres of the region. The University of **Pécs** is the main higher education centre on the Hungarian part of the region, serving not only the Southern Transdanubian labour market, but also beyond, on the national scale. The university teaches a wide range of disciplines in ten faculties. There are also smaller university institutions in Kaposvár (agriculture and pedagogy), Keszthely (agricultural sciences) and Zalaegerszeg (finance and accounting studies).

J.J. Strossmayer University in **Osijek** is the main educational centre on the Croatian side teaching in a wide range of faculties. (It should be mentioned that the university institutions of Zagreb, although outside of the eligible territory, are relatively close.) There are also developing higher education institutions in Požega, Križevci, Vukovar, Čakovec and Varaždin.



**Figure 1** Higher education structure of the region (Source: CROSTAT, HCSO, 2004)

**Koprivničko-Križevačka County** has two higher educational institutions: the Agricultural College in Križevci and the Faculty of Economy Zagreb has an expert studies for business economy and pre-graduate studies of business economy in co-operation with the Open University in Koprivnica.

In terms of the ratio of those possessing a degree of higher education, microregions with centres of learning are clearly in a more advantageous situation than the rural ones. The Hungarian counties are in a somewhat more disadvantageous situation than the national average. (National: 10.14%, Baranya: 7.73%, Somogy: 6.5%, Zala: 7.12% according to the census of 2001.) As Map 6.3 (in Annex 6) shows, non-urban microregions are in a rather unfavourable position in this respect. The microregions and municipalities on both sides of the River Mura-Drava border area are in the same position.

Bilingualism is not typical in the eligible area. In the Hungarian side only a low proportion of population speaks Croatian language, mainly the Croatian minority in the Southern parts of Baranya. This statement is based on notification of civic partners involved into the planning process in absence of numerical data which could substantiate the fact. Mutual language skills are to be strengthened in the future.

The labour market on both sides of the border region is hindered by an **inflexible educational sector**, where educational institutions are extremely slow to respond to the demand of the local economy.

The only research institute on the Croatian side is the Institute for Agriculture in Osijek. The Hungarian side counts two medical and two agricultural scientific institutes and one for social sciences. The average number of scientists in these institutes is around 20-25.

The above mentioned institutions include a research base of the National Milk Research Institute in Pécs, the Vinocultural Research Institute of the Ministry of Agriculture and Rural Development in Pécs, and the Centre for Regional Studies of the Hungarian Academy of Sciences in Pécs. Baranya county employs 3 928 researchers, 7.9% of the national pool. Somogy County employs 719 researchers, 1.5% of the national pool. Zala County employs 295 researchers, 0.5% of the national pool.

## **2.5 Cultural relations**

As for cultural co-operation, an agreement on cultural, educational and scientific co-operation was signed between the governments of the Republic of Croatia and the Republic of Hungary in 1994 to regulate co-operation in those areas. Implementation of the agreement is achieved through three-year programmes signed by line ministries of both countries. The last programme was approved for the 2006-2008 period. As the list below indicates, co-operation is achieved in a number of areas, although not all co-operation takes place strictly within the cross-border eligible area:

### *Co-operation of Archives:*

- State Archive from Osijek co-operates with State Archive from Pécs

### *Co-operation of Libraries:*

- Public library from Beli Manastir (under which there is a Central Hungarian Library) co-operates with libraries in Baja, Pécs and Mohács

### *Co-operation of Museums:*

- The Museum in Osijek co-operates with the Archeological Museum in Pécs.

### *Co-operation in Arts:*

- Gallery in Osijek co-operates with Institute for the Protection of Cultural Heritage in Budapest, Gallery from Pécs and Modern Gallery from Pécs.

### *Co-operation of Theatres:*

- Croatian National Theatre in Osijek and Croatian Theatre in Pécs
- Children's Theatre from Osijek and Children's Theatre from Pécs
- Croatian National Theatre from Osijek and National Theatre from Pécs

### *Co-operation of Universities:*

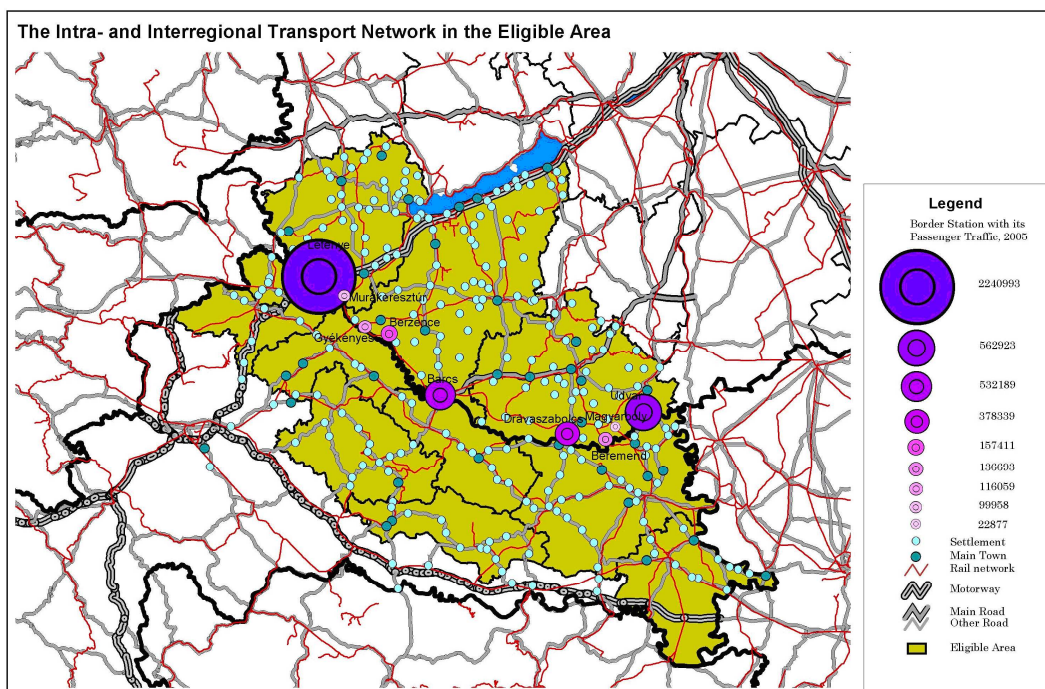
- The University of Pécs is planning to open up a degree programme in Hungarian in Osijek, in co-operation with the University of Osijek
- The Department of Philosophy of the University of Osijek and the Department of Philosophy of the University of Pécs established Croatian studies in Pécs University and Hungarian studies in Osijek University

In addition, Euroregional co-operation has been run (Mura-Drava and Danube-Drava-Sava) since 1998.

## 2.6 Transport infrastructure

The eligible area lies along the Trans European corridors V, X and VII, and the river Danube. The main thoroughfare passing at right angles through the region is the Budapest-Zagreb-Rijeka/Split highway system, constructed within a very short period of time. The Zagreb-Belgrade highway runs just south of the eligible border area, attracting traffic southwards on the Croatian side. The accessibility of the Hungarian part from Budapest will be greatly increased by the construction of the Budapest-Osijek-Sarajevo Trans-European corridor. The first part, a Budapest-Dunaújváros highway has already been completed. An express road connecting Dunaújváros with Pécs is said to be implemented in the 2007-2013 programming period. These transnational developments will greatly enhance transport to and from this region vis-à-vis the national capitals, Zagreb and Budapest (possible Belgrade as well in the longer run). They will also facilitate communication with ports in the Adriatic.

Transport links to the economic heart of Europe would also be crucial for this border region. Thus the construction of the Zagreb-Maribor and Nagykanizsa-Maribor highway sections would be of crucial importance for economic development in the area.



Map 3 Transport network in the eligible area

The low quality of the internal road system makes the accessibility of major intraregional centres and main international thoroughfares very difficult. 96 settlements in Baranya and 74 in Somogy are **cul-de-sac** settlements. The **scarcity of international border crossings** greatly hinders intraregional communication (average distance is 62 km in the Southern Hungarian Region, the highest amongst Hungary's borders).

Major international railway lines converge in the Northern part of the border region. The Nagykanizsa-Murakeresztúr/Kotoriba-Čakovec line and a Kaposvár-Gyékényes/Botovo-Koprivnica line both run in the North. The Northern line used to connect Hungary and Slovenia before the establishment of railway connections recently. The major metropolitan centre of Pécs is connected towards the South only by non-electrified lines.

An examination of Hungarian Government Decree No. 2291/2004 (XI. 17.) on planned new border crossings, and Hungarian Government Decree No. 305/2001. (XI. 27.) on the development of border crossings reveals that there are few planned developments on this border area. These developments have been negotiated with the Croatian side as well.

The intraregional rail system in Hungary is undergoing a major renovation programme. The renovation of domestic railway lines will be financed from domestic resources. The airport at Sármellék (Zala) serves international destinations, both charter and low cost airlines. An airport at Pécs-Pogány opened up in March of 2006. There is also a regional airport in Osijek. The former American military base in Taszár base has a renovated concrete landing strip and a service building, but is currently without any function.

River ports exist on the Drava, but the amount of traffic on the river is insignificant. This is partly due to lack of demand, partly due to a desire to preserve the natural heritage of the area. The River Danube has an international significance as a transport route, but it is currently underutilised due to problems of transfer capacity.

The construction of bicycle roads has been supported by previous EU financed and domestic programmes in the region, and will continue to be supported. There is already an extensive network, yet there is a need for more coherent planning in this field to avoid disjointed paths and atomised developments.

## **2.7 Environment**

The border region is characterised by the fact that it runs along the River Drava, flowing into the Danube. This valuable environmental treasure is protected within the framework of the Danube-Drava National Park, encompassing 49 000 hectares.

The area of the Danube-Drava National Park (DDNP) stretches over 1 285 646 ha including territories from both Bács-Kiskun and Tolna counties and parts of two counties of the eligible area (Baranya and Somogy). The Park was established in 1996. Its greatest values are the woods on the floodplain with several protected bird species residing along the rivers. Within the area of the NP 8 specific bird reserves (SPA, see annex 5) and 64 specific nature conservation areas (pSCI, see annex 5) have been identified.

The Directorate of DDNP has good relations with Nature Park Kopački rit on the Croatian side. According to the Development Plan of the DDNP, the establishment of a joint National Park is a long term objective of both parks. To achieve this goal the two directorates have been elaborating common programmes. Particularly good co-operation can be observed in the fields of protecting specific species (e.g. black stork, steppe eagle), tourism and education.

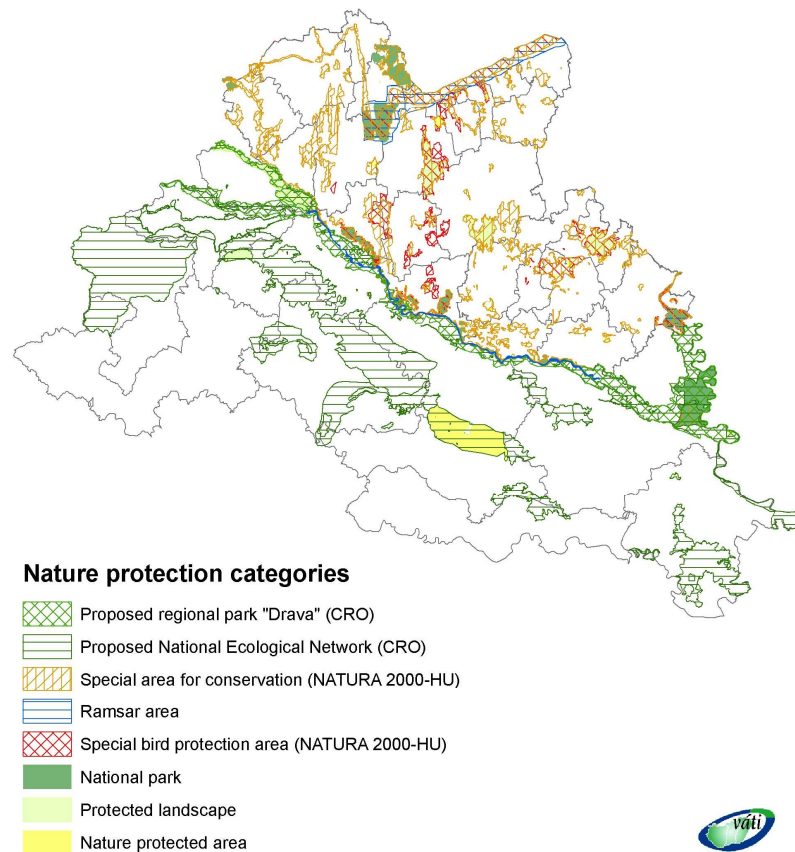
Along both main rivers of the area there are service houses which are able to serve as accommodation facilities for ecotourism. The two rivers provide a good base for water tourism. According to the Park's Unit of Tourism, the NP has 70-80 000 visitors per annum, who come for hiking, and cycling. At least 50 000 passengers travel by resort train yearly and 5 000 children take part in conservationist education per year. Besides ecotourism, the main functions of the DDNP are nature preservation and protection, trusteeship and other administrative tasks.

There is a number of protected areas on the Croatian side of the eligible area as well. The most important are:

- Nature Park Papuk
- Nature Park Kopački Rit
- Special botanic reserve Đurđevači pijesci
- Ornithology reserves Kopački rit and Podpanj
- Water landscapes along river Mura.

Establishment of a regional park along the rivers of Mura and Drava is under way. After the formal establishment, Ministries of Environment in Hungary and Croatia intend to request special protection under UNESCO.

#### Nature protection in the eligible area



**Map 4** Nature protection in the eligible area (Source: national authorities)

The edges of the eligible area are characterised by more fresh water ecosystems, Lake Balaton, the Smaller Balaton and the River Sava. However, these have less cross-border significance.

The quality of ground water is fairly good. Higher arsenic concentration (between 10 and 50 µg/l) can be measured in South-West Baranya and South-Somogy (Curgó microregion). Higher concentration of ammonium and nitrite (in both cases above 0,5 µg/l) can be found only sparsely in the eligible area. Highly sensitive groundwater areas are in the karst territories of the Mecsek and Villányi-mountains.

According to the data from the Environmental Statistics Atlas of Hungary, rather strong surface water contamination can be observed in the case of the River Danube and its tributary streams. Water quality of the Danube South of the Sió canal's estuarine is in the third-fifth quality class (fifth class is the negative pole) in case of all parameters (oxygen and

nutrient balance, microbiological parameters and micro pollutants). Tributaries, such as the Kapos and the Koppány show even higher value of pollution (in case of almost all parameters: nutrient balance, oxygen balance, microbiological parameters and micro pollutants). Some positive indices can be observed in the cases of Drava and Mura, where oxygen and nutrient balance are the second best classes. Tributaries (Pécs, Rinya etc.) show higher pollution, too.

The proportion of households supplied from public water works was above 95 % in all three eligible Hungarian counties in 2005 (Baranya-97.6%, Somogy-95.9%, Zala-96.3%); contrary to it, the proportion of dwellings connected to public sewerage shows weaker results (Baranya-71.8%, Somogy-61.2%, Zala-67.3%). Data shows that improvement is necessary in the field of sewerage disposal and treatment. The ratio of non-treated waste water was below 15% on the Hungarian side (except for the Mohács microregion, where the index was above 45%) according to the Environmental Statistical Atlas of Hungary. At county level, the ratio of waste water treated at least with mechanical treatment was above 90% in all three counties in 2005 (TeIR). The rate of biologically treated waste water and rate of sewage water treated also with advanced treatment technologies is low in several micro-regions. All in all, the situation of treatment of waste water collected by sewage system is positive.

For the analysis of the situation of flood and inland water protection data were used from the Environmental Statistical Atlas of Hungary. The source of classification was a governmental regulation from 2003. In accordance with it, vast majority of micro-regions of Somogy and Baranya counties are characterized by high or medium environmental hazards. Similarly hazardous territories are located along the Drava and Mura (Csurgó, Lenti and Letenye microregions).

Air pollution is not very high in the eligible area. Concerning the emission from industry, the micro-regions in all the three Hungarian counties are moderately polluted, due to the decline of the formerly thriving heavy industry. The picture is similar if we analyse the situation of air pollution originating from road transport; the majority of the Hungarian counties' micro-regions are less or moderately polluted except for the microregions housing county centres (Pécs and Zalaegerszeg) and for the Pécsvárad micro-region. The reason of these high values is more intensive traffic (source: Environmental Statistics Atlas of Hungary).

In 2005 there were only two operating power stations based on renewable resources on the Hungarian side (a sawdust power station in Pécs and a wind power station in Szigetvár); but several microregions were classified as being "territories suited for the construction of geoelectric power stations (Southern-Zala and the vast majority of Somogy county with the exception of Csurgó and Siófok microregions). Microregions of Pécs, Pécsvárad, Komló and Balatonföldvár are mentioned as territories suited for construction of wind power stations. (Data reflect the situation of the year 2005. Source on information: Environmental Statistics Atlas of Hungary).

About the Croatian environmental situation data were not accessible. There are undetonated landmines remaining on the Croatian side of the border region as a result of the military activity in the early 1990s.

### 3 SWOT ANALYSIS

#### 3.1 SWOT Table

STRENGTHS		WEAKNESSES	
<b>DEMOGRAPHY &amp; SPATIAL STRUCTURE</b>	<ul style="list-style-type: none"> <li>• Attractive, unique, traditional rural space (e.g. small villages) for tourism</li> <li>• Two major urban centres in the border region (Pécs, Osijek)</li> </ul>	<b>DEMOGRAPHY &amp; SPATIAL STRUCTURE</b>	<ul style="list-style-type: none"> <li>• Depopulation in certain border areas</li> <li>• Ageing small villages</li> <li>• Most settlements in a peripheral position</li> </ul>
<b>ECONOMY AND TOURISM</b>	<ul style="list-style-type: none"> <li>• The economic performance of the eligible border area has increased</li> <li>• Rich nature and culture assets (e.g. settlement structure, land use, landscape etc.) attract tourism</li> <li>• The Mura-Drava-Danube border region has enormous potential for ecologically minded cross-border tourism</li> <li>• Famous wine regions and thermal tourism destinations on both sides of the border (e.g. Villány, Hévíz, Zalakaros, St. Martin, Bizovačke, Varaždinske)</li> <li>• Pécs, Osijek, Varaždin have a potential for urban tourism and Mohács for ethno-tourism</li> <li>• Rich cultural heritage utilisable to increase tourism potential</li> <li>• Pécs will be European Cultural Capital in 2010, boosting tourism potential</li> <li>• Demand for co-operation and joint development in the field of tourism</li> </ul>	<b>ECONOMY AND TOURISM</b>	<ul style="list-style-type: none"> <li>• Regions being less developed and lagging behind regions</li> <li>• Shortage of tourism infrastructure (e.g. hotel beds) in the Mura-Drava-Danube border region</li> <li>• Weak tourism marketing in the region</li> <li>• Low number of tourists and the region being a relatively unknown destination</li> <li>• A lack of serious tourism related revenues for the microregions in the border area</li> <li>• Weak co-operation activity</li> </ul>
<b>LABOUR MARKET</b>	<ul style="list-style-type: none"> <li>• Demand for co-operation and joint human resources development according to the previous Neighbourhood Programme</li> </ul>	<b>LABOUR MARKET</b>	<ul style="list-style-type: none"> <li>• High unemployment rate on both sides of the border, especially in the rural microregions and in many microregions along the common border</li> </ul>



