Višnja Samardžija, PhD

# IMPLICATIONS OF THE ASSOCIATE MEMBERSHIP IN THE EUROPEAN UNION ON THE CROATIAN TERRITORY

Paper prepared for World Bank Development Vision Project Workshop Šibenik, Croatia, 4-5 October 2001

#### Introduction

The purpose of this paper is to analyse potential implications of the Stabilisation and Association Agreement (SAA) on Croatian territory, having in mind the need to develop comprehensive regional policy of the country at central and local level, in accordance with the country's natural, productive, agricultural and cultural potential.

The staring point in preparation of this paper was the fact that integration into the EU has implications on regional development of a candidate country and stimulates some changes that are necessary for development modern statistics or adjustment to international regional classification. Therefore development of regional policy should be approached in the light of the EU regional policy, the European Spatial Development Perspective (ESDP), having in mind the importance of designing and implementing the cross-border projects, creating synergy between the EU structural funds (INTERREG III) and the CARDS programme. In the focus of interest in the paper are the implications of the SAA on regional and local development in Croatia. Croatia does not have a coherent regional policy, but the SAA brings obligations to harmonise its regional development with the EU standards, as the impact of the recently initialled Stabilisation and Association Agreement.

The paper is divided into three parts. The first part discusses the Stabilisation and Association Agreement between Croatia and EU; the second deals with the EU regional policy issues as a basis for harmonisation while the third one deals with the obligations stemming from the SAA regarding the regional policy issues and implications of the SAA on Croatian territory.

## The framework - Stabilisation and Association Agreement

#### The nature and the time frame of the SAA

The forthcoming signing of the SAA makes turning point in relations between Croatia and the EU. It establishes institutional relations between Croatia and the European Union and marks the beginning of preparations and adjustment for the full membership. It is a stepping-stone towards future membership of Croatia into the EU and an instrument of the Stabilisation and Association Process (SAP), aiming to promote stability, peace and prosperity into the region of South-Eastern Europe.

The Agreement belongs to the new generation of association agreements. It combines similar provisions to those covered by Europe Agreements (signed with the candidate countries) with the stabilisation part by stressing the component of regional co-operation in particular. It includes the evolutionary clause, stating that Croatia is seen from the EU side as a potential candidate for membership. On the other hand, it envisages the possibility of individual progress towards a latter stage of membership negotiations.

The SAA was initialled on 14 May, 2001. It puts on end to the negotiation stage and is expected to be signed in autumn 2001. The agreement<sup>1</sup> will come into force after being ratified by parliaments of all the EU member states and Croatia, as well as by the European Parliament. This is a procedure that usually lasts at least two years.

The Interim Agreement, initialled on 10 July 2001, will come into force in January 2002, after having been formally adopted when the SAA is signed. It will allow for the provisions on trade liberalisation and relevant provisions on transport to take effect before the SAA is ratified. The same applies to the part of approximation of legislation with direct implications on regional policy (market competition including State aid), which will come into force starting from January 2002.

The main components of the SAA are regional co-operation and stability of political dialogue, free movement of goods, movement of workers, establishment, supply of services, capital, approximation of laws, law enforcement and competition rules, cooperation in justice and home affairs, cooperation policies, and financial cooperation.

Regional cooperation is important component of SAA, covered by the stabilisation part of the agreement. Stabile neighbourhood is a precondition not only for the sustainable

<sup>&</sup>lt;sup>1</sup> Stabilisation and Association Agreement between the European Communities and their member states and the Republic of Croatia.

development and the growth of the region, but of the development of all the countries of the area in particular.

The SAA objective is to gradually establish free trade area between the EU and Croatia over a transition period lasting a maximum of six years. Apart of that, the association is based on reforms designed to achieve the adoption of EU standards, including enhanced cooperation, notably in the field of justice and home affairs, with the aim of gradual rapprochement to the EU<sup>2</sup>.

The SAA confirms the existing free trade regime for Croatian goods on European market and sets up the timetable for trade liberalisation of goods and services. Free trade area will be established for industrial and agricultural products including fisheries, originating in the Community or in Croatia. This means that the agreement would offer Croatia, even before full accession, a high degree of integration into the EU, with all the implications for its economy.

In the meantime, as a country participating in the EU Stabilisation and Association Process, Croatia was granted exceptional trade measures<sup>3</sup> to be applied until the end of the year 2002. The measures that have been in force since 1 November 2000 are aimed at an easier access to the EU market for almost all agricultural and industrial products originating in the Republic of Croatia. A separate agreement was concluded on textile products<sup>4</sup>, which abolishes all quantitative restrictions and customs tariffs on the imports of Croatian textile products into the EU. It provisionally applies since 1 January 2001. Apart of trade related issues, the SAA includes provisions on free movement of workers, establishment, supply of services and capital.