<b>EDUCATION and RDI</b>	<ul style="list-style-type: none"> <li>Major universities in Pécs and Osijek and developing university institutions in Križevci , Čakovec, Varaždin, Vukovar, Keszthely and Kaposvár</li> </ul>	<b>EDUCATION and RDI</b>	<ul style="list-style-type: none"> <li>Low level of co-operation between educational institutions</li> <li>Lower ratio of higher education qualifications compared to national average</li> <li>Low level of mutual language teaching</li> <li>Inflexible educational system with institutions being slow at responding to market demand</li> <li>Low level of RDI co-operation with firms</li> <li>Underdeveloped RTD/RDI sector in the region (low number of researchers, research institutions etc.)</li> </ul>
<b>CULTURE, SOCIETY AND RELATIONS</b>	<ul style="list-style-type: none"> <li>Multiethnic communities in certain areas of the eligible area could connect the two sides</li> <li>There is a tradition of co-operating in the field of archives, libraries, museums and arts</li> <li>Euroregional co-operation</li> </ul>	<b>CULTURE, SOCIETY AND</b>	<ul style="list-style-type: none"> <li>Low level of mutual language skills hinders cross-border co-operation according to the experience of previous programmes</li> <li>Existing social segregation in the most underdeveloped microregions</li> </ul>
<b>TRANSPORT INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>Budapest-Zagreb highway strengthening accessibility</li> <li>Regional airport in Pécs and in Osijek</li> </ul>	<b>TRANSPORT INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>Most passengers who travel on the Budapest-Zagreb highway use it only as a thoroughfare and do not stop in the vicinity of the border</li> <li>Non-electrified international railway connections from Pécs and from Osijek</li> <li>Bad state of internal road system makes accessibility of intraregional centres and interregional thoroughfares difficult</li> <li>Scarcity of international border crossings</li> <li>Minimal local presence of bicycle routes</li> </ul>
<b>ENVIRONMENT AND NATURE</b>	<ul style="list-style-type: none"> <li>Rich nature assets</li> <li>The existence of cross-border natural preservation activities (Danube-Drava National Park), together with the River Mura</li> <li>Good relation between the Nature Parks on both sides</li> <li>Rich water resources and good average groundwater quality</li> <li>Good quality of ground water</li> <li>Few contaminant agents in the River Drava and Mura</li> <li>Air pollution is not very strong in the eligible area</li> </ul>	<b>ENVIRONMENT AND NATURE</b>	<ul style="list-style-type: none"> <li>Danube and its tributary system polluted</li> <li>Undetonated landmines remaining from 1991 war</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Growing demand for environmentally oriented tourism</li> <li>• Due to the start of the accession process of Croatia to the EU the country became more popular for multinational companies and foreign investments</li> <li>• Increasing accessibility due to the further extension of the motorway system (in connection with Budapest-Osijek-Sarajevo Trans-European corridor and the construction of the Zagreb-Maribor and Nagykanizsa-Maribor highway sections) attracts foreign investors and is of crucial importance for economic development in the area</li> <li>• Croatia's entry into the single internal market provides opportunities for cross-border employment</li> <li>• Gradual elimination of the common border after Croatia's EU entry into the Schengen framework</li> <li>• Potential for vertical integration in processed agriculture</li> <li>• Increasing volume of people to people contacts</li> <li>• Increasing demand for agro forestry products</li> </ul>	<ul style="list-style-type: none"> <li>• Processes of social exclusion and segregation deepen in peripheral rural areas</li> <li>• Increasing depopulation and aging rural communities have a negative potential effect on economic activity</li> <li>• Possible continued deterioration of Drava ecosystem by insufficient waste management</li> <li>• Climate change may have unfavourable impact on microregions along the river border due to increasing flood risk</li> <li>• Non-sustainable forms and extent of tourism could be harmful for environmental values</li> <li>• Inadequate national financing leads to the deterioration of built cultural heritage</li> <li>• Lack of coherent planning between municipalities and sectoral state bodies could lead to incoherent development strategies</li> </ul>

### 3.2 Concluding remarks

The situation analysis and the SWOT analysis have identified a number of potential intervention areas, which could be helpful for the facilitation of the development of a lively and organic region. It is quite clear from the analysis and the SWOT that:

- The area currently suffers from a considerable degree of labour market problems. There is a shortage of jobs since the transition of both countries to a market economy.
- The Mura-Drava-Danube river ecosystem is underutilised in comparison to its potential, and it has been a dividing rather than a connecting factor. It can nevertheless form the basis of a sustainable form of development for both sides of the border. Both construction and the eventual establishment of tourism infrastructure would create job opportunities for the inhabitants of the region. However in order to be successful, the river border region needs to be marketed as a single unitary product on the European tourism scene. Tourism related education and trainings are widely available in the eligible area (e.g. Nagykanizsa, Pécs, Osijek), making this development effort sustainable.
- All the developments in the river border area need to observe the principle of environmental and social sustainability, and special efforts have to be undertaken to co-ordinate the environmental maintenance activity of the two sides. Surface and underground water quality is of utmost importance.
- Since most of the area is threatened by floods, cross-border efforts need to be undertaken to alleviate this situation.
- After the entry of Croatia into the European Union, the border between the two countries will become an internal Schengen border. All roads and railway lines crossing the

common border will be international crossing points without customs and border control. This will allow more intensive co-operation.

- Croatia's entry into the single internal market will provide cross-border job opportunities if this process is underpinned by a developed system of labour market facilitation.
- There is a plenty of opportunities for the establishment of cross-border business contacts and supplier networks if this is underpinned by a developed network of business facilitation.
- The opportunity to make use of the common built and other heritage to boost tourism will become evident by the second half of the programme period. In this area, the common cultural heritage is well identified and forms the basis of development. Unfortunately there is a threat of the deterioration of cultural heritage due to the underfinancing of maintenance activities.
- There is a potential for more intense interaction between members of the business community, as well as the research and educational sectors.
- There are strong and traditional institutions of education in the border region, but cross-border co-operation between them is weak. There is an opportunity to exploit this potential through common educational, training and exchange programmes.
- The RDI potential of the border region is weak, as is cross-border RDI activity. Co-operation with the business sector is also needs improvements. Cross-border RDI, with the inclusion of the business sector, should be supported from public resources.
- The experience of previous programmes indicates an enormous potential for people to people actions. These contacts should be strengthened and deepened.
- The experience of previous programmes demonstrates that an increase in bilingualism or the knowledge of third languages has the potential of greatly boosting the willingness and the capability of actors on both sides of the border region to co-operate with each other.

## 4 STRATEGY

### 4.1 Vision and the overall strategic aim

The regions linked by the border river Drava have very similar preconditions for development which are not fully exploited. The dominance of rural and natural character, the underdeveloped position and the common natural heritage around the rivers Drava and the Danube provide a rich basis for co-operation. The most important common resource is the natural heritage around the Danube-Drava zone and their rural surroundings which are not only common values but carry the potential of being eco-, active and rural tourism destinations as a possible source of economic development. The cultural heritage of rural areas and major towns presents not sufficiently utilised assets.

Nature oriented and rural sustainable tourism is not only a sector of economy but also a good tool for supporting natural and cultural heritage. Thus the core of the co-operation strategy is the common natural and cultural heritage. These factors make this region unique not only in Hungary and Croatia, but can draw the attention on a European level, too. In our **vision** the Hungarian-Croatian border zone will be the:

#### **‘SUCCESSFUL CO-OPERATION REGION OF JOINT HERITAGE’**

where:

intense and sustainable eco oriented tourism is an important source of income for inhabitants of border settlements;

the natural and cultural values are well identified, maintained and utilised actively in a sustainable way;

people have strong regional identity and environmental responsibility, have wide knowledge on the natural values of their region and global climato-environmental processes, and are proud of their region, thus being committed to protect and develop the local regional heritage;

more and more people have regular personal contacts crossing the border due to business, job-related, cultural or private life motivations;

an increasing proportion of the citizens on both sides readily use each other's languages, and where the area is visitor friendly in terms of bilingual information provision;

on the basis of intense cultural interactions there is remarkable multicultural activity in arts and other elements of cultural life, which is increasing tourism and deepening regional identity of the inhabitants;

co-operation among businesses, academics and public authorities covers various fields of region specific traditions, innovations, joint products, natural values, and other activities, which utilise special features of the region;

on the basis of heritage based growing economy the living standard is significantly increasing and the underdeveloped microregions make good progress in closing up.

The developments of the future ought to contribute to those processes which lead to the fulfilment of this vision.

Thus the **long term overall objective** of the 2007-2013 Cross-border Co-operation Programme is the facilitation of:

***Culture and knowledge based development on the basis of successful management of natural and cultural heritage and intense socio-economic interactions between the two sides in the eligible area***

In order to approach this vision the border location, which has been a disadvantage up to now, must be turned into an advantage for the villages and towns of the region. Thus the Programme must solve the common problems, utilise the common potentials, and take up common opportunities with a strong synergy. The main way of achieving these aims is co-operation itself.

It is important to state that the scope of the 2007-13 Cross-border Co-operation Programme is limited by the availability of funding and the community level regulations behind it. Additionally, the majority of activities that can lead to accomplishing the vision lie outside of the scope of the Programme. These can be financed from national and other community resources. (See chapter on “Coherence with other programmes and policies” in this document.) Thus strong co-operation with other relevant programmes will be of high importance during the implementation of the Programme especially when elaborating action plans or proceeding evaluations.

## ***4.2 Specific objectives for the period 2007-2013***

In order to achieve the overall strategy five specific aims and five horizontal aims are defined.

1 Increasing environmental stability and attractiveness of the Drava Valley and surrounding natural and rural areas

The natural heritage of the region should not only be protected but also has to be developed from the sustainability and attractiveness point of view in order to extend the ecological, touristic and local benefits of this resource. Moreover common responsibility must be taken for the protection and improvement of biodiversity.

To achieve an environmentally sound and longer term development planning which identifies the limits and potential for environmentally sustainable development, in particular for tourism, legal and agreed management requirements for the Drava Valley as well as possible risks that could derive from climato-environmental challenges have to be taken into account.

*Indicator for evaluation:* Increase of size of natural and semi-natural sites visited regularly by tourists in a sustainable way

2 Creating sustainable joint regional tourism product of the Mura-Drava-Danube zone and in surrounding natural and rural areas

The rich natural and rural heritage of the region can be utilised if the services provided for visitors and proper infrastructure will be established. It is also important that they are organised in a single harmonic system along with the elements of attractions of the landscape. This system can make the region an attractive destination on the market of eco-, active and rural tourism. However only sustainable and environmentally friendly ways of tourism can be supported and made possible in the area (e.g. motorized activities of tourism must be forbidden).

*Indicator for evaluation:* Dynamically increasing revenues from the eco-, active and rural tourism sector in the region

### 3 Synergetic and co-operative economies of both sides

Nowadays co-operation in the field of economics is essential for competitiveness. In a border region cross-border co-operation between SMEs provides added value and the transfer of individual and organisational knowledge and experience can be very fruitful. Creating joint products, learning from each other, along with beneficial information transfer, joint marketing should be the main elements of a more co-operative economy in the border region.

*Indicator for evaluation:* Increasing revenues of co-operations on both sides due to the interventions of the Programme

### 4 Developing and managing common cultural heritage to promote cultural values, traditions and to develop tourism

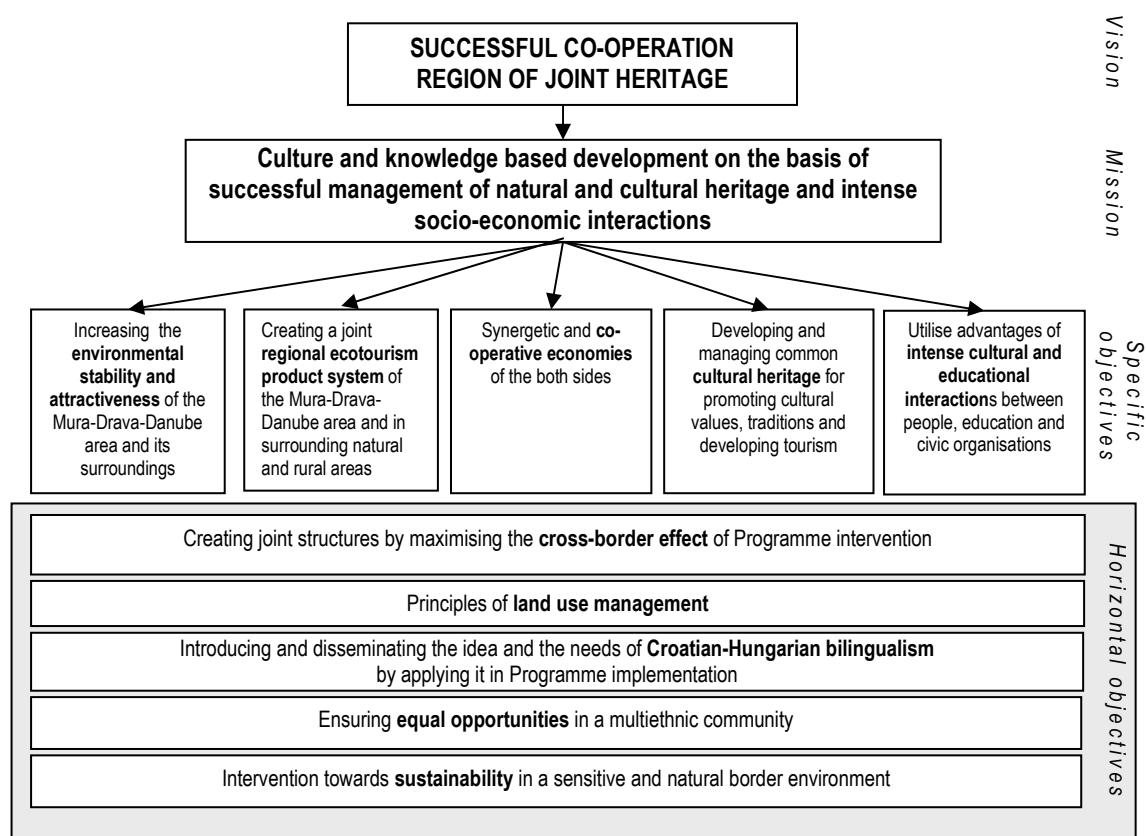
The cultural heritage should not only be a value to be protected but should also be a basis for development that makes the region more attractive for visiting, living and working. If both sides of the region co-operate, heritage can be better managed and their complex joint thematic networks can be more competitive.

*Indicator for evaluation:* Growing revenues of the cultural tourism and the cultural sector in general in the region

### 5 Utilising advantages of intense cultural and educational interaction between people, educational and civic organisations

Increasing the number of interactions among the citizens, organisations and micro regions of the both sides will result in added value by enriching cultural and personal life, promoting competitiveness and shared values.

*Indicator for evaluation:* Number of existing formalised or contracted operating co-operations after the end of implementation of the Programme



### 4.3 Horizontal objectives and principles of the Programme

The Hungary-Croatia IPA Cross-border Co-operation Programme has a structure of *horizontal objectives*. These horizontal objectives are related to the special physical planning scope, the cross-border situation, but are also tailored to the specific Hungarian-Croatian conditions. The *horizontal objectives* ought to be contributed to by all interventions and have to be traceable in all supported activities similarly to the Community horizontal policies.

#### 1 Creating joint structures by maximizing cross-border effect

The interconnecting natural, human and economic structures over the Hungarian–Croatian border have to be established and strengthened by the increase of cross-border effects of the Programme.

This is the most crucial horizontal issue of the Programme. All interventions must aim at developing joint structures. The dimension of cross-border effects ensures that overlaps between this Programme and other EU financed programmes (e.g. Hungarian NSRF, see annex 5) are avoided even if the thematic contents are sometimes similar.

The support of un-coordinated, isolated action has to be avoided. The actions need to have synergies with the national and international treaties and measures. Therefore during the Programme’s implementation the required cross-border effect has to be precisely defined in the given call for proposals and in other project development support activities.

The general **requirements of cross-border effects** of interventions are the following:

- The *interventions* have to incorporate partners from both the Hungarian and the Croatian sides of the border region. Among the *beneficiaries* of a project both sides of the Hungarian-Croatian border region have to be represented.
- The *geographical scope of an intervention* should not necessarily contain the whole Hungarian-Croatian border region, but it always has to cover or at least significantly influence areas on both sides of the border. The area of implementation of projects also has to encompass territories on both sides of the border, or at least the development has to utilise or has to be supported by resources from both sides.
- In order to promote territorial effects and regional importance of interventions regionally (micro regionally) integrated, complex projects should be supported, which include numerous regionally co-ordinated activities; involve several actors; are preferably elaborated by a consortium with several members; have wider geographic scope (having more locations of the implementation).

The intervention-specific requirements of cross-border effects are indicated in Chapter 5 in the descriptions of the priorities.

*Indicator:* Increase in the number of existing formalised or contracted operating co-operations after the end of Programme implementation

## **2 Principles of land use**

Environmentally sustainable development of land use has to be aimed through implementation of the Programme. In this interest the following principles of land use must be put into practice:

- besides safeguarding the natural and cultural wealth, wealth and public utilities have to be – within supportable limits – available and accessible;
- the selection of locations of development areas and the organization of public utilities serve the interests of sustainability and the safeguarding values;
- the spatial grouping of urban and rural functions should serve the prevention of sprawl; and preferred locations of development are brownfield sites vis-a-vis greenfield sites;
- fundamental requirements of the service of local environmental awareness, responsibility for the value of landscape and the development of the local economy and society in line with local attributes.

## **3 Introducing and disseminating the idea and the needs of Croatian–Hungarian bilingualism**

The basic cultural condition of collaboration and interactions is the ability to communicate with each other. The actors involved in strategy building and the elaboration of the Programme consider bilingualism to be a cultural value and also an asset for the competitiveness of individuals in the border region.

Strengthening Hungarian and Croatian language skills is an objective of the Programme. All results of cross-border co-operation projects must be made available to the public in at least in Croatian and Hungarian. Efforts to use other minority and world languages are also **encouraged**. As bilingualism is a key aspect of co-operation, it appears as a horizontal issue as well as being a specific area of intervention.

*Indicator:* Significantly growing number of people speaking both Hungarian and Croatian



#### **4 Ensuring equal opportunities in a multi-ethnic community**

The projects must demonstrate their efforts to create equal opportunities for genders, ethnicities and the disabled according to the principles of the European Union. Especially strongly affected is the Roma minority, which has a strong presence in the eligible region. They are mostly in an underprivileged situation on the Hungarian side, which is not the same in all cases on the Croatian side. Job creation and economic growth in the Mura-Drava microregions, where there is a strong presence of Roma, will provide greater opportunities for this minority. The relations between the small communities of other minorities (German, small south Slavic religious or national groups) living on both sides of the border in the region and the use of their native languages and culture also have to be strengthened in order to ensure equal opportunities in organising cultural and community life. Projects supporting equal opportunities must be favoured.

*Indicator:* Positive change in employment rate of Roma minority

#### **5 Sustainability in a natural and sensitive border environment**

The overall strategic goal and the areas of intervention in the Hungary-Croatia IPA Cross-border Co-operation Programme are fully in line with the principle of sustainability as outlined in the Gothenburg Strategy of the European Union. The Programme shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty.

Appropriate management arrangements shall ensure at all levels of the programme implementation cycle, that – besides respecting 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 effects / charges of the OP in total, will in the end be climate- and resource-neutral. The OP'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.

The carrying out of such environmental management function includes, among others, activities such as environmental assessment and implementation guidelines, structured experience sharing and capacity development, indicators, environmentally friendly project design and the use of effective selection criteria.

Sustainability is not only a basic principle but a horizontal objective as well for the Cross-border Co-operation Programme and sustainability is especially important in case of the Mura-Drava border region, where the protection of natural values and the management of natural heritage is only possible in strong co-operation between Hungary and Croatia. The contribution to sustainability has specific rules in the Programme:

The locally manageable resources and the environmental givens serve the benefits of local communities preliminarily.

During the planning, building, renovation and operation of infrastructural elements, objects etc. the specification of sustainable construction technology, energy effective operation, low-waste and selective waste management methods are prioritised.

The use of renewable energy resources, preservation and improvement of the status of the conditionally renewable environmental elements and systems are supported and increased, while the amount of emitted greenhouse gases has to be reduced locally

- In order to increase the population holding ability of the border area positive discrimination can be supported.
- Developments should turn from intensive products and technologies in terms of material and energy to the production and consumption that is poor in terms of material and energy and based on knowledge and culture.
- During the implementation of the programme and its monitoring special attention has to be paid to region specific issues of climate change such as, aridification, wind erosion, changes of green areas, extremities in surface and subsurface water level, emission of greenhouse gases (by transport, industries, etc.)

In case of **Priority 1** each project must serve the sustainability of the relevant area. Thus:

Only environmentally friendly ways of tourism and recreation can be supported (and allowed in natural and semi-natural areas), motorized activities must be forbidden (e.g. quad, motorboat, jet-ski, off-road activities with motorbike and cars, other damaging open air technical activities).

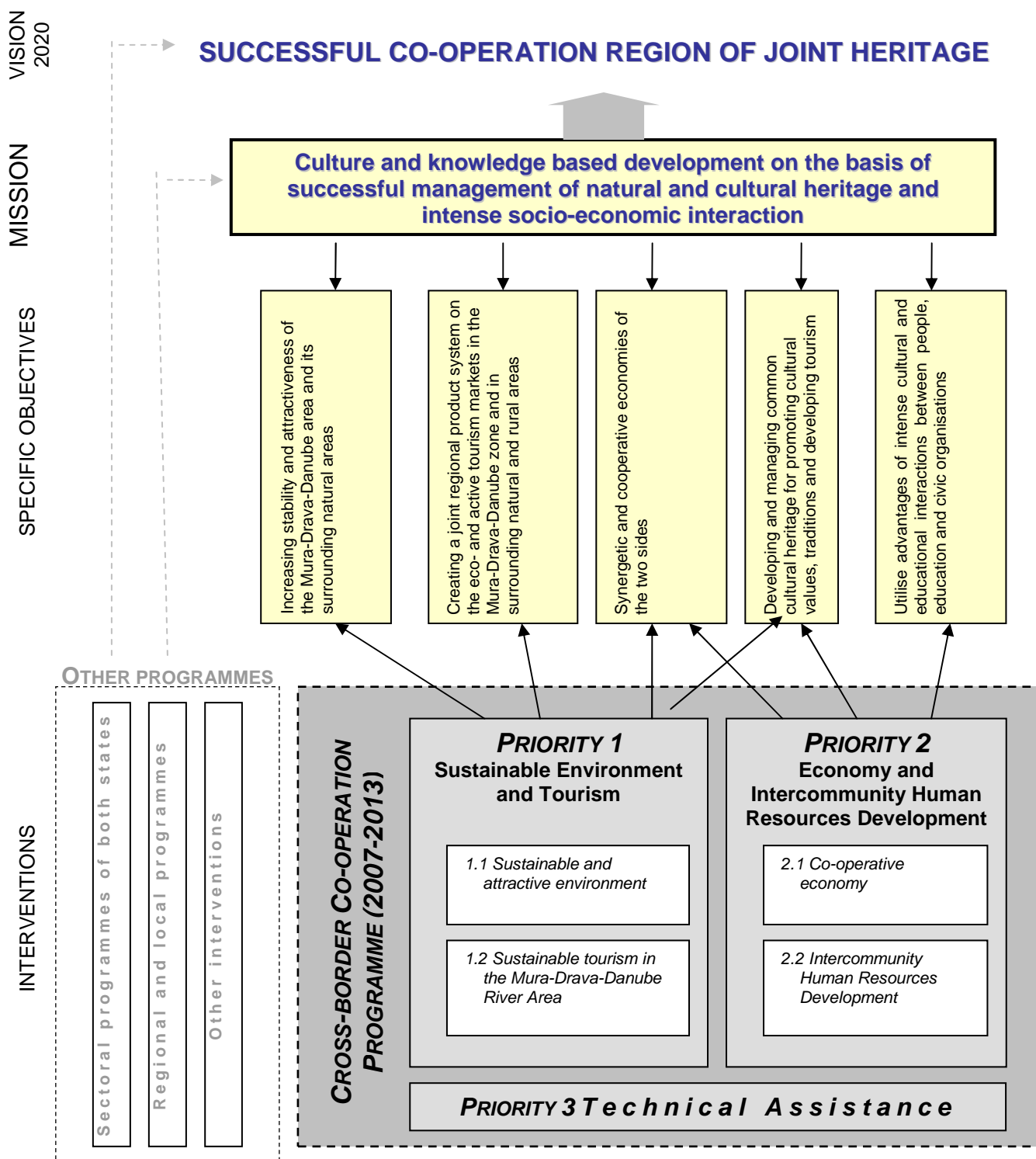
In natural areas only endogenous species can be planted or supported to spread.

All results of the activities must be disseminated to the local community and their relevant organisations in order to increase environmental awareness and knowledge.

In case of **Priority 2** the activities must not be against sustainability and those ones must be preferred which directly contribute to it.

The social dimension of sustainability is also important. Horizontally, during the implementation of the Programme those projects must be given preference which will be implemented in the most underdeveloped areas.

*Indicator:* Progressing ecological stability measured by footprint analysis; halted increase of social territorial differences measured in differences of income per head.



In the Cross-border Co-operation Programme based on the situation analysis and the SWOT analysis, two priorities with a number of potential intervention areas have been identified.

The strategy of the Programme therefore will be constituted as follows:

## Priority 1 Sustainable Environment and Tourism

### 1.1 Sustainable and Attractive Environment

1.1.1. *Development of landscapes in the Mura-Drava-Danube area (and its natural and rural surroundings) in order to create a more sustainable and naturally valuable environment and more attractive locations for ecotourism*

1.1.2 *Environmental planning activities and minor public actions to improve the quality of the environment in the natural areas; reconstruction of habitats*

### 1.2 Sustainable Tourism in the Mura-Drava-Danube River Area

1.2.1 *Elaboration of a regional tourism product plan*

1.2.2 *Development of infrastructure for active and ecotourism: visitor centres, forest schools, water sport infrastructure, bicycle routes, trekking-hiking paths, rentals*

1.2.3. *Thematic routes of cultural heritage*

1.2.4 *Promotion of the river area as a single touristic product*

1.2.5 *Private investment attraction*

## Priority 2 Co-operative Economy and Intercommunity Human Resources Development

### 2.1 Co-operative Economy

2.1.1 *Cross-border business partner finding*

2.1.2 *Cross-border labour mobility promotion*

2.1.3. *Joint research, development and innovation (R&D&I)*

2.1.4. *Joint local planning, strategies, programmes*

### 2.2 Intercommunity Human Resources Development

2.2.1 *Cross-border education, training and exchange projects*

2.2.2 *People to people connections*

2.2.3. *Bilingualism actions*

## Priority 3 TECHNICAL ASSISTANCE

## 5 DESCRIPTION OF THE PRIORITIES AND AREAS OF INTERVENTIONS

The following is a detailed description of how the priorities and areas of intervention of the Programme will facilitate the achievement of the main strategic objective of the Hungarian-Croatian border region.

### **Priority 1 Sustainable Environment and Tourism**

#### **TARGET:**

The aim of this priority is to foster environmental sustainability and safety in the border region, as well as the complex ecotourism development of the Mura-Drava-Danube River Area and its immediate surroundings. As a result a joint ecotourism product will be created on the basis of sustainable rich natural and cultural heritage contributing to the achieving of specific Objectives 1, 2, and 4. All actions within this priority have to emphasise the awareness of minimalization of global climate change effects (e.g. reduction of greenhouse gas emission), and this effort has to be made evident through special and specific indicators defined by the beneficiaries.

#### **JUSTIFICATION:**

The situation analysis and the SWOT analysis have highlighted the potential for co-operation arising from the entry of Croatia into the European Union and especially the existence of an underutilised, immensely valuable common potential asset, the Mura-Drava-Danube border area. These rivers and their surroundings are the main common feature of both sides. At the same time the sustainability of the environment is a key concern for the future of the inhabitants of the border region.

*Special requirements of achieving cross-border impact are as follows:*

Environmental intervention has to be related to border-crossing ecological systems. An environmental intervention can also be driven by the intention of preventing or mitigating cross-border environmental pollution and damage. Environmental intervention has to deepen the knowledge of landscape ecosystems and the responsibility towards the common Hungarian-Croatian landscape values.

Special attention has to be paid to actions which incorporate the application of renewable energies and energy efficiency measures, sustainable and carbon-proofed transport development and cooperation in the field of other important aspects of climate change (prevention, adaptation and mitigation), especially in areas where cross-border cooperation and coordinated approaches are essential and indispensable for effective action (e.g. coordinated risk management and civil protection).

The improvement and maintenance of landscapes of both sides needs common actions (e.g. reduction of allergen agents).

#### **1.1 Area of intervention: Sustainable and Attractive Environment**

##### **TARGET:**

The main aim of the Area of intervention 1.1 is to protect and enhance the natural heritage of the border region to achieve specific Objective 1 (*Increasing environmental stability and attractiveness of the Drava-Danube zones and its surroundings*) and utilisation of the common natural and cultural heritage to achieve special Objective 2 (*Creating sustainable joint regional tourism product system of Drava-Danube zone and in surrounding natural and*

*rural areas*). The intervention includes rehabilitation/development of landscape, development of the background of environmentally oriented tourism, environmental planning activities and minor actions as well. These local environmental maintenance and improvement actions complemented by landscape development are the basis of appropriate utilisation of common natural heritage of the Mura-Drava-Danube river area for the purpose of eco-, active and rural tourism.

**JUSTIFICATION:**

The situation analysis clearly highlights the natural heritage of the region as the key strength. It needs to be preserved in its current form for future generations. Even though it might serve as a source of livelihood for local inhabitants in the form of nature related and ecotourism, there is a clear need to ensure that natural assets are not abused in the process.

- 1.1.1 Development of landscapes in the Mura-Drava-Danube area (and its natural and rural surroundings) in order to create a more sustainable and naturally valuable environment and more attractive locations for ecotourism.** The protection and development of river landscape and other connected valuable natural sites through planning and minor landscape protection and rejuvenation actions of unprotected areas, river zones of neighbouring areas with valuable natural and rural landscape character and heritage. Special attention has to be paid to those actions which support sustainable water management measures and also support WFD targets.

*Activities:* support of more ecologic and traditional land use forms; developing unique landscape values; minor reforestation in the surroundings of touristic sites.

- 1.1.2 Environmental planning activities and minor public actions to improve the quality of the environment in the natural areas**

*Activities:* environmental rehabilitation and landscape rehabilitation plans; assessment and database of landscape values, landscape characters and attractions; environmental risk prevention planning; minor environmental actions with local impact outside of built up areas with relevance to the border river ecosystem (e.g. local cleaning of waterways, forests and meadows; elimination of illegal waste dumps, protection and reconstruction of habitats along rivers and in the surrounding of sites of tourism). The nature protection actions have to adapt biodiversity elements as well (e.g. joint BD action plans). As a general rule, partnership with environmental authorities and associations, and participatory approach are preferable.

**Criteria of achieving cross-border effect:**

Environmental interventions have to be related to border crossing landscape ecological systems stretching over borders. In case of the Hungarian–Croatian border region the river valleys and connecting lowlands form these systems (Mura, Drava and Danube). Hilly areas are also characteristic elements of the border region’s Pannonian landscape but they are not directly along the border. Therefore, in case of hilly landscapes, twinned actions have to be realised on both sides to achieve real cross-border effect. An environmental intervention can also be driven by the intentions of preventing or mitigating cross-border environmental pollution and damage. Environmental interventions have to deepen the knowledge about landscape ecosystems and the responsibility for the common Hungarian–Croatian landscape values.

## 1.2 Area of Intervention: Sustainable Tourism in the Mura-Drava-Danube River Area

### TARGET:

The main aims of the Area of intervention 1.2 are the development of different kinds of environmentally oriented tourism such as eco-, rural or active tourism which are based on the natural and cultural values of the region. Through the improvement of background tourism infrastructure and of touristic product development and promotion activities of the border region, the area of intervention contributes to achieve specific Objective 2 (*Creating sustainable joint regional tourism product system of Drava Danube zone and in surrounding natural and rural areas*). Besides, another important target is to make common cultural heritage the basis of development activities through joint thematic networks, by means of supporting common projects in the field of heritage management. The Area of intervention supports specific Objective 4 (*Developing and managing common cultural heritage for promoting cultural values, traditions and developing tourism*).

The projects of this area of intervention have to be strongly co-ordinated according to Activity 1.2.1 and should meet the following principles:

- **Already existing relevant projects** should be coordinated and built upon,
- **Awareness** of the unitary Mura-Drava-Danube eco-touristic region should be created,
- The Programme should focus on **infrastructural** developments (such as bicycle roads, river ports, boat docks etc.),
- The Programme should support the attraction of **private investors**,
- Developments should be coordinated with the Drava-Danube National Park to ensure that the ecological heritage of the river system is preserved and its **environmental value enhanced** through investments into natural heritage maintenance.

### JUSTIFICATION:

As the situation analysis demonstrates the Drava border region is exactly the area most in need of an economic development projects, as the characteristics of these local rural microregions are markedly more unfavourable than those of the rest of the eligible area. The justification of the area of intervention includes the following:

- It is a real cross-border programme, focusing on the most significant common opportunities of the two countries,
- It is based on previous projects (many former and present initiatives in this topic),
- It satisfies the EU cohesion policy priority principle of concentration,
- It directly contributes to the emergence of a sustainable territorial development priority,
- It creates jobs in deprived border microregions,
- It focuses on bilateral co-operation,
- It supports sustainable development (Lisbon and Gothenburg Strategies),
- It is in line with the strategies of Regional Operational Programmes of the regions affected, and
- It encompasses main touristic sites in the region (river Drava, Čakovec, Siklós-Harkány, Mohács, etc).

### ELIGIBLE ACTIVITIES:

The complex development programme should support the following activities:

- 1.2.1 **Elaboration of a regional tourism product plan.** This will include: (1) Marketing strategy; (2) Private investment attraction; (3) Database of touristic attractions and services; (4) Comprehensive bicycle track plan; (5)

- Comprehensive territorial usage plan for water sports, tracking, hunting, angling, and other recreational plan. All other activities within this area of intervention must be in line with the single common comprehensive product plan. As a general rule, partnership with environmental authorities and associations, and participatory approach are preferable.
- 1.2.2 **Development of infrastructure for active and ecotourism in the river border area.** Activities: Construction of visitor centres; forest schools. ports; walking paths, cycling routes; village museums; information points; maps; other ecotourism specific services. Development, establishment of rentals: bicycle, boats, other relevant equipment of active and ecotourism.
- 1.2.3 **Development of thematic routes of cultural heritage** Support for networked projects in the field of heritage management, including common marketing, creation of thematic routes, as well as related (built and other) heritage reconstruction to ensure growth of tourist capacity in the border area. Minimum three settlements should be involved.
- 1.2.4. **Promotion of the river area as single touristic product**, plus sectoral, thematic and microregional attractions. (Website, programmes, facilitation of networking between businesses in the tourism sector).
- 1.2.5 **Private investment attraction.** Promotion of private capital investment in the river border region, especially in hospitality, rental, etc.

Criteria for achieving cross-border effect:

Interventions in tourism have to be related to destinations crossing the border and to the landscape of the Mura, Drava, Danube river valleys. Because of the weak human influence and the unpolluted natural state of these landscapes, an ecotourism approach has to drive all tourism development activities. For cross-border tourism products the related network building must be ensured as well.

Cultural interventions have to uphold traditional cultural values, especially the common values of the Hungarian and Croatian ethnic groups of the border region and the culture of minorities living in both countries along the border (German, small south Slavic ethnic groups, Roma), besides deepening the common cultural-historical identity.

## ***Priority 2 Co-operative Economy and Intercommunity Human Resource Development***

### **TARGET:**

The aim of this priority is the facilitation of economic ties, including business contacts, cross-border employment opportunities and cross-border RDI activity. The priority will also promote the establishment of educational and cultural connections, as well as bilingualism in the Hungarian-Croatian border region. Measures in this priority will support local actors who rebuild the severed ties in the border region to create organic and coherent, vibrant socio-economic relations. In its entirety the priority contributes to achieve specific Objectives 3, 5 and partly 2.

### **JUSTIFICATION:**

Due to the relatively low level of co-operation, there is a potential in the border region for business and labour market co-operation. This shall be further facilitated by the entry of Croatia into the single European market, which will guarantee the free movement of labour, goods, services and capital across the common border. There are strong educational institutions in the border regions, and since the current level of co-operation is relatively low, there is a potential for improvement.



As the situation analysis and the SWOT analysis indicate, there are a number of cultural and educational institutions in the region with the potential to co-operate. However, an increase in the level of co-operation could still release extra potential and synergies from either side of the border region. A bilingual and even multilingual border region makes it easy for members of the communities, as well as leaders of institutions to co-operate. The experience of previous cross-border programmes suggests that a common linguistic platform can greatly enhance the willingness to co-operate and exploit possible synergies.

## **2.1 Area of intervention: Co-operative Economy**

### **TARGET:**

The main aim is to enhance co-operation in the field of economy to improve competitiveness of the region. By developing business relations between SMEs from the two sides of the border economic performance (derived from cross-border co-operations) by transfer of organisational knowledge, or by learning from each other. Accordingly the 2.1. Area of Intervention is in line with specific Objective 3 (*Synergetic and co-operative economies of the two sides*). On top of that it intends to achieve specific Objective 5 (*Utilise potential advantages of intense cultural and educational interaction between people, educational and civic organisations*).

### **JUSTIFICATION:**

With the accession of Croatia into the European Union, there is a chance to create an organic economic space at the meeting point of the two countries. With both countries gradually entering the single internal market, there is a chance to utilise synergies between the two sides of the border in the areas of business co-operation and labour market mobility. Once Croatia becomes a member state of the European Union, it is expected that there will be a free flow of labour between the two countries. Private and public sector entities can do a lot to facilitate and promote information exchange about job opportunities on the other side of the border. Such activities serve the common good by helping to reduce unemployment in a border area where it is a key problem.

According to the situation analysis the connection between the Hungarian and Croatian enterprises, municipalities is weak, there is no common knowledge about economic possibilities. In order to promote real co-operation and to gain information for more efficient local development programmes planning activities and related researches should be financed from the Programme. These planning activities must involve several municipalities and key economic actors, and must be implemented in a networking way.

### **ELIGIBLE ACTIVITIES:**

This area of intervention supports in the domain of economic development the following actions (indicative list):

- 2.1.1 **Cross-border business partner finding.** By the setting up of business partner finding facilities, including supplier fairs, data bases, websites. Projects should contribute significantly to the development of business contacts across the border.
- 2.1.2 **Cross-border labour market mobility promotion services.** By the setting up of labour market mobility services, including job fairs, data bases, websites, employment pacts. Projects should contribute significantly to the development of labour market mobility across the border.
- 2.1.3 **Joint research, development and innovation** efforts by university and non-university institutions, as well as private firms in co-operation with R&D centres in order to increase the joint RDI capacity of the border region. There should be a bias towards sustainable, environmentally friendly technologies in case of natural

science projects. Such co-operations have to take the advantage of technological development from a sustainable perspective.

- 2.1.4 **Joint local-regional planning, strategies drawn up jointly by municipalities and/or deconcentrated state bodies** in order to contribute to the joint planning capacity of the region and to the continuity in the planning of developments in the common socio-economic space of the border area. Intermediary level plans drawn up by several settlements; territorial plans with cross-border relevance and sectoral plans for the whole border region are envisaged. Major infrastructural planning with cross-border relevance is also supported. As a general rule, partnership with environmental authorities and associations, and participatory approach are preferable.

Criteria for achieving cross-border effect:

Economical intervention has to result in production, commercial, investment, promotion, PR, employment or professional co-operation between firms, non-profit organisations and employees of the Hungarian–Croatian border region. The co-operations directly have to make the labour force, the products, the capital, the income and the information stream from one side of the border to the other.

## **2.2. Area of intervention: Intercommunity Human Resources Development**

TARGET:

The aims of this priority include enhancement of interactions between citizens and organisations from the two sides of the border as well as the improvement of synergetic economic co-operation. These interactions are supported by activities which are listed below (joint training projects, bilingualism, people to people actions organised by municipalities and civic organisations in a wide range of fields) and contribute to achieve specific Objective 5 (*Utilise potential advantages of intense cultural and educational interaction between people, educational and civic organisations*). Bilingualism and people to people actions are activities which make connections between actors from the two sides of the border, and they assist the realisation of specific Objective 3 (*Synergetic and co-operative economies of the two side*). The priority also aims to improve the attractiveness of the region through supporting touristic events and festivals and through promoting a visitor friendly border destination, where citizens are able to use each other's languages in everyday practice. These goals are in line with specific Objective 2 (*Creating sustainable joint regional tourism product system of Drava Danube zone and in surrounding natural and rural areas*).

JUSTIFICATION:

A large number of strong educational institutions at all levels in the border region have shown relatively low potential for interactions. However, many of these institutions have indicated their plans to engage in co-operation in the near future. Joint training activities can contribute to more intensive co-operation among firms, institutions, local governments and citizens of the two sides.

The experience of previous programmes indicates that there is a great and growing potential for the population on either side of the border to co-operate with each other in the form of people to people actions.

It is the experience of cross-border co-operation programmes the lack of common language to communicate greatly hinders the likelihood and the efficiency of the development of intensive relations between the two sides of the border. Also, the existence of signs, forms and other sources of information for visitors on the other side of the border can help the

creation of a visitor friendly border region where both sides feel at home on each others' territories.

**ELIGIBLE ACTIVITIES:**

This area of intervention supports the following activities:

- 2.2.1 **Joint cross-border education and other training projects between educational institutions** and other organisations in order to strengthen co-operation in the educational sector and to develop local and regional development capacities of the border area. Activities include common training programmes, staff and student exchanges, as well as the harmonisation of curricula especially in the field of issues which are relevant to the development of the region (environmental actions, ecotourism).
- 2.2.2 **People to people actions**, organised by municipalities and civic organisations in order to facilitate interaction between citizens and to strengthen the common identity of the border region. Projects must last longer than a single event and have to involve a large number of organisations and participants, with the involvement of numerous local governments and communities. Cultural, sports, and touristic events, gastronomic festivals are envisaged. Events promoting sustainable lifestyle and consumption are not supported.
- 2.2.3 **Bilingualism actions:** the promotion of each other's language in the border region in order to help ease the reluctance to co-operate with partners from the other side of the border, as well as to create a visitor friendly border area and to help share cultural goods in all languages spoken in the area. The promotion of language training particularly in Hungarian and Croatian on the other side of the border (but also minority and world languages) is recommended. The bilingualisation of communicative tools such as signs, forms and broadcasts is to be supported along with the translation of art, popular science and documentary pieces relevant to the border area.