Croatia has taken on the obligation of approximation of existing legislation to that of the Community. Starting from the entry into force of the Interim Agreement (January 2002), approximation will focus on fundamental elements of the Internal market *acquis* as well as on other trade-related areas. Approximation will gradually extend to other parts of the *acquis communautaire*, encompassed by the SAA.

The SAA will bring economic and political benefits to Croatia, such as:

establishment of institutional relations with the EU, including joint bodies and political dialogue;

<sup>&</sup>lt;sup>2</sup> European Union Newsletter. No 3, Zagreb, August 2001. Delegation of the European Commission to the Republic of Croatia.

<sup>&</sup>lt;sup>3</sup> Council Regulation No. 2007/2000, 18.9.2000

<sup>&</sup>lt;sup>4</sup> Council Decision 2001/55/EC, 22.12.2000.

- ø opening of markets, access to the pan-European diagonal cummulation of rules of origin;
- adjustment of legal framework and economic infrastructure as a basis for successful completition of economic transition and fostering the inflow of FDI;
- øpening of technical assistance programmes which will assist the implementation of the SAA (CARDS), make basis for continuation of regional cooperation (INTERREG III) and stimulate other forms of cooperation (TEMPUS, LIFE III, Copernicus, other).

Apart from the mentioned advantages, the SAA also means significant commitments. It is a legally binding international agreement between Croatia, the EU and its member states. As such, it takes precedence over domestic law. It establishes joint institutions - the Stabilisation and Association Council, Committee and the Parliamentary Committee. Decisions taken by the Council are legally binding and the Croatian Government takes the obligation of implementing all the commitments covered by the SAA. They have to be fulfilled within the transition period of six years and with a view of future eventual full membership in the EU. This implies efficient coordination and monitoring of the SAA implementation together with the assessment of the impact on Croatian economy.

#### Implementation and monitoring of SAA

The essential precondition for successful start of the integration process into the EU is effective implementation of the SAA, since it marks the beginning of deep reforms, particularly in legal and economic sphere. It is therefore necessary to identify obligations and commitments that Croatia and the EU will take on by signing the SAA and to programme the implementation by identifying measures, implementation deadlines and responsible authorities in Croatia.

In cooperation with other relevant Government bodies and agencies, the Ministry for European Integration (MEI) developed the Implementation Plan for the SAA<sup>5</sup>. Implementation itself will be the role of line ministries and specialised Government agencies, while MEI has the coordinative function in the whole process. The aim of the document is to make an inventory of all requirements and obligations of the SAA, to define measures to be undertaken, responsible institutions, timetable and resources needed to implement the SAA. The document will be a tool for both implementing the SAA and monitoring and reporting of process.

The Implementation Plan for the SAA is the first stage in the preparation for accession. The next step is the preparation of the *National Programme for Adoption of the Acquis* (NPAA) as a guide for the preparation for the membership, together with the "rolling" programme with the schedule for each year and the list of tasks that have been already undertaken. It will include the programme for harmonisation of legislation, measures for economic adjustment, institutional changes needed and the accompanying education and translation activities needed with the programme of communicating with the wider public.

# European Union and the regional policy issues

#### The approach

The Article 3 of the Treaty Establishing the European Community<sup>6</sup> EC underlines in its Preambule "strengthening the economic and social cohesion", and thus has direct implications on the convergence of living standard and economic development among the regions of the EU. To achieve this goal, the EU developed various instruments of financing regional development while precise regulation of state aid to regions is defined at national level of the member states.

During the adjustment process, the potential candidates must harmonise their regional policies with the EU standards. The adjustment in this sphere is of utmost importance for getting access to the EU Structural Funds and financial instruments in the future.

The EU structural policy (referred also as a regional policy) is intended to reduce inequalities between richer and poorer regions of European Union. The variety of programmes has been established to help the regions suffering from problems associated with industrial decline, poor infrastructure and other barriers to development.

#### Funds and initiatives

In the period from 2000 to 2006, the EU regions lagging in development will continue to be supported through four Structural Funds<sup>7</sup>. They include European Social Fund (ESF), established to tackle unemployment and the European Agricultural Guidance and Guarantee Fund (EAGGF), which was set up to support agricultural development, while the Guidance element was introduced to contribute to structural adjustments in industry. The European

<sup>&</sup>lt;sup>5</sup> Plan for Implementation of the SAA. Ministry for European Integration, Draft version. September 2001.