Criteria for achieving cross-border effect:

A human resource development intervention has to involve the public, the trainees and the trainers from both sides of the border. The development activities have to result in knowledge that is applicable in the entrepreneurship and in the educational environment of both countries. Investments in human resources should cover elements increasing the common identity of the border regions.

### ***Priority 3 TECHNICAL ASSISTANCE***

**TARGET:**

To assure the successful operation of the Programme and to contribute to effective project generation, thus increasing the quality of projects funded from the Programme. Priority 3 contributes to achieve all five specific objectives due to assuring successful operation of the Programme.

**JUSTIFICATION:**

In order to ensure the efficient operation of programme structures, Technical Assistance will be used to prepare, manage, implement, monitor, control and evaluate the Programme. Furthermore, the Technical Assistance budget should be used for tasks aimed at improving and ensuring proper programme implementation at project generation level (e.g. thematic seminars, information and publicity measures, evaluation) and at increasing the overall quality of funded projects.

ELIGIBLE ACTIVITIES:

The following activities are to be carried out within the scope of TA:

- activities in connection with the preparation, selection, evaluation and support of projects;
- activities in connection with the support to joint structures;
- management and work of the Joint Technical Secretariat, Info Point, Intermediary Bodies and Certifying Authority;
- activities involving meetings of the Monitoring and Steering Committee in connection with interventions;
- control activities carried out by controllers at national level;
- examination of control activities;
- examination of control and on-the-spot checks of operations;
- the setting up and operation of a common Monitoring and Information System for the administration, support and evaluation of the Programme;
- preparation of reports and studies (e.g. annual reports, mid-term evaluation etc.);
- evaluation according to indicators defined for priorities and specific objectives;
- information and publicity activities;
- promotion and assistance to potential final beneficiaries.

## 6 EXPECTED RESULTS OF THE STRATEGY

For the assessment of the results of the Programme, the following indicators will be used. The table presents output and result indicators for measuring the achievement. Output indicators refer to outcomes which are related to the activity itself in the shortest time horizon; while result indicators apply to a longer time scale, but they still refer to direct consequences. It is to note that the values apply above the baseline.

Strategic element	Type	Indicator	Baseline		Target		Source of information
			Year	Value	Year	Value	
<b>Priority 1 Sustainable environment and tourism</b>							
1.1.1	Result	Area of developed and improved landscape by the programme	2007	0	2015	200 km <sup>2</sup>	<ul style="list-style-type: none"> <li>▪ Programme monitoring</li> <li>▪ Landscape scenery assessment in the frame of evaluations</li> <li>▪ National Parks</li> <li>▪ Other nature protection authorities</li> </ul>
1.1.2	Output	Number of plans and actions	2007	0	2015	20	Programme monitoring
1.1.2	Result	Number of settlements influenced by action	2007	0	2015	250	Programme monitoring
1.2.1	Output	Number of accepted product plan	2007	0	2015	1	Programme monitoring

Strategic element	Type	Indicator	Baseline		Target		Source of information
			Year	Value	Year	Value	
1.2.1	Result	Percentage of activities of the area of intervention 1.2 facilitate the implementation of the plan	2007	0	2015	100 %	Programme management
1.2.2	Output	Length of bicycle path paved	2007	0	2015	50 km	Programme monitoring
1.2.2	Output	Number of visitor centres	2007	0	2015	3	Programme monitoring
1.2.2	Output	Number of forest schools established by the programme	2007	0	2015	2	Programme monitoring
1.2.2	Output	Length of existing bicycle paths designated by signs by the programme	2007	0	2015	200 km	Programme monitoring
1.2.2	Output	Length of hiking path signed by the programme	2007	0	2015	300 km	Programme monitoring
1.2.2	Output	Number of projects on water sport infrastructure development in the programme	2007	0	2015	20	Programme monitoring
1.2.2	Result	Increase in number of visitors	2007	0	2015	25 000 pers.*	<ul style="list-style-type: none"> <li>▪ Central Statistical Office</li> <li>▪ Beneficiaries</li> </ul>
1.2.3	Output	Number of thematic routes projects	2007	0	2015	15	Programme monitoring
1.2.3	Result	Increase in the number of tourists visiting the attractions included in the 1.2.3 projects	2007	0	2015	25 000 pers.*	<ul style="list-style-type: none"> <li>▪ Central Statistical Office</li> <li>▪ Beneficiaries</li> </ul>
1.2.4	Output	Number of potential customers belong to the target group reached by multiple channels	2007	0	2015	200 000 *	Programme monitoring

Strategic element	Type	Indicator	Baseline		Target		Source of information
			Year	Value	Year	Value	
1.2.4	Result	Increase in the number of tourists in river and eco tourism area of the region	2007	0	2015	75 000 pers.*	<ul style="list-style-type: none"> <li>▪ Central Statistical Office</li> <li>▪ Ex post evaluation of the Programme</li> </ul>
1.2.5	Output	Number of potential investors reached	2007	0	2015	300*	Programme monitoring
<b>Priority 2 Cooperative Economy and Intercommunity Human Resources Development</b>							
2.1.1	Output	Number of businesses and business associations reached	2007	0	2015	2 500 *	Programme monitoring
2.1.1	Result	Number of business entities involved in new business contacts established due to the projects	2007	0	2015	200*	Programme monitoring
2.1.2	Output	Number of citizens reached	2007	0	2015	10 000 *	Programme monitoring
2.1.2	Result	New jobs created	2007	0	2015	300 *	Programme monitoring
2.1.3	Output	Number of joint RDI projects	2007	0	2015	10*	Programme monitoring
2.1.4	Output	Joint territorial documents accepted	2007	0	2015	30*	Programme monitoring
2.1.4	Result	Number of participating local governments in joint planning	2007	0	2015	25-25 partners from each countries*	Programme monitoring
2.2.1	Result	Number of persons participated in exchange projects	2007	0	2015	80*	Programme and project monitoring
2.2.1	Output	Number of common training projects	2007	0	2015	15*	Programme and project monitoring

Strategic element	Type	Indicator	Baseline		Target		Source of information
			Year	Value	Year	Value	
2.2.1	Output	Number of curricula developed	2007	0	2015	10*	Programme and project monitoring
2.2.1	Result	Number of institutional contacts established through common educational projects	2007	0	2015	50*	Programme and project monitoring
2.2.2	Output	Number of cooperative actions	2007	0	2015	60*	Programme monitoring
2.2.2	Result	Number of people involved	2007	0	2015	10 000 *	Programme and project monitoring
2.2.3	Output	Number of bilingualisation projects	2007	0	2015	50*	Programme monitoring
<b>Priority 3 Technical Assistance</b>							
Programme implementation, support and control activities	Output	Funds allocated to the programme disbursed	2007	0	2015	90%	Programme monitoring
Programme implementation, support and control activities	Result	Number of implemented projects	2007	0	2015	200	Programme monitoring
Information and publicity activities	Output	IT platform developed (webpage)	2007	0	2015	1	Annual report
Information and publicity activities	Result	Number of visitors of webpage per day per new call	2007	0	2015	100	Annual report

\*: Total amount until 2015.



## 7 COHERENCE WITH OTHER PROGRAMMES AND POLICIES

Coherence with policy documents and other development programmes has been observed during the preparation of this Programme. Careful attention has also been paid to a clear division of targeted support in the Cross-border Co-operation Programme and the national level EU co-financed support schemes. Planners have also aimed to ensure the synergies with both domestic and EU co-financed resources. The dimension of cross-border effects ensures that overlaps between this Programme and other EU financed programmes (e.g. Hungarian NSRF) are avoided even if the thematic contents are sometimes similar. As it is stated in the strategy (Chapter 4.3.) all interventions of the Programme must aim at developing joint structures.

The Hungary-Croatia IPA Cross-border Co-operation Programme relatively differs from other Hungarian operative programmes in terms of general criteria, the first of them being the **narrower geographic focus**: only three NUTS III regions (and eight on the Croatian side) are eligible for support from the Programme. This is a basic circumstance that – for both countries – will instantly limit the circle of potential applicants and partners to organisations operating in the border region. Thus, it is automatically ensured that the benefits of individual projects and operations will be tangible in the Programme’s eligible area, unlike in other OP-s that do not apply a geographic selection criterion and that are open for organisations operating in other locations in the country or oe with a national scale of operation.

Another dimension of delimitation is the **explicit need for joint projects** – joint co-operations resulting in joint projects represent the essence of a cross-border programme. With cross-border impact being a basic requirement, it is possible to establish an objective distinction between the cross-border Programme and other (sectoral and regional) OP-s that in turn do not require projects to have any extra-territorial impacts and that are directed towards funding operations entailing benefit only for organisations residing in the specific country or region. Sectoral and regional OP-s do not encourage cross-border cooperation and cannot fund elements outside of their territorial focus. The above mentioned circumstances can automatically ensure that cross-border projects will be different from sectoral and regional operations and that they will particularly focus on cooperation not achievable through the other programmes. (As to Area of intervention 1.2 of the Programme – Sustainable tourism in the Mura-Drava-Danube river area –, which is closely connected to tourism, the relevant chapter of the Regional Operational Programme of Southern Transdanubia – on page 84. of the English text – explicitly states that: „Cross-border tourism development are supported by the Hu-Cro OP”, giving a good example for a clear division between programmes.)

A third distinguishing feature of cross-border projects is their relatively **limited financial scope**. Regional and sectoral OP-s can offer another dimension of funding, while the cross-border Programme will finance relatively smaller but clearly cross-border oriented projects. Potential applicants are therefore encouraged to use funding from internal sources for their large-scale (mostly infrastructural) projects and will be benefiting from the cross-border funding possibility with projects that are strongly of a joint a cross-border nature.

Based on the above detailed differences and special features it will be possible to clearly differentiate between the cross-border Programme and the other relevant OP-s on the project planning level. Applicant organisations as well as policy-makers will be aware of the different possibilities offered by the development programmes and will be able to channel their project ideas into the particular programme (cross-border or sectoral/regional) most suited to support their efforts. As it has been the case in previous programming periods, the

cross-border cooperation programme will be visibly outlined as a special opportunity that serves the joint development of the whole border area.

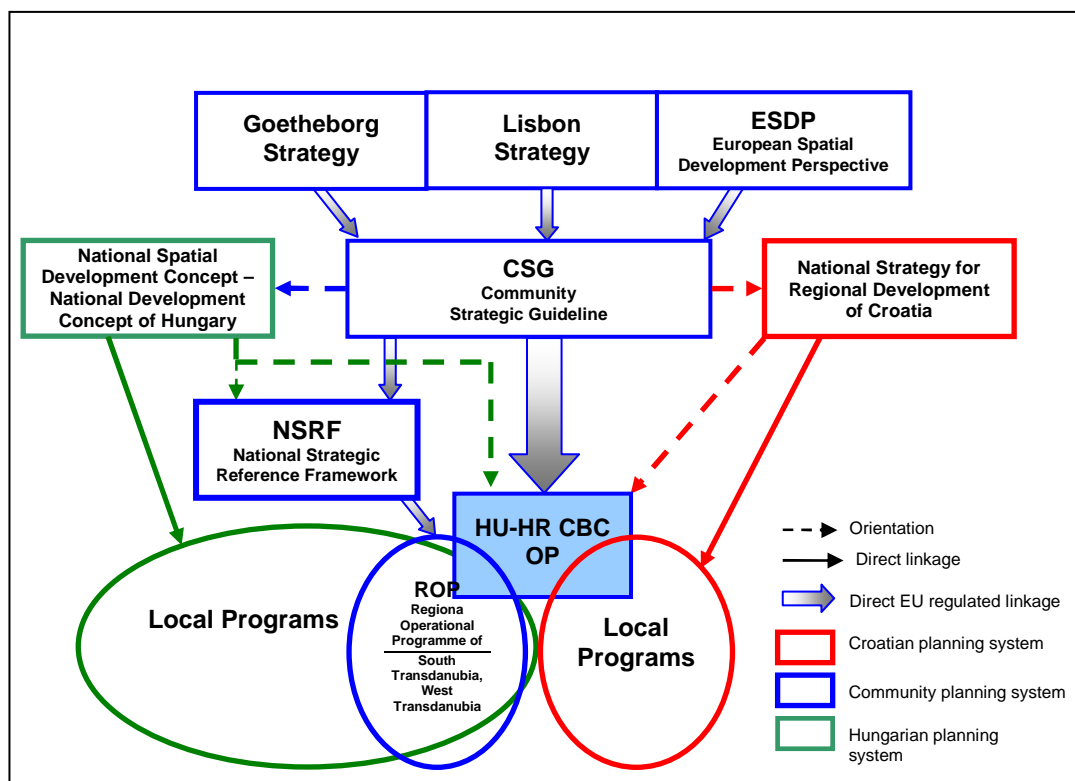
Next to the basic differentiation factors referred to, the Programme should at interventional level still be prepared to handle cases of possible overlapping with the regional and sectoral OP-s. In order to avoid these, **special criteria will have to be defined in the Implementation Manual** in the first place.

Secondly and from the institutional point of view, it has to be underlined that **organisations to be represented in the future Joint Monitoring Committee** will have an important role in the coordination between different funding instruments. The relevant representatives of the ministries from both sides of the JMC will take part in the process of revealing overlapping with national development programmes. Besides the line ministries involved in the JMC's work a substantial part of this task will be carried out by the Managing Authority. The delegate of the Managing Authority of the Hungary-Croatia IPA Cross-border Co-operation Programme ensures the co-ordination with the Managing Authorities of the other development programmes in Hungary, including the New Hungary Rural Development Programme. The National Development Agency hosts not only the Managing Authority of the present CBC Programme, but in separate organisational units the Managing Authorities of the Economic Development Operational Programme, the Environment and Energy Operational Programme, the Transport Operational Programme, the Social Renewal Operational Programme and the Social Infrastructure Operational Programme of the Republic of Hungary and the operative programmes of the two Hungarian regions involved, thus the information on previously and parallelly funded projects (and on development policy in a broader sense) will be available within a closed organisational system.

Finally, it is planned to involve the **representatives of the concerned Regional Development Agencies** into the meetings of the JMC as observers. This, too, will help to avoid overlapping with the regional development programmes.

The differences in nature between the Hungary-Croatia IPA Cross-border Co-operation Programme and other development programmes on one hand and the coordination efforts to be undertaken in the Implementation Manual as well as through the organisations participating in decision-making on the other the expected complementarity of activities between different funding instruments can and will be effectively secured during the operation of the Programme.

The following flow diagram presents the relations to and the relevance of other programmes and main policies for the Programme.



The efforts of the CBC Programme will contribute to the EU priorities related to climate change prevention, mitigation and adaptation, biodiversity, waste and water management by the achievement of horizontal objective no. 5 and by the implementation of Actions 1.1.1, 1.1.2, 1.2.1, 1.2.2, 2.1.3 and 2.1.4.

### 7.1 National Strategic Reference Framework (NSRF) of the Republic of Hungary for 2007-2013

The overall strategic aims of the NSRF are job creation and economic growth. The overall strategic objective of the present Programme is perfectly in line with these overall strategic aims, as it strives to create sustainable, knowledge and culture based growth and jobs in the border region. The Programme therefore carries the cross-border dimension of the Hungarian National Strategic Reference Framework for the respective border section.

### 7.2 National Spatial Development Concept (NSDC) of Hungary

The NSDC can be considered as the spatial policy document of Hungary. It defines long-term spatial and medium-term territorial objectives for the development of the country. Concerning the development directions of the eligible area one can find among the long term objectives “**levelling up of backward regions**” (by the socio-economic levelling up of areas of Southern Transdanubia and North-eastern Hungary that are persistently lagging behind in developmental terms), “**sustainable territorial development and protection of heritage**” (ensuring the preservation of traditional land use, the town/village system, and the archaeological and folk heritage) and „**regional integration to Europe**” (increasing cross-border co-operation through encouraging institutional, business and civic links between towns/villages). Furthermore, the National Spatial Policy emphasizes the necessity of territorial cohesion. In connection with it out of the medium-term goals the following objectives must be mentioned:

**Levelling up of socio-economically backward areas:** according to the NSDC socio-economically underdeveloped areas can be found in the Southern parts of the eligible area;

where the living environment and infrastructural conditions of every settlement in disadvantaged areas must be guaranteed.

**Increasing the co-operation between border regions:** the objective comprises the increase of accessibility by side road networks as well, the establishment of border crossing points, the development of the system of common tourism products; the building up of cross-border nature- and environmental protection, joint spatial planning and regional programmes, joint investments, the strengthening of co-operation with organizations and institutions, etc.

Most of the “**Development priorities for rural areas**” defined in NSDC are relevant to the cross-border region: There are territories having rich natural and cultural heritage in the eligible area where sustainable utilisation of resources is promoted by the NSDC. This suits directly the first Priority of the Programme. Furthermore in connection to rural areas the NSDC emphasises the importance of preserving values, functional change, and equal opportunities in regions characterized by the predominance of small villages (situated in Baranya and Zala County) and developing regions with a large Roma population. In the latter type of regions it is necessary to develop and implement programmes promoting the preservation of culture and the integration of the Roma population into society and employment.

The NSDC mentions **developing regions of national significance** as well: in connection with the eligible counties the objective „developing the Danube River” emphasises the importance of sustainable and environment-conscious development. Furthermore the NSDC emphasises the importance of the representation of ethnic minorities’ interests during development planning.

The same coherence can be found in the **National Development Concept (NDC)** which describes overall objectives of development policy of the country. One of its strategic objectives („Balanced territorial development”) focuses on spatial goals of Hungary, which is based on the NSDC, which Concept can be considered as the spatial perspective of the NDC.

### ***7.3 Cohesion Fund projects, Hungary***

Extraregional accessibility, namely the development of highway and rail connections to the region will take place from domestic development resources on both sides and with resources from the Cohesion Fund on the Hungarian side. These larger projects will open up the border region towards the outside world and provide accessibility for tourist and visitors. The accessibility of the border region to be improved by the development of the Budapest-Osijek-Sarajevo corridor is a coherent part of the overall strategy of this document, even though it will be realised from national and EU level development resources.

### ***7.4 Transport Operational Programme for Hungary***

The improvement of intraregional road infrastructure is financed from domestic funding and the Operational Programme for Transport on the Hungarian side, and from domestic sources on the Croatian side. The Hungary-Croatia IPA Cross-border Co-operation Programme will support the planning of transport projects with a cross-border effect.

### ***7.5 Social Renewal Operational Programme, Hungary***

Support to educational and research institutions in the Hungary-Croatia IPA Cross-border Co-operation Programme are targeted at cross-border co-operative projects. This is complementary to the goals of the Social Renewal Operation Programme, which aims at training and employment measures to increase the employability of the workforce in Hungary. Measures in the SROP show great synergy in training individuals in the Hungarian

counties for job profiles that will be created within the framework of the present Cross-border Co-operation Programme. The latter Programme will also contribute to employment and job creation with an additional cross-border dimension.

### **7.6 Economic Development Operational Programme, Hungary**

Support to small and medium sized enterprises is available in Hungary from the Economic Development Operational Programme. The Hungary-Croatia IPA Cross-border Co-operation Programme will support cross-border partner finding, cross-border RDI, as well as the involvement of private investors in the Mura-Drava-Danube ecotouristic development area. Measures within the Economic Development OP will help SMEs take advantage of the opportunities created within the present Cross-border Co-operation Programme.

### **7.7 Environment and Energy Operational Programme, Hungary**

In connection to the field of environment the **first priority** of the Hungary-Croatia IPA Cross-border Co-operation Programme must be mentioned. The aim of this priority **is to facilitate environmental sustainability and safety** in the border region (beside complex ecotourism development activities). The priority is divided into two parts: The “Sustainable Environment” part focuses on the protection and development of the river landscape and other connected valuable natural sites through planning and minor landscape protection and rejuvenation actions; and “Environmental maintenance” contains planning activities (e.g. landscape rehabilitation plans or environmental risk prevention) and minor civic actions for protecting the environment. The second half of the priority deals with “sustainable tourism in the Mura-Drava-Danube River Area”. The measures of that priority support joint projects in the field of heritage management.

The Environment and Energy Operational Programme of the National Strategic Reference Framework of Hungary comprises 3 main goals (Development of the standard of living with diminishing environment pollution; Protection and preservation of values; Prevention, sparing and efficiency). The Programme describes objectives in connection with environment and natural heritage in its first three priority axes.

The first priority axis of the sectoral OP („Healthy, Clean Settlements”) concentrates on waste management, sewage treatment and the improvement of drinking water quality. The Hungary-Croatia IPA Cross-border Co-operation Programme concentrates rather on other types of minor actions (support of more ecologic and traditional land use forms; developing unique landscape values; minor reforestation in the surroundings of touristic sites, support of civic initiatives for protection) and planning in connection with these issues.

**The water management priority axis** focuses on major projects such as development in the field of **flood prevention along the Danube and Tisza rivers**. Besides them the priority mentions the importance of improving the flood protection system along tributaries of the Danube, such as the Drava. This development means **building new river banks or improving / renovating of existing objects**.

In connection to natural and cultural heritage the **sectoral Operational Programme focuses** on development in the NATURA 2000 areas and other protected territories to preserve the **specialities and the uniqueness of the Pannonian bio-geographical region**: habitat and inanimate natural elements of environment, special landscape values, methods of traditional land use, more natural silviculture etc. (“Good usage of natural assets”). As another measure of this priority axis, the development of the network of open-air schools could be connected to ecologically sustainable tourism in the Mura-Drava-Danube River Area.

A degree of overlaps can be observed in the field of protection of natural assets and water management but the principle is that the priorities of the Hungary-Croatia IPA Cross-border Co-operation Programme are local scale and have mainly cross-border effects.

### 7.8 Schengen Facility

Border management is financed from the Schengen Facility. No new borders crossings will be established before Croatia's entry into the EU. Planning for access roads to international crossing points (i.e. all transport routes leading across the border to the border) will be supported from this Cross-border Co-operation Programme.

### 7.9 Regional Operational Programme of Southern Transdanubia

The Hungary-Croatia IPA Cross-border Co-operation Programme is completely in line with the Regional Operational Programme of Southern Transdanubia, the specific aims of which are the establishment of a high environmental quality model region, a competitive economy based on local strengths, as well as the slowing of the decrease in population and the strengthening of social solidarity. The Cross-border Co-operation Programme complements these aims perfectly with a cross-border dimension.

### 7.10 Regional Operational Programme of Western Transdanubia

The Hungary-Croatia IPA Cross-border Co-operation Programme is also in line with the overall aims of the Regional Operational Programme of Western Transdanubia, the specific aims of which include the utilisation of Pannonian heritage, as well as health related tourism.

In the following table coherences and synergies of the CBC Programme with the Hungarian sectoral and regional OP-s are summed up:

Strategic element	Relevant sectoral or regional OP
<b>Priority 1 SUSTAINABLE ENVIRONMENT AND TOURISM</b>	
<b>1.1 Sustainable environment</b>	
1.1.1 Development of the landscape in order to create a more sustainable and valuable environment and more attractive natural locations for ecotourism (traditional land use forms, unique landscape values, minor reforestations)	<p><b>SecOP (KEOP):</b> Similar activities are supported but only on protected and NATURA 2000 areas.</p> <p><b>West Transdanubia ROP</b> supports the preservation of cultural heritage natural areas for touristic purposes, but the agricultural and forestry aspect is not mentioned.</p>
1.1.2 Environmental planning activities and minor public actions to improve the quality of the environment in the natural areas; reconstruction of habitats (planning, research, minor development actions (e.g. cleaning, eliminations), protection and regeneration of habitats)	Such activities are not mentioned in the OP-s.
<b>1.2 Sustainable tourism in the Mura-Drava-Danube River Area</b>	

1.2.1 Elaboration of regional tourism product plan	<b>West and South Transdanubia ROP</b> concentrate on attractions in the regions which have the highest visitor-drawing power. They also focus on a cluster-based co-operation. The aim of the CBC programme is to promote environmentally oriented tourism.
1.2.2 Development of infrastructure for active and ecotourism in the river border area	<b>West Transdanubia ROP</b> does not support such actions.
1.2.3 Development of thematic routes of cultural heritage	<b>West Transdanubia ROP</b> does not support such actions; <b>South Transdanubia ROP</b> supports development of touristic cycle routes among touristic destinations.
1.2.4 Promotion of the river area as a single touristic product	<b>West Transdanubia ROP</b> does not support such actions; <b>South Transdanubia ROP</b> supports water tourism as activity, but not the promotion of the river area.
1.2.5 Private investment attraction	<b>SecOP (GOP)</b> : similar action is supported but only for domestic beneficiaries.  <b>ROP-s</b> do not support such actions.
<b>Priority 2. Cooperative Economy and Intercommunity Human Resources Development</b>	
<b>2.1 Cooperative economy</b>	
2.1.1 Cross-border business partner finding	<b>SecOP (GOP)</b> does not support such actions.
	<b>Both ROP-s</b> support establishment of business cooperation.
2.1.2 Cross-border labour mobility promotion	<b>SecOP (GOP)</b> does not support such activity.
2.1.3 Joint research, development and innovation	<b>SecOP (GOP)</b> : only domestic networking is supported.
	<b>In the Western Transdanubia ROP</b> only domestic and regional cooperations are supported.
2.1.4 Joint local regional planning, strategies, programmes	Such activities are not mentioned in the OP-s.
<b>2.2 Intercommunity Human Resources Development</b>	
2.2.1 Cross-border education training and exchange projects	<b>SecOP (TAMOP)</b> supports cooperation to assist in education playing its role in mediating cultural diversity, the facilitation of integrating ethnic minority and migrant students, the joint development and adapting of pedagogical-methodological materials, and joint pedagogical training courses. The CBC Programme aims to enhance interaction between the two sides of the border, thus the main goal is to build as many relations among educational institutions as possible.
2.2.2 People to people connections	<b>SecOP (TAMOP)</b> : supports social programmes on sustainable life style and consumption. These types of activities are excluded from the CBC OP.
2.2.3 Bilingualism actions	<b>SecOP (TAMOP)</b> : only bilingual education is supported for minorities and migrants.

Priority 3 Technical Assistance	
Programme implementation, support and control activities	Not relevant
Information and publicity activities	Not relevant

### **7.11 Revised National Lisbon Action Programme Hungary – October 2007**

Hungary's Revised National Lisbon Action Programme, setting out the priorities and actions for implementing the Lisbon Strategy in Hungary, was submitted to the European Commission in October 2006. The Revised National Action Programme identified as its principal goal the restoration of macroeconomic balance, a precondition of economic growth and employment.

CBC Programme contributes the achievements of the objectives of the Action Programme, along the guidelines listed below:

Field	Guideline No.
<i>Microeconomy</i>	7 (R&D)
	9 (ICT)
	11 (Sustainable use of resources)
	14 (Competitive Business Environment)
<i>Employment</i>	18 (Life-cycle approach to work)
	19 (Inclusive labour markets and make work pay)
	23 (Human capital)
	24 (Education and training)

### **7.12 Croatian National Strategy for Regional Development (2005)**

The overall strategic goal is sustainable regional development and competitiveness. The present Programme contributes to this goal, as it aims at sustainable growth in the Hungarian-Croatian border area through enhancing features of the local economy such as knowledge, education and culture, which are in line with the long term principle of competitiveness.

### **7.13 National Programmes of the Republic of Croatia**

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 conservation of space and environment. Cross-border cooperation should also be stimulated in order to minimize 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** gives 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.

**IPA Operational Programme Regional Competitiveness (RCOP)** has 2 objectives: (i) to achieve higher competitiveness and balanced regional development by supporting SME competitiveness and improving economic conditions in Croatia's lagging areas; (ii) to develop the capacity in Croatian institutions to programme and implement activities supported by the ERDF upon accession. This programme focuses on improvement in the Croatian border regions through economic diversification and complements the RCOP priority 'Improving development potential of lagging areas'. It will also build institutional capacity for the future management of ERDF territorial cooperation programmes under objective 3 of the Structural Funds and is thus in line with both RCOP objectives.

**IPA Operational Program Human Resource Development (HRDOP)** has 3 priorities: Enhancing access to employment and sustainable inclusion in the labour market; Reinforcing social inclusion and integration of people at a disadvantage; Expanding and enhancing investment in human capital. These priorities are in line with this programme which will support actions which contribute toward increasing the employability of the border region population and improving access to social services.

**IPA Operational Program Environment Protection (EPOP)** has 2 priorities: Developing waste management infrastructure for establishing an integrated waste management system in Croatia; Protecting Croatia's water resources through improved water supplies & wastewater integrated management systems. This programme will support small-scale infrastructure which is in line with both these priorities.

#### **Regional Operational Programmes (ROP-s) of Koprivničko-križevačka, Međimurska, Osječko-baranjska, Virovitičko-podravska and Vukovarsko-srijemska County**

This Programme objectives and priorities are fully in line with the Regional Operational Programmes of the bordering counties, and as such will be contributing to achievement of the main development goals of eligible border counties.

Furthermore, the Programme is in line with main national strategies in Croatia (e.g. National Employment Action Plan for the period of 2005 to 2008, Education Sector Development Plan 2005-2010, Adult Learning Strategy and Action Plan; Strategic Goals of Development of Croatian Tourism by 2010; National Environmental Strategy and National Environmental Action Plan, Waste Management Strategy of the Republic of Croatia; National Biodiversity and Landscape Strategy; Pre-Accession Economic Programme 2006-2008 etc.) and the Government Programme 2003-2007 which states that the development of border regions is one of high national priorities, given that 18 out of 21 counties have external borders.

It can be concluded that this Programme is complementary with the mainstream programmes and does not overlap with them due to its focus on strengthening first and foremost on those activities that are recognized as important for both partner countries.

#### **7.14 Community Strategic Guidelines 2007-2013**

According to Article 23 of the General Regulation, "The Council establishes at Community level concise strategic guidelines on economic and social [...] 4 cohesion defining a

framework for the intervention of the Funds, taking account of other relevant Community policies.” The Community Strategic Guidelines (CSG) therefore provide a strategic framework for any intervention financed from the Funds – including territorial co-operation programmes. This means that – when designing the Programme – the objectives and proposals in the CSG needed to be strongly taken into account.

According to the CSG – under cohesion policy, geography matters – when developing the programmes, Member States and regions should pay particular attention to geographical circumstances. Under the territorial dimension, the CSG focuses on:

- The contribution of cities to growth and jobs.
- Support for the economic diversification of rural areas, fisheries areas and areas with natural handicaps.
- Co-operation.
- Cross-border co-operation.
- Trans-national co-operation.
- Interregional co-operation.

Chapter 5.4 of the CSG presents the specific guidelines to orientate the content of cross-border co-operation programmes. The aim of cross-border co-operation in Europe is to integrate areas divided by national borders that face common problems requiring common solutions. “The cross-border co-operation should focus on strengthening the competitiveness of the border regions. It should contribute to economic and social integration where there are wide economic disparities on either side. Actions include promoting knowledge and know-how transfer, the development of cross-border business activities, cross-border education/training and health care potential and integrating the cross-border labour market; and joint management of the environment and common threats. Where the basic conditions for cross-border co-operation are already in place, cohesion policy should focus assistance on actions that bring added value to cross-border activities.”

The overall strategic goal of the Hungarian-Croatian CBC Programme – sustainable, culture and knowledge based economic growth and job creation with intense socio-economic interaction – is fully in line with the objective proposed in Chapter 5.4. of the CSG. The strategy addresses the issues highlighted in the document; it is built upon the elimination of the obstacles created by the borders by improving the cross-border transport and communication infrastructure and by promoting the co-operation in various areas.

### ***7.15 ESDP European Spatial Development Perspective***

The ESDP serves as a policy framework for the Member States, their regions and local authorities and the European Commission in their own respective spheres of responsibility. The present Programme reflects all the policy content of the ESDP document accepted by EU ministers responsible for spatial planning in Potsdam, 1999. This Cross-border Co-operation Programme complements the aims of the ESDP, especially for those spatial development issues that can be resolved through cross-border co-operation between neighbouring countries.

(The relation of the Programme to other European policies is described in chapter 4.3.)

## 8 IMPLEMENTATION PROVISIONS

The implementation chapter of the Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013 was developed based on

- available EC Regulations concerning programmes financed by the Instrument for Pre-accession Assistance with special regard to Commission Regulation (EC) 718/2007 of 12 June 2007 implementing Council Regulation 1085/2006 establishing an instrument for pre-accession assistance (hereinafter referred to as *Implementation Regulation*);
- discussions at Task Force and management level on the implementation of the Programme;
- experience gained during the implementation of the Slovenia-Hungary-Croatia Neighbourhood Programme 2004-2006.

### 8.1. Programme management structure

In line with *Article 98 of the IPA Implementation Regulation*, the Hungary-Croatia IPA Cross-border Co-operation Programme will be implemented through shared management under the responsibility of the following institutions: a single Managing Authority, a single Certifying Authority and a single Audit Authority. The participating countries regulate their relations and the operation of the programme in a written agreement (Memorandum of Understanding). The following structures will be created for the management of the Programme:

#### Joint structures

- **Joint Monitoring Committee (JMC):** supervising and monitoring the programme implementation; selecting operations;

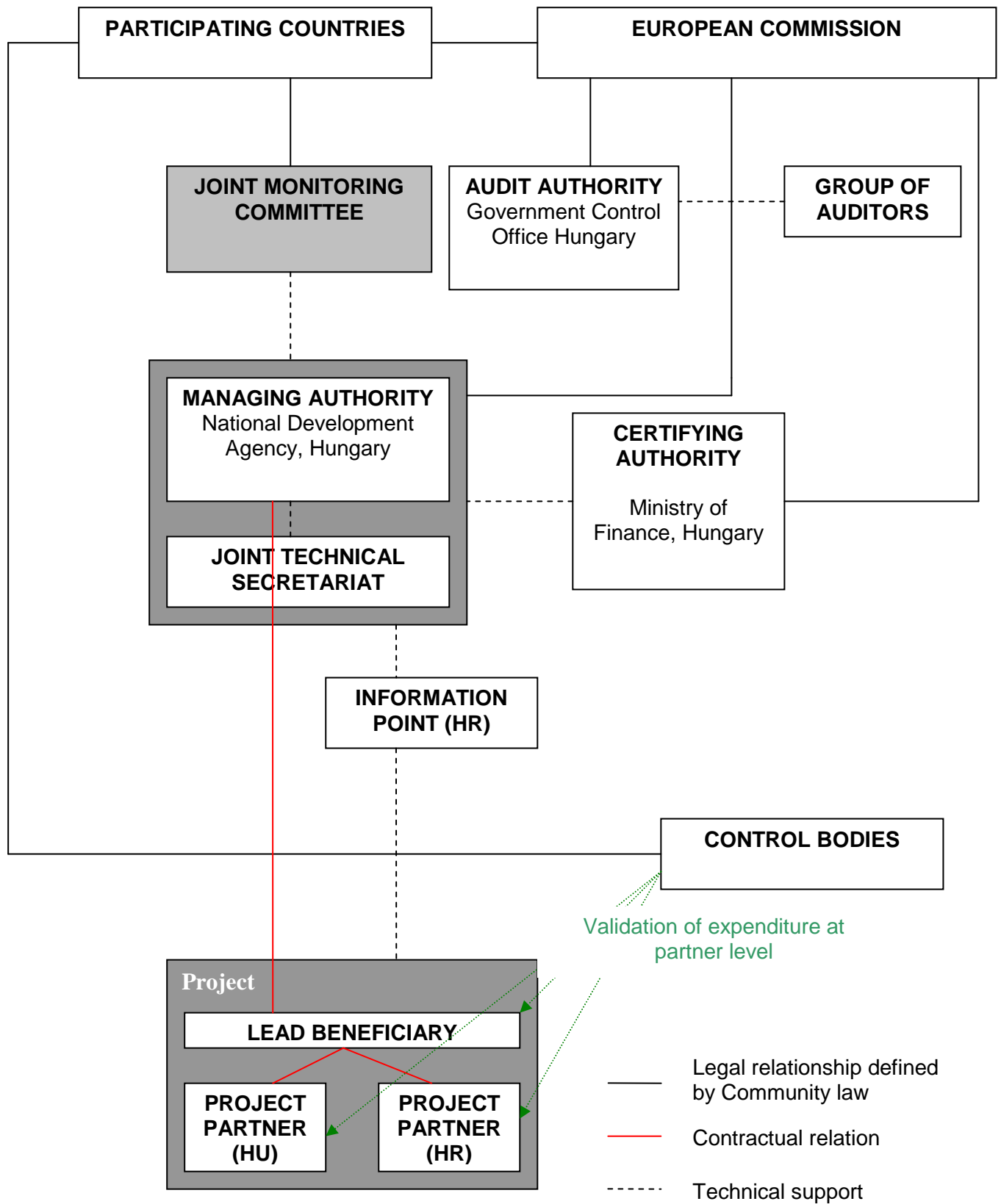
The Joint Monitoring Committee may decide to form a Joint Steering Committee and to delegate the function of project selection to this body.

- **Managing Authority (MA):** bearing overall responsibility for the management and implementation of the Programme towards the European Commission;
- **Certifying Authority (CA):** certifying declarations of expenditure and applications for payment before they are sent to the Commission;
- **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;
- **Joint Technical Secretariat (JTS):** assisting the Managing Authority, the Joint Monitoring Committee and in carrying out their respective duties. An Information Point in the Croatian eligible area will be established and will particularly be responsible for the efficient project development in that area by giving direct assistance to potential project applicants.

Besides the above mentioned structures, the participating countries will bear responsibility for setting up the control system in order to validate the expenditures at national level and for ensuring co-financing.

### Competent Authorities in the HU-HR Programme

<b>Managing Authority</b>	National Development Agency, Hungary
<b>Certifying Authority</b>	Ministry of Finance, Hungary
<b>Audit Authority</b>	Government Audit Office, Hungary
<b>Joint Technical Secretariat</b>	set up within VÁTI Kht, Hungary
<b>JTS Information Point</b>	contracted by the Ministry of the Sea, Tourism, Transport and Development, Croatia
<b>Control Bodies</b>	VÁTI Kht (Budapest, Pécs, Zalaegerszeg), Hungary designated by the Ministry of the Sea, Tourism, Transport and Development Croatia



### **8.1.1 Joint Monitoring Committee (JMC)**

A Joint Monitoring Committee will be set up within three months from the date of the notification to the participating countries of the decision on programme approval. Its overall tasks are to ensure the quality and effectiveness of implementation and accountability of the programme operations. The Joint Monitoring Committee will draw up its own rules of procedure within the institutional, legal and financial framework and will adopt them in agreement with the Managing Authority. The Joint Monitoring Committee will work in accordance with the followings:

*Implementation Regulation Article 110  
Tasks of the Joint Monitoring Committee*

The monitoring committee 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 and, in the case of a programme implemented according to the transitional arrangements referred to in Article 99, it shall examine the reports referred to in Article 144;
- (e) it shall be informed of the annual control report, referred to in Article 105 (1)(c) and, as applicable in the case of a programme implemented according to the transitional arrangements referred to in Article 99, of the annual audit activity report(s) referred to in Article 29(2)(b) first indent, and of any relevant comments the Commission may make after examining those reports;
- (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

The members of the Joint Monitoring Committee will be represented by regional, local and national level actors to ensure efficiency and broad representation. National level actors include line ministries from sectors targeted by the interventions of the Programme (e.g. environment, economy, regional development). When defining the composition of the Committee, the principle of the partnership will be respected through the inclusion of competent authorities, socio-economic partners as well as any other appropriate bodies representing civil society, environmental partners and non-governmental organisation and bodies responsible for promoting equality between men and women. The respective members shall be appointed within 30 days of the approval of the Programme. Members of the Joint Monitoring Committee can invite additional advisors to the meetings of the Committee with an observatory status (participation of advisors has to be communicated in advance to the Chair). The chairmanship and the rights and duties of the chairman will be defined in the Rules of Procedure of the Committee.

Representatives of the European Commission (including DG Regio) will participate in the work of the committee in an advisory capacity, according to the respective legal framework. The Managing Authority will attend the committee meetings and will safeguard the regularity, efficiency and effectiveness of the programme. The Joint Technical Secretariat will provide the secretariat function towards the Joint Monitoring Committee, including the preparation of documents, decisions and minutes.

The Joint Monitoring Committee will meet at least twice a year. Decision-making in the Committee will be by consensus. Decisions may be taken via written procedure regulated by the Rules of Procedure.