<sup>&</sup>lt;sup>6</sup> Consolidated version of the Treaty Establishing the European Community. European Union: Consolidated Treaties. Office for Official Publication of the European Communities. Luxembourg, 1997.

<sup>&</sup>lt;sup>7</sup> The Structural Funds have the budget of EUR 213 billion for the period 2000-06. They target financial assistance under three Objectives (93% of the budget) and four Community Initiatives (5,35% of the budget).

Regional Development Fund (ERDF)<sup>8</sup> is aiming to help reduce the main regional imbalances, difference in economic growth and living standards within member states. The Financial Instrument for Fisheries Guidance (FIFG) is aimed to reduce the problems in fisheries. As a part of the structural policy, the Cohesion Fund was established (1993) to finance infrastructure developments of less developed member states (Greece, Ireland, Portugal and Spain).

In addition to four Structural Funds and the Cohesion Fund, loans from the European Coal and Steel Community (ECSC) and the European Investment Bank (EIB) were also used to promote regional development.

However, the mentioned funds have been often criticised for being poorly coordinated. The revision of the Structural Funds was undertaken in June 1999<sup>9</sup>. The current Funds cover period 2000-2006 and are intended to meet three Objectives:

Objective 1: development and structural adjustment of the regions whose development is lagging behind (less than 75% of the Community average);

Objective 2: economic development and social conversion of the areas facing structural difficulties (industrial, rural and urban areas, areas dependant on fisheries);

*Objective 3*: human resources development (adaptation and modernisation of national policies, assistance to education, training and employment).

The four Community Initiatives supplement the funds:

Interreg III – to encourage cross-border, trans national and interregional co-operation;

*Leader* – to support rural development and social action groups;

*Urban* – to assist urban regeneration;

Equal – to promote equal opportunities by combating all forms of discrimination and inequalities concerned with unemployment.

In this context it is necessary to mention the importance of territorial classification. Namely, Eurostat created the *nomenclature of territorial units for statistics* (NUTS) in order to make a single and coherent structure of territorial distribution<sup>10</sup>. The current nomenclature subdivides the EU member countries into three NUTS levels. Eligibility for Objective 1 (regions whose development is lagging behind) is principally defined with NUTS II level;

<sup>&</sup>lt;sup>8</sup> The ERDF was defined by the Maastricht Treaty in an amendment to the Treaty of Rome (Article 160). The ERDF is concerned mainly with the Objectives 1 and 2: underdeveloped regions and those particularly affected by the decline of traditional industries such as col, steel, shipbuilding and textiles.

<sup>&</sup>lt;sup>9</sup>Council Regulation No 1260/1999 of 21 June 1999 laying down general provisions of the Structural Funds.

<sup>&</sup>lt;sup>10</sup> NUTS has been used in Community legislation pertaining to the Structural Funds since 1988.

while Objective 2 areas (those facing structural difficulties) are generally defined with reference to NUTS III level.

On the other hand, the *European Spatial Development Perspective (ESDP)*<sup>11</sup> focuses on demographic, economic and environmental implications on shaping future spatial development providing the reference framework for encouraging cross-border cooperation between local and regional authorities. The ESDP aims to encourage integrated, coordinated approach across all policy sectors and levels of administration. Among others, it covers an European approach to spatial development trends, programmes and visions for integrated spatial development as well as enlargement and spatial development. The main vehicle for promoting the ESDP is expected to be the INTERREG III Community Initiative.

However, the ESDP is predominately focusing on the regional development issues of the EU member states only. The European Consultative Forum on Environment and Sustainable Development<sup>12</sup> in its comments and recommendations pointed out the problems of the periphery of the Union and its neighbouring countries, stressing that "Europe is not an island and should not be considered as such. The inequalities even between the less affluent Member States of the Union and many of the surrounding countries (such as those of the South and East Mediterranean or of Eastern Europe) are enormous and still growing. The resulting social and economic problems within these countries have an increasing impact on EU"<sup>13</sup>. According to the mentioned source, the ESDP should be further actively developed, having in mind that "A change is needed from the present approach to objectives, to a provision of a clearer and a more surrageous policy orientation framework for the European continent and its neighbouring regions. This should overcome the limitation agreed in Leipzig in 1994 of the approach being indicative and not perscriptive." <sup>14</sup>

# Integration into the EU and regional development: Croatian perspective

Adjustment or regional policy development?