### **8.1.2. Managing Authority (MA)**

The designated Managing Authority of the Programme:

#### **National Development Agency, Budapest, Hungary**

The Managing Authority shall be responsible for managing and implementing the Programme in accordance with the followings:

*Implementation Regulation Article 103*

*Functions of the managing authority*

The managing authority 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.

According to Articles 103 and 108 of the Implementation Regulation the Managing Authority shall satisfy itself that each beneficiaries' expenditure participating in an operation has been validated by the controllers. For this purpose each participating country shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.

The Managing Authority will be directly supported by the Joint Technical Secretariat as the latter carries out the operational management for the whole Programme. Although the MA bears overall responsibility for the Programme, certain horizontal tasks (employment of JTS members, setting up and operation of the programme's Monitoring and Information System, legal services) will be delegated to a separate unit of VÁTI Public Nonprofit Company. Delegation of tasks will be prescribed in the description of the management and control system and will be regulated by a specific framework agreement (contract) stipulated by the MA.

### Regions for Economic Change

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

- a) make the necessary arrangement to support innovative operations with cross-border/transnational impact that are related to the results of the networks,
- b) foresee a point in the agenda of the Joint Monitoring Committee at least once a year to discuss relevant suggestions for the programme, and to invite representatives of the networks (as observers) to report on the progress of the networks' activities;
- c) describe in the Annual Report actions included within the Regions for Economic Change Initiative."

### **8.1.3 Certifying Authority (CA)**

The designated Certifying Authority of the Programme:

#### **Ministry of Finance, Budapest, Hungary**

The Certifying Authority will be responsible for drawing up and submitting to the Commission certified statements of expenditure and applications for payment and for receiving payments from the Commission.

The Certifying Authority will act in accordance with the respective regulation:



*Implementation Regulation Article 104*

*Functions of the certifying authority*

The certifying authority of an operational programme shall be responsible in particular for:

- (a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b) certifying that:
  - (1) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
  - (2) 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.

In accordance with *Article 122 (3.) of the Implementation Regulation*, the Certifying Authority by 30 April each year at the latest shall send the Commission a provisional forecast of its likely payment applications for the current financial year and the subsequent financial year.

#### **8.1.4 Audit Authority (AA)**

The designated Audit Authority of the Programme:

##### **Government Audit Office, Budapest, Hungary**

The Audit Authority prepares the report and opinion on the compliance of the management and control systems.

The responsibilities of the Audit Authority are set out in the following regulation:

*Implementation Regulation Article 105  
Functions of the audit authority*

1. The audit authority of a cross-border programme shall be functionally independent of the managing authority and the certifying authority and shall be 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 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.

2. The audit authority shall ensure that the audit work takes account of internationally accepted audit standards.

3. Where the audits and controls referred to in paragraph 1 points (a) and (b) are carried out by a body other than the audit authority, the audit authority shall ensure that such bodies have the necessary functional independence.

4. If weaknesses in management or control systems or the level of irregular expenditure detected do not allow the provision of an unqualified opinion for the annual opinion referred to in paragraph 1 point (c) or in the closure declaration referred to in paragraph 1 point (d), the audit authority shall give the reasons and estimate the scale of the problem and its financial impact.

### *Group of Auditors*

*According to Article 102 of the Implementation Regulation*, a Group of Auditors will be set up to assist the Audit Authority. The representatives of the Group of Auditors will be appointed by the concerned participating country. Auditors from Croatia will be nominated by the Ministry of Finance, while auditors from Hungary will be nominated by the Audit Authority directly. The Group of Auditors will be set up within three months from the approval of the programme. It will draw up its own rules of procedure and will be chaired by the Audit Authority. The Audit Authority and the auditors appointed to the Group of Auditors shall be independent of the management and control system of the Programme. If necessary, the Joint Technical Secretariat of the programme can support the activities of the Audit Authority (e.g. providing support in organizing the meeting of the Group Auditors, etc).

### **8.1.5 Joint Technical Secretariat (JTS) and Information Point (IP)**

The Programme will have a single Joint Technical Secretariat in accordance with *Article 102 of the Implementation Regulation*. The Joint Technical Secretariat will support the Managing Authority in programme co-ordination and implementation.

*Implementation Regulation Article 102  
Designation of authorities*

.... The managing authority, after consultation with the countries participating in the programme, shall set up a joint technical secretariat. The joint technical secretariat shall assist the managing authority and the joint monitoring committee referred to in Article 110 and, where appropriate, the audit authority and the certifying authority, in carrying out their respective duties. The joint technical secretariat may have antennae established in other participating countries.

The tasks of the Joint Technical Secretariat are:

- *General programme co-ordination tasks*
  - a) necessary data and information collection in the programming process;
  - b) co-operate with the administrative, central, regional and local organizations (in the programme area) with the view to collect data and information necessary in the process of the program implementation;
  - c) co-ordinate the promotion activities related to the Programme;
  - d) co-ordinate the organization of workshops addressed to potential beneficiaries;
  - e) participate in the working groups set up for elaborating/revising the programming documents;
  - f) prepare proposals for programme amendments.
  
- *Secretariat tasks for the Joint Monitoring Committee*
  - a) fulfil the usual work of a secretariat;
  - b) co-ordinate the process of project evaluation and contract external experts on a case by case basis;
  - c) based on the results of point b) submit its proposal for decision-making to the JMC;
  - d) provide the JMC with background documentation and reports in English on the implementation of the programme, including minutes of meetings organised to assist decision-making;
  - e) implement operational decisions of the JMC, including running written procedures;
  - f) assistance and technical co-ordination in the elaboration of the annual report for the European Commission.
  
- *Administrative activities*
  - a) ensure the administrative management of (external) tasks and services;
  - b) support the Audit Authority in its activities.
  
- *Programme monitoring and information system*
  - a) contribute to set up the Monitoring and Information System;

- b) maintain regularly and update the Monitoring and Information System; insert data into the system.
- *Programme evaluation*
  - c) co-ordinate ex ante and on-going evaluation.
- *Project development (generation) and selection*
  - a) co-ordinate the support of project generation and development;
  - b) manage the project application process: prepare and make available documents necessary for project application and selection; provide information and advice to applicants; receive and register project applications;
  - c) co-ordinate the evaluation process of the applications;
  - d) carry out the formal, eligibility and quality assessment of proposals by internal staff or external experts;
  - e) co-ordinate the exchange of information on different project proposals; between the JTS and IP;
  - f) support the Information Point (IP) in its activities;
  - g) monitor the joint projects/partner search database.
- *Implementation*
  - a) prepare material necessary for programme implementation;
  - b) assist project partners in project implementation: provide advice and assistance to project partners as to the implementation of project activities and financial administration;
  - c) prepare IPA subsidy contracts (see also 8.4.1.);
  - d) check the progress and financial reports elaborated by the Lead Beneficiary;
  - e) verify the existence of the declaration on the validation of the expenditures issued by the controllers;
  - f) assist the Lead Beneficiary in preparing IPA payment claims;
  - g) monitor project progress through collecting and checking project monitoring reports, monitoring outputs etc.;
  - h) prepare progress and verification reports on programme and project implementation and submit them to the JMC and MA;
  - i) prepare any other documents required by the European Commission (e.g. annual report).
- *Information and publicity*

Activities will be carried out according to the Information and Publicity Plan adopted by the Joint Monitoring Committee. Detailed description of the activities will be included in the Implementation Manual.

The Joint Technical Secretariat will work in close co-operation with the Managing Authority. The two institutions will be set up in a structure most securing their co-operation on one hand and their independence from national structures on the other. The work plans of the Joint

Technical Secretariat have to be approved by the Joint Monitoring Committee. The Joint Technical Secretariat will be funded from the Technical Assistance budget.

The Joint Technical Secretariat will be set up in Budapest. One full-time member of the JTS will be located in Pécs, his/her main role will be to provide information and consultancy service to potential applicants. On the Croatian border one full-time member of the Information Point will operate in order to manage the information at regional level and to support project development in Croatia. The Information Point will start working in Zagreb and will be relocated to Osijek later on. The Information Point will work in close co-operation with the JTS members in Budapest and Pécs. In order to create equal opportunities for potential applicants on both sides of the border, the Programme intends to focus on the role of the Information Point in Croatia. As the bilateral task force meetings revealed, Croatia is in need of support of project generation activities.

The Joint Technical Secretariat will have staff from both participating countries. They will be employed by VATI Hungarian Public Nonprofit Company on the basis of a framework contract with the MA. The number and qualification of staff shall correspond to the tasks defined above.

The Joint Technical Secretariat will ensure that all of the operational implementation tasks of the Programme, including co-ordination of project development and project selection process are fulfilled.

The main tasks of the Information Point:

- to assist the applicants in project generation;
- to contribute to information and publicity actions at regional and local level in Croatia;
- to present and represent the Programme at regional level so that partners are able to collect information necessary for developing projects;
- to develop and deliver country specific information to the JTS for use e.g. on the Programme's website;
- to serve as a contact point for project applicants and partners at regional level;
- to respond to requests by JTS in the project selection and evaluation process according to the programme procedures;
- to assist the JTS in the preparation of contracts with the Lead Beneficiary and in providing advice and assistance to project partners in project implementation and financial administration.

Activities of the Information Point will be financed from the TA budget of the Programme.

### **8.1.6 National level responsibilities**

The Ministry of the Sea, Tourism, Transport and Development of Croatia will support the Managing Authority in the co-ordination of programme relevant activities in Croatia. The relations between the Managing Authority and the Ministry of the Sea, Tourism and Development of Croatia will be defined in the Memorandum of Understanding.

#### Participating countries ensure the following functions:

- signing agreement or Memorandum of Understanding regulating responsibilities;
- contributing on behalf of the concerned participating country to the programme planning and modification;
- supporting dissemination of information about the programme, implementing national level publicity actions;
- being responsible for the development of guidelines for specific national control, based on the programme level guidelines developed by the JTS;
- setting up a control system to validate the expenditures at national level (project partner level and TA expenditure);
- ensuring co-financing according to the approved allocation of funds;
- operating the payment system of national co-financing including verification of the expenditures; providing information on national co-financing payment flows;
- detecting and correcting irregularities, recovering amounts unduly paid;
- participating in the elaboration of the programme document;
- participating in JMC meetings;
- accessing the programme's Monitoring and Information System.

### **8.1.7. Control Bodies (CB)**

In line with *Article 108 of the Implementation Regulation*, each participating country shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Community, when relevant, and its national rules. The designation of controllers is detailed in *paragraphs 2 and 3 in Article 108 (1.) of the Implementation Regulation*, see chapter 8.4.2.

The main activity of the Control Bodies will be verification for validation of the expenditures at partner level in the respective national territory. Related further tasks may include updating the Monitoring and Information System of the Programme, and other tasks which are related to their control activities.

The designated controllers of the Programme will work in the frame of:

- VÁTI Kht. in Hungary
- the Ministry of the Sea, Tourism, Transport and Development in Croatia

Control Bodies in VÁTI Kht. will be completely independent functionally of the Joint Technical Secretariat. There will be no conflict of interest among Joint Technical Secretariat members and controllers.

Each participating country shall ensure that the expenditure can be validated by the controllers within a period of three months from the date of its submission by the lead beneficiary to the controllers.

## **8.2 Project development and selection**

### **8.2.1 Overall concept of project development and selection**

The overall aim of the Programme is to develop and select high quality, result orientated genuine cross-border projects of clear added value and strategic character relevant for the programme area.

The JMC should support the strategic character of the project selection and ensure the competition between project proposals and at the same time avoid the overload of both the programme management structures and applicants. It also has to facilitate that the aggregated outputs of the selected projects contribute to achieve the overall objective of the Programme. The JMC might consider introducing top-down elements to project generation in order to achieve high quality cross-border projects. Details about project development and selection will be provided in the **Implementation Manual**, to be approved by the JMC.

The Cross-border Programme defines the specific fields of interventions, which can clearly contribute to the overall objectives. The JMC has the right to fine-draw the available activities within the definition included in the priority descriptions, should the successful implementation of the Programme requires it; or when more focus of the activities is needed to safeguard the project development and selection to reach the declared objectives. This could result in specific calls for proposals to be included in the **Implementation Manual** and approved by the JMC.

### **8.2.2 Project generation**

Generation of cross-border projects will be the task of the Joint Technical Secretariat and the Information Point. The latter will ensure to spread information to potential applicants in Croatia – with the co-ordination and support of the Joint Technical Secretariat.

While generating projects the following have to be secured:

- giving the same information to all potential applicants and project partners wherever they might be located in the eligible programme area;
- assisting the establishment of partnerships by helping to find interested actors, e.g. by means of a database or partner search events;
- providing technical assistance to projects (e.g. best practice models, sample contracts).

### **8.2.3 Project selection**

*Implementation Regulation Article 95, Point 2-3-4.  
Selection of operations*

- (1) Operations selected for cross-border program memes shall include final beneficiaries from at least two participating countries which shall co-operate in at least one of the following ways for each operation: joint development, joint implementation, joint staffing and joint financing.
- (2) For cross-border programmes ... operations selected shall include beneficiaries for at least one of the participating Member States and one of the participating beneficiary countries.
- (3) The selected operations fulfilling the above-mentioned conditions may be implemented in a single country provided that they deliver a clear cross-border benefit.

Final decision on approval/rejection of projects is the responsibility of the Joint Monitoring Committee. The meetings of the Joint Monitoring Committee are organised by the Joint Technical Secretariat. The background documentation which forms the basis of decision-making is sent to the members of the Committee beforehand. The evaluation procedure is co-ordinated by the Joint Technical Secretariat (see relevant tasks in point 8.1.5.) Sets of criteria (including eligibility, coherence and quality criteria) used in course of project selection will be developed by the JTS in co-operation with other programme management bodies from both participating countries to be described in the Implementation Manual. These criteria will be approved by the Joint Monitoring Committee. The Joint Monitoring Committee has the right to restrict the scope of eligible applicants in certain Calls for Proposals taking into account the specific arrangements of the given Call.

Project applications will be sent directly to the Joint Technical Secretariat in Budapest where they will be registered. The JTS will be responsible for the assessment of project proposals; for the needs of technical (quality) evaluation of proposals, external assessors will be used if necessary. After applying a mutually agreed selection procedure, the JMC will approve a list of assessors. It is foreseen that external assessors need to have an in-depth knowledge and extensive experience on the issues they will be responsible for in project evaluation. Assessors will sign a declaration of confidentiality and impartiality.

The selection of projects can be performed through open calls for proposals either in a one-step approach or in a two-step approach. Determining the project selection model according to the type of the activities in a certain Call for proposals (CfP) is the responsibility of the JMC. Both models will be developed with the involvement of the Joint Monitoring Committee and will be described in details in the Implementation Manual.

In the one-step approach the applications will be submitted in an open call and evaluated against the pre-defined set of criteria included in the Implementation Manual. The applications always have to be submitted to the JTS, which organises the evaluation with possible use of external expertise. The JTS prepares a proposal for the JMC with regard to each application highlighting its weaknesses and strengths. The two-step approach contains a pre-selection stage. Applicants submit "expressions of interest" based on which the proposals will be pre-selected to offer the opportunity for applicants to further develop their projects. The pre-selection step is to be organised by the JTS and the decision is to be made by the JMC. Pre-selected and further developed projects will be re-submitted to the JTS and evaluated against the relevant pre-defined set of quality criteria set out in the Implementation Manual.



The reasons for choosing the two-step selection process are manifold. Primarily it will be used in case of complex projects, particularly those including construction / investment-type actions with relatively high grant request. Thus, applicants whose proposals had been turned down would not have to submit costly permits and feasibility studies; rather, it allows them to elaborate more on the content of their proposal. Consequently, filtering of proposals ensures that higher quality projects are selected. Besides it also has a beneficial impact on the capacities of the Joint Technical Secretariat, since evaluation as well as project development activities will be more focused than in the one-step approach.

The responsibility of fulfilling the State Aid rules during the implementation is directed to each Member State by the treaty. For this purpose each Member State has to define a State Aid Authority and contact person who will be able to provide the MA with proper data about aid schemes in their Country until the end of the implementation of the Programme. Parallely, each MS bears the responsibility of threatening and infringement of State aid rules and the common market towards the EC.

### **8.3 Information and publicity**

The information and publicity strategy of the Programme will be carried out in accordance with *Articles 62 and 63 of the Implementation Regulation*. The activities and tasks will be described in details in the Implementation Manual.

#### **8.3.1 Objectives and target groups**

The objectives of information and publicity are twofold:

- spreading information on the opportunities of this Programme and ensuring transparency for the target groups of the Programme;
- making the general public aware of the results and benefits achieved by cross-border co-operation projects and of the role played by the European Union in cross-border programmes.

Communication primarily should be directed towards potential and final beneficiaries to ensure that they are properly and in time informed about the opportunities of funding, about calls for proposals and simultaneously to make sure that they understand the administrative processes. The second target group is the general public who should be aware of the results and benefits achieved by the projects. Information on the results of the projects should also be provided to institutions involved in policy-making in the fields related to the priorities of the Cross-border Co-operation Programme.

#### **8.3.2 Tools and finances**

The information and publicity measures will be presented in the form of a communication plan, designed:

- to inform the general public about the role that the European Union, Hungary and Croatia play in the respective interventions and of their results;
- to guarantee transparency vis-à-vis potential and final beneficiaries by providing information on the Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013, furthermore to give an overview of competencies, organisational structures and project selection procedures.
- to inform the public about the start of the programme in the media. Ongoing communication on the stages of programme implementation and presentation of the final results of the Programme will be ensured.

In order to create a uniform public image which should achieve the status of a brand name or a “corporate identity” a common logo will be used on printed materials, publications and also in the printed and electronic media. For the strategic implementation of the communication plan the following tools will be used:

- **A programme-specific website** providing ongoing information to the general public, to potential and final beneficiaries - The homepage is the key source of up-to-date information. All relevant documentation such as the application pack or the programme documents will be available as downloads. It will provide information about calls for proposals, it will have a news section, a back-office section and an electronic partner forum.
- **Programme document** - The Hungary-Croatia IPA Cross Border Co-operation Programme 2007-2013 document forms the basis for cross-border co-operation in the Hungarian-Croatian border region from 2007 to 2013.
- **Leaflets** - are symbolic business cards of the programme; they are appetisers in so far as they contain general information about the programme. They are aimed at encouraging a wide participation in the Programme as well as at helping to spread information about the Programme.
- **Brochures** - If leaflets are the business cards, brochures are the product catalogues of the programme, which give a comprehensive survey of a given programme period with a handful of projects summarising the activities, the results and the outcomes.
- **Advertisements** - Calls for proposals published in nationwide and in regional daily papers will make the Hungary-Croatia IPA Cross-border Co-operation Programme transparent in the programme area to the general public.
- **Regional and local information events, seminars** - Contacts between actors involved in the programme as well as proper information flow to potential applicants and to the general public are ensured by means of information events held in the frame of the programme.
- **Partner search forums** - To help potential applicants to develop their projects and to search for partners, partner search forums will be organised by the JTS and the Information Point. These occasions will give way to discuss project ideas, management and implementation issues, to meet potential applicants and to facilitate partner search.
- **Kick-off event at the start of the Programme** – will spread information about the Programme.
- **Closing conference at the end of the programme** – will present results and outcomes of implemented projects.

According to the preliminary TA budget plan, approximately 2% of the total programme budget will be spent for the above activities.

### **8.3.3 Responsibilities and phases of implementation**

The responsibility of carrying out information and publicity measures lies with the Managing Authority. External suppliers will be selected (via public procurement procedure) to design the logo, the website, publications and to organise seminars, partner search forums, kick off events and the closing conference of the Programme in close co-operation with JTS staff and the Information Point.

The above-mentioned information and publicity measures will be implemented by three phases, each of which has different requirements:

- Announcement of the Hungary-Croatia IPA Cross-border Co-operation Programme 2007-2013: The objective of this phase is to spread information as widely as possible about the programme, about contact details and Info Point, about procedures and decision-making structures. Communication means: Kick-off events, leaflets, press releases.
- Ongoing information, communication and presentation: In this phase the public is regularly informed about the current status of the implementation of the Programme and about the completion of successful projects. Furthermore, clear information about the administrative procedures and information about the selection criteria and evaluation mechanisms are provided at regional and local level. Communication means: Brochures, information events, press releases.
- Presentation of results and review: As of the end of the programming planning period, results and outcomes of implemented projects will be presented. Communication means: Brochures, final events.

#### **8.3.4 Monitoring and evaluation of the communication plan**

The MA/JTS has to inform the JMC on the progress of implementing the communication plan, of information and publicity measures carried out and of the means of communication used. According to *Article 112 of the Implementation Regulation* the annual reports and the final report on the implementation of the Programme have to contain the information and publicity measures taken which had been defined in the communication plan. The communication plan is prepared by the Joint Technical Secretariat and approved as well as monitored by the Joint Monitoring Committee by means of the above mentioned annual and final reports.

### **8.4 Implementation of projects, description of financial procedures and flows**

#### **8.4.1 Project level implementation**

The project implementation will be executed according to the regulations and rules relevant for the Programme.

##### ***The Lead Beneficiary principle***

The Lead Beneficiary principle is a basic requirement in all operations financed from the Programme. *Article 96 of the Implementation Regulation* specifies the responsibilities of the Lead Beneficiary. The project will be presented by the Lead Beneficiary, who will act as the only direct contact between the project and the joint management bodies of the Programme. It is the responsibility of the Lead Beneficiary to create a well working consortium based on a partnership agreement.

##### ***Contracting procedures***

Based on the formal project approval by the Joint Monitoring Committee, the JTS prepares the subsidy contract (subject to approval by the JMC) with the Lead Beneficiary. The MA bears the legal responsibility for the subsidy contract from the side of the Programme and delegates formally (in writing) the power of signing the contracts to the head of JTS. The MA/JTS will use an ERDF subsidy contract form approved by the JMC. The legally binding subsidy contract of a project shall be reported by the JTS to the Monitoring and Information System of the Programme.

If applicable, national co-financing will be ensured for the projects approved by the Joint Monitoring Committee. Contracts for national co-financing will be concluded separately from community funds after the signature of subsidy contracts between MA and Lead Beneficiary and the partnership agreement between the project partners. The subsidy contracts for national co-financing will be concluded at project partner level. Procedures for the disbursement of national co-financing to beneficiaries will be defined separately from those of the IPA procedures. National co-financing sources will be paid to project partners separately from IPA Funds. More details will be described in the Implementation Manual.

***Project reporting***

Progress reports and payment claims will be linked during the project implementation period and should be submitted as stipulated in the subsidy contract.

***Eligibility of expenditure***

The rules on eligibility of expenditure shall be defined in line with Article 89 of the Implementation Regulation.

**8.4.2 Control systems to validate expenditures**

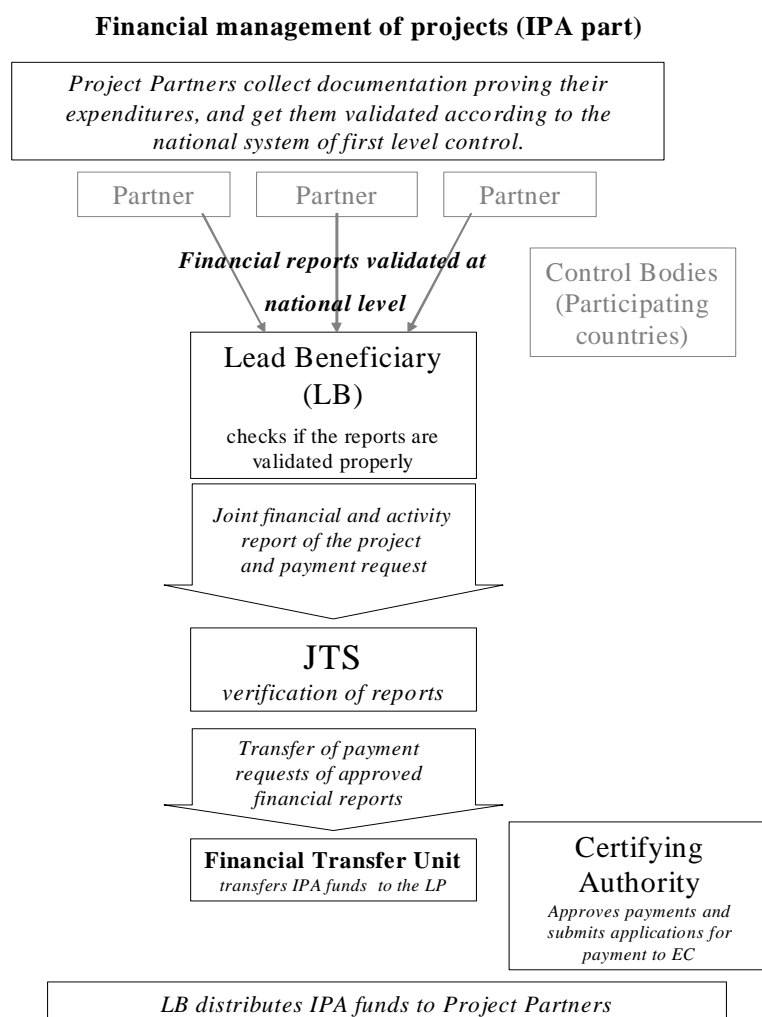
According to *Article 108 of the Implementation Regulation*, participating countries shall set up a control system to validate the expenditures at national level:

<p><i>Implementation Regulation Article 108</i> <i>Control system</i></p>
<p>(1) In order to validate the expenditure, each participating country shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Community, when relevant, and its national rules.</p> <p>For this purpose each participating country shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each final beneficiary participating in the operation. Participating countries may decide to designate a single controller for the whole programme area. Where the verification of the delivery of the products and services co-financed can be carried out only in respect of the entire operation, such verification shall be performed by the controller of the participating country where the lead beneficiary is located or by the managing authority.</p>
<p>(2) Each participating country shall ensure that the expenditure can be validated by the controllers within a period of three months from the date of its submission by the lead beneficiary to the controllers.</p>

In line with *Article 28. 2. (j). of the Implementation Regulation* verifications to be carried out at national level shall cover administrative, financial, technical and physical aspects of operations. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered in accordance with the approval decision, and the payment requests by the final beneficiary are correct.

In order to ensure common understanding of the rules applied for control at national level *Guidelines for control* will be developed at programme level in line with the relevant EC and national regulations. It will be made available on the programme homepage as well. The MA, the JTS and the CA should be regularly informed on the operation of the control system set up by both participating countries.

### 8.4.3 Description of IPA financial flows and procedures from project level to programme level



#### Flow of payments

- a) The responsible controller checks the invoices or accounting documents of equivalent probative value submitted by the Beneficiary and verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure and related (parts of) operations with Community rules and relevant national rules.
- b) Upon receipt of the validated payment claims the Lead Beneficiary draws up and submits the project-level payment claim to the Joint Technical Secretariat.
- c) Following the checks on the payment claim and the relating progress report the JTS forwards the payment claims to the Financial Transfer Unit (FTU). The FTU is a separate and functionally independent department of VÁTI Public Nonprofit Company responsible for the technical management of IPA finds to Lead Beneficiaries. In the course of the requests of funds, the Financial Transfer Unit draws payment requests for the transfer of IPA contribution through the Monitoring and Information System from the Certifying Authority (CA). Following the approval of payment requests, the CA transfers the IPA contribution drawn from the

programme account to the technical disposal bank account kept by the Financial Transfer Unit.

Following the approval of the Certifying Authority, the Financial Transfer Unit transfers the payment of the IPA contribution to the Lead Beneficiaries. The implementation of the payment process is supported by the Monitoring and Information System. The project payment claims and the specific stages of the process are entered into the Monitoring and Information System so that they can be traced back afterwards.

d) The Lead Beneficiary transfers the IPA contribution to partners participating in the operation.

### ***Programme level financial procedures (IPA), certification process***

The IPA contribution is paid into a single account opened and managed by the Certifying Authority. Payments made by the European Commission take the form of pre-financing, interim payments and payment of the final balance.

Based on validated eligible expenditure verified by the Joint Technical Secretariat, which can be supported by invoices or accounting documents of equivalent probative value, the Managing Authority draws up the statement of expenditure. The statement of expenditure will include for each priority axis the total amount of eligible expenditure paid by the Lead Beneficiaries or partners in implementing the operations and the corresponding public contribution. Based on the statement of expenditure submitted by the Managing Authority the Certifying Authority draws up the application for payment and the certification of expenditure and submits them together with the certified statement of expenditure to the European Commission.

In support of the certification activity of the Certifying Authority the Managing Authority operates a verification reporting system. Before compiling the statement of expenditure the Managing Authority prepares a verification report on the procedures and verifications carried out in relation to expenditure included in the statements of expenditure. In order to have adequate information on the validation and verification of expenditure the Managing Authority will request information in the form of a verification report from the participating countries.

In order to support its certification activity, the Certifying Authority performs system controls, carries out so-called fact-finding visits at the joint management structures (MA/JTS/FTU) involved in the financial management of the Programme.

## ***8.5 Monitoring and Evaluation***

### ***8.5.1 Monitoring***

#### ***Programme level monitoring***

According to the *Article 111 of the Implementation Regulation* the Managing Authority and the Joint Monitoring Committee shall carry out monitoring by reference to the indicators specified in Chapter 6 of the Programme.

#### ***Indicator system***

A full set of indicators will be further developed in the *Implementation Manual* to serve as an indispensable basis for responding to the reporting and communication needs in order to make the programme achievements visible to the programme partners and to the broader public. The indicator system will include output indicators which measure the number of projects that represent either two or three or four of the following criteria: joint development, joint implementation, joint staffing and joint financing.

Targets of the indicators should be quantified ex ante for internal programme management use if appropriate. One of the most important overall objectives of the programming system is to facilitate the creation of a results-oriented system. The categories of output, result and impact indicators should be an instrument for this purpose. Indicators need quantified targets because otherwise the extent to which the original objectives are being met cannot be measured. To quantify the targets the use of historic time series will be the primary method, that is comparing progress in relation to the baseline situation. The use of benchmark values drawn from prior monitoring or evaluation exercises could be a possibility, but these data have to be used with caution as specific conditions for different programmes may not be the same.

### ***Annual report on implementation***

In accordance with *Article 112 of the Implementation Regulation* annual reports and a final report on the implementation have to be prepared. The annual reports will be drafted by the Joint Technical Secretariat and will be verified by the Managing Authority and approved by the Joint Monitoring Committee before submitting them to the Commission.

### ***Project level monitoring***

The purpose of the project monitoring is to keep track of how the project is progressing in terms of expenditure, resource use, implementation of activities and delivery of results and management of risks. The monitoring activity of the project presumes the systematic and continuous collection of information, loading data into the Monitoring and Information System, analysis of the indicators defined in the project in order to support effective decision-making. The Joint Technical Secretariat may review project progress and performance on a periodic basis by monitoring the indicators and take the necessary decisions and corrections to keep the project on track.

### ***Programme Monitoring and Information System***

The Managing Authority is responsible for setting up a system to gather reliable financial and statistical information on implementation for the monitoring of indicators and for evaluation. It is also responsible for forwarding these data in accordance with arrangements agreed between the Participating Countries and the Commission using computer systems permitting the exchange of data.

The common Monitoring and Information System of the Programme (IMIS 2007-2013) will be based on a management information system which allows for data collection and monitoring at programme level. The system will provide the competent bodies (Managing Authority, Certifying Authority, Audit Authority, Joint Monitoring Committee, Joint Technical Secretariat, Information Point, and Financial Transfer Unit) with a practical tool to perform their tasks and should also foster communication and flow of information among the two participating countries by supporting both the project cycle and the programme implementation, thus:

- project selection (registration of applications and the results of evaluation),
- project management (from contracting to closure, partner level data also included),
- financial management (management of IPA funds, payment to LP, preparation of application for payment to be submitted to the EC ),
- programme-level monitoring,
- management of TA projects,
- storing of data of irregularities,
- reporting functions.

The system is scheduled to be operating from the third quarter of 2008. The development and implementation of the Programme Monitoring and Information System will be financed from the TA budget.

### **Exchange of Computerised Data**

Electronic data exchange between the Commission and the programme management institutions is a requirement according to *Articles 103 and 111 of Implementing Regulation*.

The computerised system for data exchange will be developed as a tool to transfer all necessary data related to the implementation of the Programme. The computer system used must meet accepted security standards and comply with national legal requirements to ensure that the data can be relied on for audit purposes.

### **8.5.2 Programme Evaluation**

The aim of the programme evaluation is to improve the quality, effectiveness and consistency of the use of assistance, the strategy as well as the implementation of the Programme. Evaluation shall be carried out before (ex ante evaluation) and **during (on-going) the programme implementation period through evaluation contracts with external experts**. It is to be decided once the programme is operating whether carrying out limited evaluation activities each year or carrying out an evaluation at the programme mid-point or a combination of these approaches should be used to gain proper information on how the programme achieves its results. The most important consideration is to have enough data provided for evaluators with material for analysis. Both participating countries shall provide the resources necessary for carrying out evaluations, organise and contribute to the gathering of the necessary data and use the various types of information provided by the Monitoring and Information System. The results of the evaluations will be published on the website of the Programme.

*In accordance with Article 109 of the Implementation Regulation*, during the programming period, the participating countries shall carry out evaluations linked to the monitoring of the cross-border programme in particular where monitoring reveals **a significant departure from the goals initially set** or where proposals are made for the revision of the cross-border programme. The Monitoring Committee will decide about the exact range for measuring the departure from the goals initially set that calls for undertaking an evaluation. The evaluations will identify possible problems and their causes, and will support the Monitoring Committee in making necessary corrections to the Programme. These “ad hoc evaluations” will be based either on the analysis of data provided by the Monitoring and Information System or on other information sources such as project applications or project reports. The Monitoring and Information System will measure the set of indicators presented in this programme document, thus the data provided by the Monitoring System will mean the values of the indicators at the time when the evaluation is carried out. Evaluations should be carried out by independent assessors, in co-operation with other actors if necessary (e.g. JTS). Additional analysis can also be undertaken by means of questionnaires or interviews. The results of the evaluation will be sent to the Joint Monitoring Committee and to the European Commission.

Ex ante, on-going and ad hoc evaluations will lead to the establishment of a comprehensive Management Information System which combines different elements detailed above.

Evaluations will be financed from the TA budget. The Implementation Manual will contain information on evaluation measures.

## **8.6 Technical Assistance**

Technical Assistance is necessary for the joint structures to facilitate the implementation of the Programme. Taking into consideration the size and diversity of the programming area 10 % of the community funds allocated to this Programme will be used for the priority “Technical Assistance”. The co-financing rate will be 50%. The participating countries will transfer their



national co-financing share to a separate bank account on a yearly basis. The Certifying Authority will be responsible for transferring the community funding from the Commission appropriate to the national contributions provided by the participating countries.

Technical Assistance budget will be used for assistance required to prepare, manage, implement, monitor, control and evaluate the Programme. The JTS should provide support for efficient programme implementation by co-ordinating the cross-border co-operation at programme level. Furthermore, TA budget should be used for tasks aimed to improve and assure proper project implementation and project generation (e.g. thematic seminars, information and publicity measures, evaluation) as well to increase the overall quality of funded projects.

#### **8.6.1. Management of the Technical Assistance**

Activities covered by the TA will be financed using the project management approach. All programme management activities to be reimbursed by TA shall be prepared in the form of "TA project proposals". The proposals have to be approved by the Joint Monitoring Committee. Detailed information on the management of TA will be included in the Implementation Manual.

#### **8.6.2. INTERACT Programme**

Special attention shall be given to the services provided by the INTERACT II Programme. This EU-wide Programme focuses on the good governance of territorial co-operation and provides needs-based support to stakeholders involved in implementing programmes under the European Territorial Co-operation Objective. The target groups for INTERACT are primarily the authorities to be established according to Council Regulations 1083/2006 and 1080/2006 as well as other bodies involved in programme implementation. 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 in INTERACT seminars will be encouraged. Related costs are eligible under Technical Assistance.

### **8.7 Audits**

#### **8.7.1. The Audits of the Operation**

*Implementation Regulation Article 107  
Audits of the Operations*

- (1) The audits referred to in Article 105 (1) (b) shall be carried out each year from the year following the adoption of the cross-border programme on a sample of operations selected by a method established or approved by the audit authority.

The audits shall be carried out on the spot based on the documentation and records held by the final beneficiary.

The audits shall verify that the following conditions are fulfilled:

- The operation meets the selection criteria for the cross-border programme and is being/has been implemented in accordance with the approval decision and fulfils any applicable conditions concerning its functionality and use or the objective to be attained.
- The expenditure declared corresponds to the accounting records and supporting

documents held by the final beneficiary.

- The expenditure declared by the Final Beneficiary is in compliance with the Community and national rules.
- Public contribution has been paid to the Final Beneficiary.

Where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the cross-border programme, the Audit Authority shall ensure that further examination is carried out, including additional audits where necessary, to establish the scale of such problems. The necessary preventive and corrective action shall be taken by the relevant authorities. The Group of Auditors comprising representatives of participating countries will assist the Audit Authority as described in point 8.1.4.

## **8.8 Irregularities and recovery of funds unduly paid**

### **8.8.1 Definition**

*Implementation Regulation Article 2 (6)*

- (1) 'irregularity': any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget;

The responsibilities related to handling irregularities contain two main duties, one is the reporting to the Commission and the other is the recovery of the amounts unduly paid.

### **8.8.2 Reporting**

*Implementation Regulation Article 114 (1)*

- (1) Participating countries shall be responsible for the management and control of cross-border programmes in particular through the following measures:
- (b) preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate. They shall notify these to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.

The participating countries shall send a copy of their quarterly reports to the MA. The MA shall make a register for these reports so that it can inform the EC about the irregularities at programme level.

### **8.8.3 Recovery**

The MA can recover money only from natural or legal persons which are in contractual legal relation with the MA.

In the implementation phase of the cross-border programme two types of responsibilities can occur:

1. Contractual liability between the MA and the Lead Beneficiary (in parallel there is also contractual liability between the Lead Beneficiary and the Project Partners);

## 2. Legal liability between the EC and the concerned Participating Country.

The steps of recovery when irregularity is committed by the Lead Beneficiary are the following:

1. If the Lead Beneficiary commits the irregularity, the MA initiates a recovery procedure by a recovery order. In parallel, it suspends any other payments to the concerned Lead Beneficiary.
2. The recovery procedure can have two outcomes:
  - The Lead Beneficiary pays back the amounts unduly paid (the irregularity procedure ends).
  - The Lead Beneficiary doesn't pay back the amounts unduly paid.
3. In case the amounts unduly paid are not reimbursed by the Lead Beneficiary the following cases can occur:
  - If there is contractual collateral<sup>12</sup>, the MA can enforce it to collect the unduly paid amounts.
  - If there is no collateral or the collateral is un-enforceable, the MA requests the participating country to initiate a legal procedure against the Lead Beneficiary and sends the documentation of the recovery procedure (prepared by the MA itself) **(this is the limit of the contractual liability)**.
4. The Participating Country initiates a legal procedure against the Lead Beneficiary which can result in the following:
  - The legal procedure is successful and the Lead Beneficiary pays back the amounts unduly paid (the irregularity procedure ends).
  - The legal procedure is unsuccessful, the participating country takes further legal steps and bears the financial responsibility towards the EC (**legal liability**).

### **8.8.4 Irregularities related to TA projects**

Irregularity can be committed by those who benefit from the TA budget. If any control or audit activity detects an irregularity related to a TA project, the institution being the Beneficiary of TA funds has to pay back the unduly paid amount to the Certifying Authority (or to the Financial Transfer Unit).

### **8.8.5 Errors which are system errors in nature**

During the running of the system, errors can occur which make it impossible to detect irregularities or which cause irregularities themselves. (For example a mistake in the Call for proposals indicates irregularities). In this case the MA/CA submits the whole documentation in which the error had been perceived to the participating country / JMC together with a recommendation on the necessary corrective action to be taken.

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<sup>12</sup> The Lead Beneficiary can grant collateral to safeguard the fulfilment of its contractual relation related to the subsidy contract. Available collaterals are: bank guarantee, mortgage, and prompt collection order.