Regional policy plays important role in the process of integration into the EU. It was recognised by most advanced candidate countries from Central and Eastern Europe (CEE). Most of successful transition countries approached (more or less successfully) the growing

<sup>&</sup>lt;sup>11</sup> The ESDP was initiated at the Liege Council in 1994, and the first official draft was approved in June 1997 by the EU ministers of spatial planning in Noordwijk, Netherlands.

<sup>&</sup>lt;sup>12</sup> The European Consultative Forum on Environment and Sustainable Development was established as a consultative body by a Commission Decision 97/150/EC.

<sup>&</sup>lt;sup>13</sup> The European Spatial Development Perspective (ESDP). Comments and Reccomendations from the European Consultative Forurum on the Environment and Sustainable Development. Brussels, January 1999. www.europa.eu.int/en/comm/dg11/dg11home/html.

regional disparities and tried to introduce the regional dimension into their development policies. Regional development measures started to be implemented, but still in many CEE countries there is the need to introduce a comprehensive regional development strategy and practically all candidate countries make steps in adjusting their regional policies to the EU standards.

The prospect of EU membership and eligibility for assistance from the Structural Funds (in the long run) is a strong incentive to develop institutional capacity needed to deal with the regional development issues for all candidate countries and for those which intend to become one in the near future. This is the case with Croatia, as well.

The importance of developing modern regional policy was stressed in the Government Programme for 2000-2004<sup>15</sup>, particularly development of demographically and economically underdeveloped areas by applying modern models of regional development management. It envisaged introducing new instruments and incentives to the existing legal and institutional framework.

Implementation of SAA will mark the beginning of a systematic work on the adjustment to the EU standards in the sphere of regional policy. The precondition for it is to prepare a national strategy and the concept of regional development having in mind that the principles, instruments and institutions of regional policy should be harmonised with the EU regional policy. Furthermore, it is necessary to coordinate the regional policy and other policies that influence spatial development (industrial, agricultural, tourist, transport, employment etc).

The contribution to formulation of national and regional development policies is the project within the OBNOVA programme<sup>16</sup>, with the objective of strengthening the programming and institutional capacities of the Croatian authorities in the field of regional policy. The beneficiary institution is the Ministry of Public Works, Reconstruction and Construction, which is the main implementing body for the regional policy in Croatia. The purpose of the project is to outline the framework for the conceptualisation of national and regional development plans according to EU requirements in the field of regional and structural policies; to suggest the most appropriate structure and implementation mechanisms at national and regional level and to identify the necessary capacity building measures for

<sup>&</sup>lt;sup>14</sup> Ibidem.

<sup>&</sup>lt;sup>15</sup> Working Programme of the Government of Republic of Croatia for the period 2000-2004. Government of Republic of Croatia. Zagreb, 8 February 2000.

<sup>&</sup>lt;sup>16</sup> "Support to the Ministry of Public Works, Reconstruction and Construction in the formulation of national and regional policies", OBNOVA project, being implemented in 2001.

managing regional development programmes. In the future, the mentioned project should be linked to other projects (CARDS).

The regional policy should be formulated taking into account the spatial and development heterogeneity of Croatia. The main principle, discussed in the country as a guideline for the future, is a bottom-up regional development management and decentralisation coupled with the central state policy of infrastrucural development.

In strengthening competitiveness of the regions, business and in particular small and medium-sized enterprises (SME), which form the basis of the region's productive development, must anticipate and adapt to the technological changes that are occurring increasingly in international markets. In this *new economy*, knowledge and know-how are becoming raw materials. Human capital is becoming determining factor; continuing training and life-long learning are becoming the keys to innovation and regional competitiveness.

#### Regional policy issues covered by the SAA

Croatia is at the beginning of the process: a coherent strategy for regional development and <u>regional policy</u> has not been developed in the country yet, and the territorial distribution of regions does not comply with European standards. Croatia is making efforts towards formulating its regional policy in the context of EU requirements in the field of regional and structural policies and developing institutional structure and implementation mechanisms. The work on relevant legislation is under way. In this process, coordinated efforts of all partners involved are of essential importance.

The SAA covers some important aspects of future regional development. These are legislation, regional statistics and territorial classification.

The first area of approximation related to regional policy issues is <u>legislation</u>.