## 9 INDICATIVE FINANCIAL TABLE

The financing of this Programme is contained in the tables below:

Annual commitment of IPA funds in the Programme (in Euro):

Year	Community funding (IPA)
2007	4 219 237
2008	7 208 564
2009	7 879 498
2010	8 037 088
2011	8 197 829
<b>Total</b>	<b>35 542 216</b>

Share of Priorities in the financing of the Programme:

Name of Priority	Share of Priority in Total Programme
PRIORITY 1: Sustainable Environment and Tourism	60%
PRIORITY 2: Co-operative Economy and Intercommunity Human Resource Development	30%
PRIORITY 3: Technical Assistance	10%

Priority axes by source of funding (in Euro):

Name of Priority	Community funding (a)	National Public funding (b)	National Private funding (c)	Total funding (d)= (a)+(b)+ (c )	Co-financing rate % (e)=(a)/(d)	For information	
						EIB contributions	Other funding
<b>PRIORITY 1</b> <i>Sustainable Environment and Tourism</i>	21 325 330	3 763 294	0	25 088 624	85%		
<b>PRIORITY 2</b> <i>Co-operative Economy and Intercommunity Human Resource Development</i>	10 662 665	1 881 647	0	12 544 312	85%		
<b>PRIORITY 3</b> <i>Technical Assistance</i>	3 554 221	3 554 221	0	7 108 442	50%		
<b>TOTAL</b>	<b>35 542 216</b>	<b>9 199 162</b>	<b>0</b>	<b>44 741 378</b>			

## 10 ANNEXES

### ***ANNEX 1 Name of entities participated in the consultations during the planning process***

Balaton National Park	Local Government of Somogy County
Bjelovarsko-bilogorska County	Local Government of Zalaegerszeg
Brodsko-posavska County	Međimurje County
Bureau of the General Assembly of Zala County	Ministry of the Sea, Tourism, Transport and Development, Croatia
Central Office for Development Strategy and Coordination of EU Funds, Croatia	Multipurpose Microregional Association of "Rinyamenti" Microregion
Chamber of Commerce and Industry of Pécs and Baranya County	National Agricultural Office
Council of Csurgói Microregion	National Association of Wireless Emergency and ICT
Council of Nagyatádi Microregion	National Forestry Service
Croatian Central Statistical Office	National Health Service
Croatian Employment Service	Pannon University Keszthely
Croatian Fund for Regional Development	Public Administration Office of Zala County
Drava Association	Regional Development Council of Zalaegerszeg
Državna samouprava Hrvata Rep. Mađarske	Regional Resource Center of Southern Transdanubia
Duna-Drava National Park	Representation of Croatian Regions in Brussels
European Commission Delegation Croatia	Representation of Western Transdanubia in Brussels
Experts in Minority Languages, University of Pécs	Schengen Department, Ministry of Justice, Hungary
Experts in Roma issues, Department of Sociology, Budapest University of Technical and Economic Sciences	Southern Transdanubian Regional Development Agency
Grad Slavonski Brod	South-Transdanubian Water Management Directorate
Hungarian Central Statistical Office	State Service for Public Health
Hungarian Embassy in Zagreb	Traffic Co-ordination Centre
Hungarian Public Road Nonprofit Company Zalaegerszeg Unit	University of Kaposvar
Koprivnica City Government	University of Pecs
Koprivnica-Križevci County	Varaždin County
Labour Centre of Baranya County	Varaždin County Development Agency
Labour Centre of Somogy County	Vukovar City Government
Lake Balaton Development Council	Vukovarsko- Srijemska County
Local Government of Mohács	Western Transdanubian Regional Development Agency
Local Government of Pécs	Western Transdanubian Water Management Directorate

**ANNEX 2 Migration statistics of the eligible area**

COUNTY	IMMIGRANTS		EMIGRANTS		NET MIGRATION (persons)	NET MIGRATION (per 1000 inhabitants)
	From another County	From abroad	Into another County	Abroad		
Somogy	3 073	n.a	3 053	n.a	20	0.06
Baranya	2 365	n.a	2 589	n.a	-224	-0.55
Zala	1 969	n.a	1 874	n.a	95	0.32
<b>Total Hungarian side</b>	7 407	-	7 516	-	-109	-0.10
Koprivničko-Križevačka	601	156	755	87	-85	-0.68
Viroviticko-podravska	463	298	734	220	-193	-2.07
Osječko-Baranjska	1 426	781	1 707	474	26	0.08
Medijumska	343	192	384	128	23	0.19
Varaždinska	600	207	739	108	-40	-0.22
Bjelovarsko-Bilogorska	757	267	1 151	163	-290	-2.17
Vukovarsko-Srijemska	1 094	618	2 255	411	-954	-4.66
Požesko-slavonska	408	210	771	159	-312	-3.64
<b>Total Croatian side</b>	5 692	2 729	8 496	1 750	-1 825	-1.43
<b>TOTAL BORDER REGION</b>	<b>13 099</b>	<b>2 729</b>	<b>16 012</b>	<b>1 750</b>	<b>-1 934</b>	<b>-0.84</b>

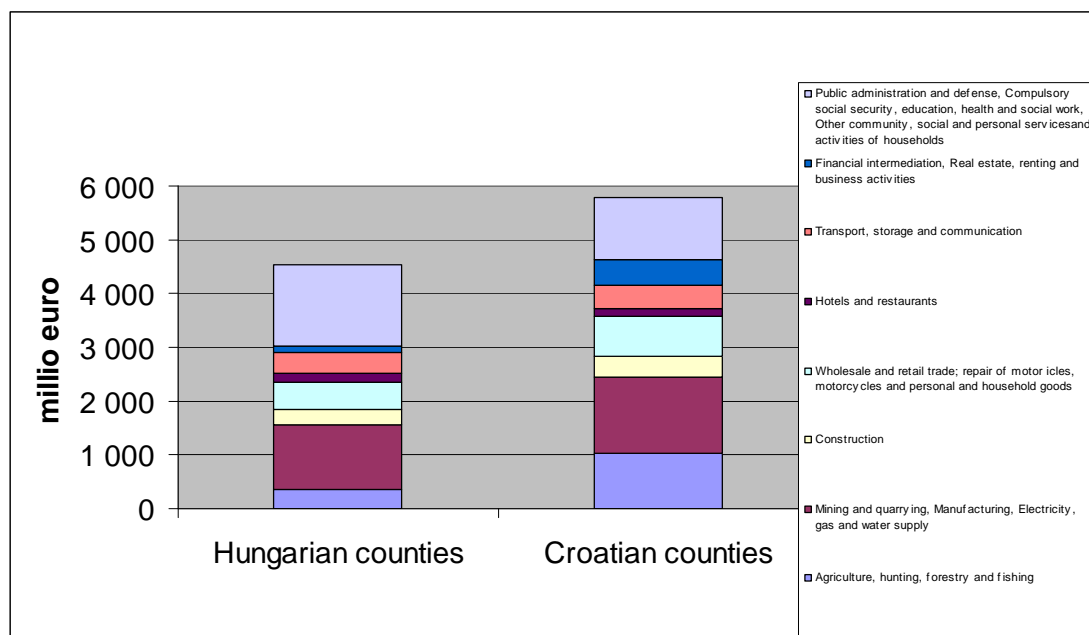
(Source: Croatian Bureau of Statistics, Census 1991, 2001); Central Statistical Bureau, Census 1991, 2001)

**ANNEX 3 List of NUTS V codes, Croatia**

ID	Name	ID	Name
27	Antunovac	2836	Nova Bukovica
132	Beli Manastir	2925	Novigrad Podravski
159	Belica	3077	Orahovica
167	Belisce	3123	Osijek
213	Bilje	3247	Peteranec
230	Bizovac	3255	Petlovac
540	Crnac	3271	Petrijevci
566	Cacinci	3328	Pitomaca
574	Cadavica	3409	Podgorac
604	Čakovec	3425	Podturen
647	Ceminac	3468	Popovac
655	Cepin	3557	Prelog
663	Darda	3611	Punitovci
752	Domasinec	3662	Rasinja
787	Donja Dubrava	3816	Satnica Dakovacka
825	Donji Kraljevec	3859	Selnica
868	Donji Miholjac	3867	Semeljci
892	Donji Vidovec	3956	Slatina
914	Draz	4057	Sokolovac
949	Drenje	4073	Sopje
965	Drnje	4219	Strizivojna
1031	Dakovo	4243	Suhopolje
1040	Delekovec	4391	Sveti Ivan Zatno
1066	Durdenovac	4405	Sveti Juraj na Bregu

1074	Durdevac	4413	Sveti Martin na Muri
1104	Erdut	4421	Sveti Petar Orehovec
1112	Ernestinovo	4499	Spisic Bukovica
1155	Ferdinandovac	4529	Strigova
1163	Fericanci	4618	Trnava
1228	Gola	4715	Valpovo
1236	Gorican	4855	Viljevo
1244	Gorjani	4901	Virje
1368	Gradina	4910	Virovitica
1457	Hlebine	4944	Viskovci
1945	Klostar Podravski	4995	Vocin
1953	Knezevi Vinogradi	5045	Vratisinec
2011	Koprivnica	5177	Vuka
2020	Koprivnicki Bregi	5240	Zdenci
2038	Koprivnicki Ivanec	5592	Kalinovac
2054	Koska	5606	Kalnik
2062	Kotoriba	5614	Novo Virje
2143	Krizevci	5762	Donja Moticina
2143	Krizevci	5789	Magadenovac
2275	Legrad	5797	Vladislavci
2305	Levanjska Varos	6033	Dekanovec
2453	Lukac	6041	Gornij Michaljev
2500	Mala Subotica	6050	Orehovica
2577	Marijanci	6068	Strahoninec
2666	Mikleus	6076	Sveta Marija
2704	Molve	6084	Senkovec
2712	Podravska Moslavina	6092	Jagodnjak
2763	Mursko Sredisce	6149	Sodolovci
2780	Nasice	6165	Podravske Sesvete
2798	Nedelisce	6181	Gornja Rijeka

## ANNEX 4 Economic breakdown of economic output in the border region



Source: Croatian Bureau of Statistics, Hungarian Central Statistical Bureau 2003

### **ANNEX 5 Acronyms**

AA	Audit Authority
CA	Certifying Authority
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border Co-operation
CROSTAT	Republic of Croatia - Central Bureau of Statistics (Republika Hrvatska - Državni Zavod za Statistiku)
CSG	Community Strategic Guidelines
DDNP	Danube-Drava National Park
EC	European Commission
ERDF	European Regional Development Fund
FTU	Financial Transfer Unit
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GOP	Economic Development Operational Programme
HCSO	Hungarian Central Statistical Office (Központi Statisztikai Hivatal)
HR	Croatia
HU	Hungary
IP	Information Point
IPA	Instrument for Pre-Accession
JMC	Joint Monitoring Committee
JTS	Joint Technical Secretariat
KEOP	Environment and Energy Operational Programme
KÖZOP	Transport Operational Programme
LB	Lead Beneficiary
MA	Managing Authority
MIS	Monitoring and Information System
MSTTD	Ministry of the Sea, Tourism, Transport and Development
NP	National Park
NSRF	National Strategic Reference Framework
MSTTD	Ministry of the Sea, Tourism, Transport and Development
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
PHARE	Poland and Hungary Assistance for the Reconstruction of the Economy
PPPM	Public Private Partnership Model
pSCI	specific nature conservation areas
PTE TTK	University of Pécs Faculty of Science
R&D	Research & Development
RDI	Research, Development and Innovation
RTD	Research and Technological Development
SEA	Strategic Environmental Assessment
SLO	Slovenia
SME	small and medium enterprises
SPA	specific bird reserves
TA	Technical Assistance

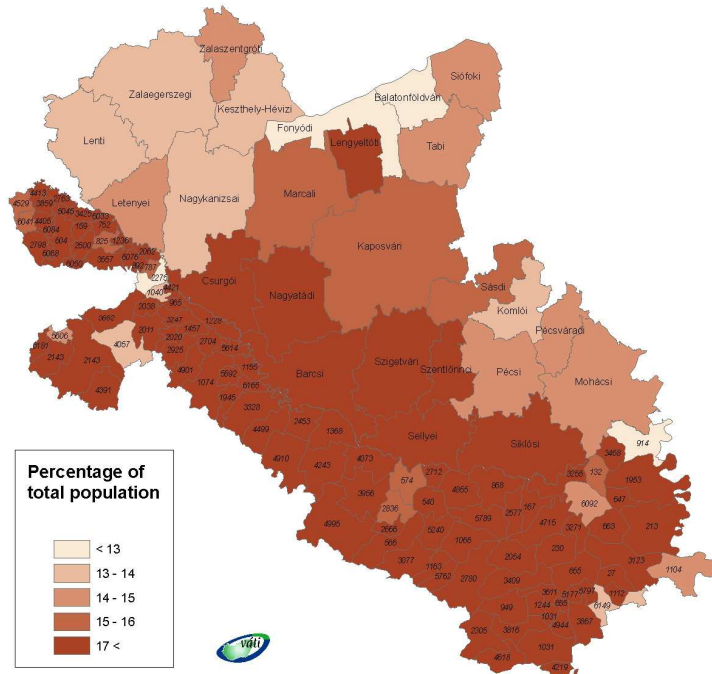


TÁMOP	Social Renewal Operational Programme
TelR	National Regional Development and Spatial Planning Information System
UKIG	Public Road Management and Coordination Directorate
UNESCO	United Nations Educational, Scientific and Cultural Organisation

**ANNEX 6 Maps**

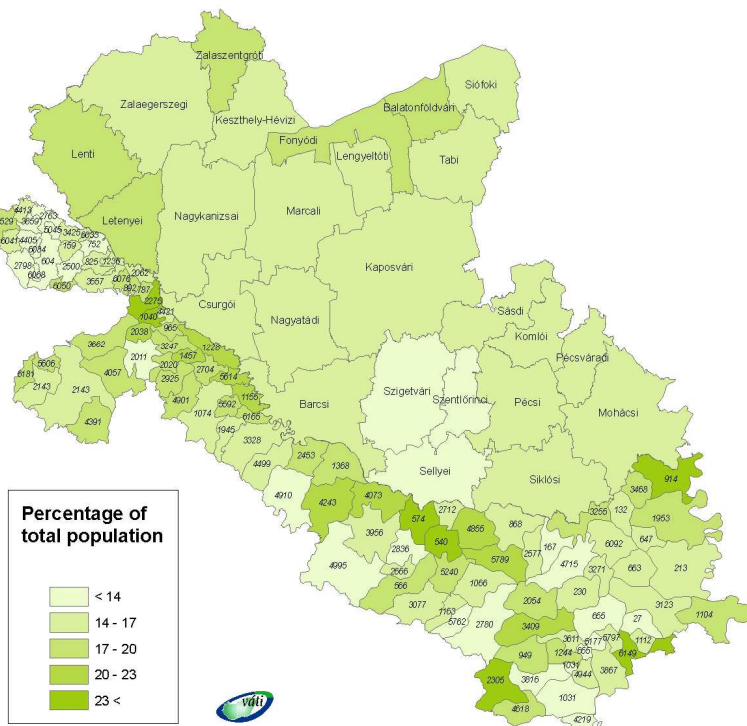
**Map 6.1 Age structure of the Hungarian microregions and the Croatian border**

*0-14 population in the eligible area*



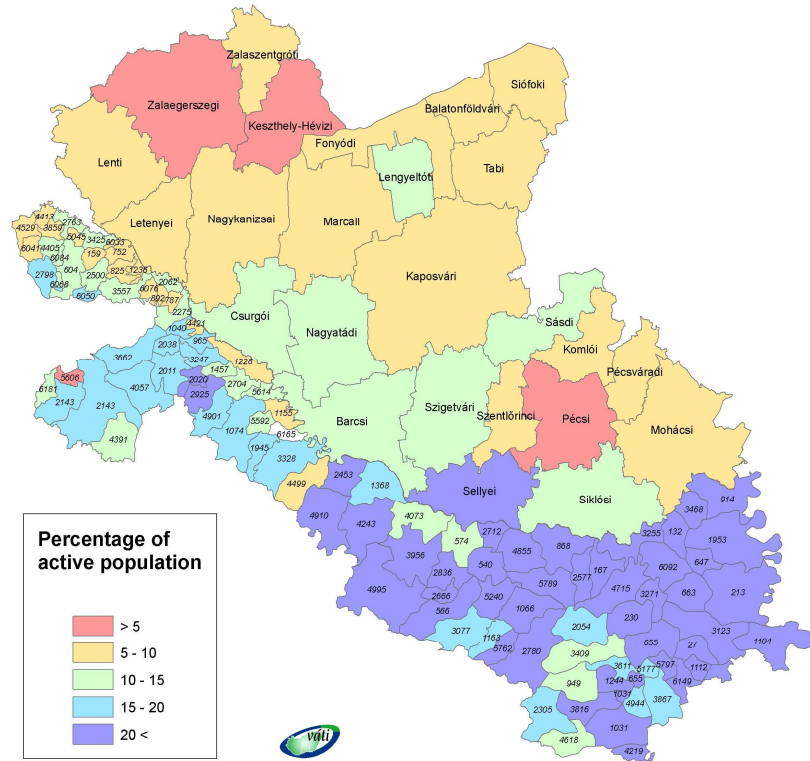
**municipalities**

*65+ population in the eligible area*

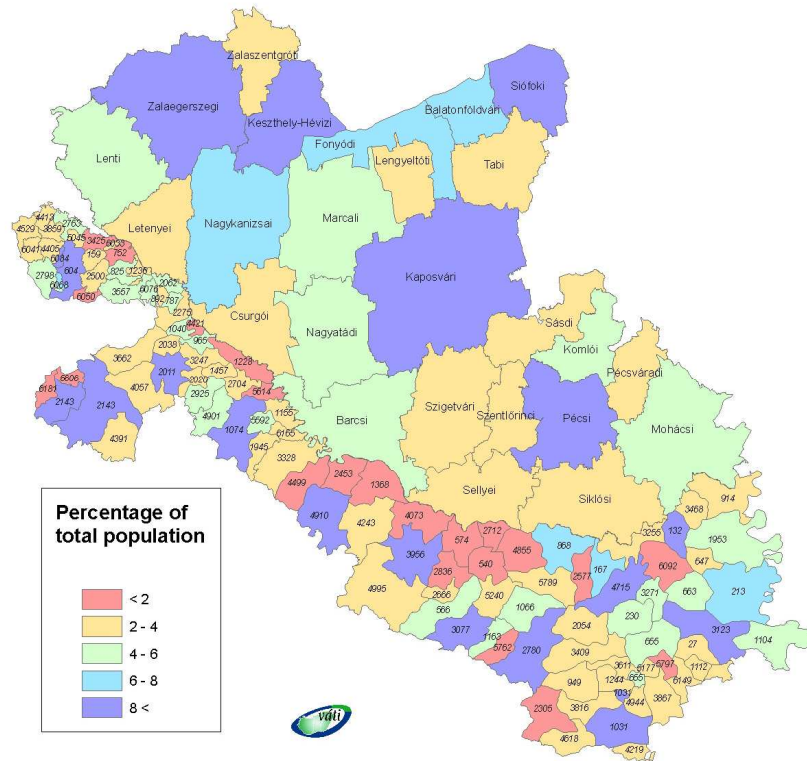


Map 6.2 Unemployment rate at microregional level in the eligible region

*Unemployment in the eligible area*



**Map 6.3 Higher education qualifications in the eligible area**  
*Population with higher education degree in the eligible area*



## **ANNEX 7 Main documents used**

A horvát-magyar határmenti kapcsolatok speciális területei, Felsőoktatás – kutatás, kisebbségi kapcsolatok, területi tervezés és területi politika (Pécsi Tudományegyetem, Pécs, 2002, PTE TTK Földrajzi Intézet Kelet-Mediterrán és Balkán Tanulmányok Központja) – *Special focuses of Hungarian-Croatian cross-border relations*

CROST Project (Hungary-Croatia Pilot Small Projects Fund 2003, project No. HU 2003/004-347-05-02-03 Hu-Cro/03/52 1.)

CROSTAT REPUBLIC OF CROATIA - CENTRAL BUREAU OF STATISTICS,  
IPA Operational Programme Environment 2007 – 2013

IPA Operational Programme Transport 2007 – 2013

National Strategy for Regional Development, Republic of Croatia, 2005

Strategic Coherence Framework 2007 – 2013, Republic of Croatia

Slovenia-Hungary-Croatia Neighbourhood Programme 2004-2006

Jelentés a területi folyamatok alakulásáról – *Report on territorial processes*

KSH quarterly reports Baranya County

KSH quarterly reports Somogy County

KSH quarterly reports Zala County

National Environmental Programme, 2003-2008, Hungary

National Tourism Development Strategy by 2010, Republic of Croatia

Natura 2000 Network, Hungary

Project ideas of the Southern Transdanubian Environmental and Water Management Directorate, submitted into the planning process of the 2<sup>nd</sup> National Development Plan of Hungary

Regional Operational Programme Koprivničko-Koprivničko-Križevacka County

Regional Operational Programme Međimurska County

Regional Operational Programme Osječko-Baranjska County

Regional Operational Programme Virovitičko-Podravska County

Regional Operational Programme Vukovarsko-Vukovarsko-Srijemska County

Sectoral Operational Programmes, National Strategic Reference Framework, Hungary, 2007-13

Southern Transdanubian Region Operational Programme 2007-2013

UKIG study on the possible development of roads leading up to border crossings in Zala County

UKIG study on the possible development of roads leading up to border crossings in Somogy and Baranya counties

Western Transdanubian Region Operational Programme 2007-2013