Within the SAA, Croatia has taken on the obligation of approximation the existing legislation to that of the Community. The approximation of some areas of legislation, including parts relevant for the regional policy issues is the obligation that will come into force with the Interim Agreement. Competition and State aid are the first among 12 priority areas. Legal harmonisation will afterwards gradually extend to all elements of the Community acquis covered by the SAA.

One of the priority areas is the <u>State aid</u>, covered by the competition and other economic provisions of the SAA<sup>17</sup>. State aid is an important area of the Community *acquis*, which, among others, regulates state support to the regions lagging in development. In this

sphere, Croatia will have to adjust its State aid programmes to the criteria arising from the application rules applicable in the Community. Croatia is in a specific situation due to the consequences of the war, so the priorities for the State aid in the country are regions affected by the war as well as underdeveloped regions.

This obligation of adjustment in this sphere comes into force within the period of one year from the entry into force of the Interim Agreement (1 January 2001), and includes the following:

- to establish the operationally independent authority which will be entrusted to authorise the state aid schemes and individual aid grants in conformity with the SAA,
- $\varnothing$  to align the existing aid with provisions of the SAA<sup>18</sup>.

It is important to mention that the process of integration in the EU, with all the adjustments and reforms Croatia will have to undertake, is complimentary to the commitments Croatia has undertaken towards the IMF, World Bank, EBRD and other international financial institutions. This is the case in regional development issues, in particular. Croatia recently signed a *Structural Adjustment Loan Agreement* with the World Bank, which will in part finance the economic reform program. The mentioned economic reform program is aimed to, among other things, place Croatia's economy on a sustainable growth path and prepare its integration into European structures. Among others, Croatia will have to reduce the amount of direct subsidies in the economy, eliminating the use of non-transparent indirect subsidies.<sup>19</sup>

Another important area of adjustment linked to regional development is statistics.

The internal market requires statistical standards applicable to the collection, transmission and publication of national and Community statistics. Comparable statistical data are among basic requirements and regional statistics is a cornerstone of European statistical system. Another important aspect is regional classification, which has to be incorporated into

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<sup>&</sup>lt;sup>17</sup> Article 70 of the SAA.

<sup>&</sup>lt;sup>18</sup> According the SAA provisions, it will be necessary to start the establishment of legal framework and ensure transparency in the State aid immediately after entering the Interim Agreement into force, while the work on implementing other mentioned obligations will have to start one year later. The transition period for the final provision (to align the existing State aid with provisons of the SAA) is four years.

<sup>&</sup>lt;sup>19</sup> Apart of that, being a member of WTO Croatia has to respect WTO agreement on *Subsidies and Countervailing Measures* in the sphere of foreign trade and, based on its principles, make efforts to reduce subsidies in other areas of economy.

the legal framework. Objective criteria for definition of regions will be necessary, although it is not among the first priorities.

Croatia will have to develop an efficient and sustainable statistical system, and to strengthen the institutional capacity of Central Bureau of Statistics of Croatia, respecting the principles of statistics issued by the United Nations and the stipulations of the European Statistical law. Croatia should introduce the regional statistics system harmonised with the *Eurostat* system. This includes approximation of legislation on statistics with the EU standards. In this respect, the SAA envisages cooperation between the EU and Croatia aiming to pursue harmonisation with international and European standards and classification in order to enable the national statistical system to adopt the Community acquis in statistics<sup>20</sup>. Development of mutual programmes for cooperation in this area is possible.

For this purpose, harmonisation with international and European standards and classification is necessary in order to enable national statistical system to adopt the Community acquis in statistics.

In order to adjust to the <u>EU classification</u>, Croatia will have to adjust its legislation and to introduce the methodology of statistical researches in accordance with the Statistical Requirements Compendium.

Furthermore, development and implementation of the nomenclature of territorial units (in accordance with NUTS) will be necessary. More precisely, it will be necessary to establish the non-administrative regional classification at the NUTS II level, for the purpose of counting the GDP per capita harmonised at NUTS II level, evaluating the eligibility of the regions of Croatia as well as drawing up the regional aid map on the basis of relevant Community guidelines. This is important area of harmonisation because it is a precondition for future eligibility for the Structural Funds. Only EU member countries are eligible for the support from Structural Funds, but harmonised classification is another basic precondition and all the candidate countries have to adjust their systems to the EU standards.

Last but not least, new institutions should be established, such as national agency for regional development and the network of regional and local development agencies. Setting up of the integrated management information system is also among priorities, as a back up for the vocational training of the policy makers and public servants involved in planning, implementation and monitoring of the process.

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<sup>&</sup>lt;sup>20</sup> Article 83 of the SAA.

For this purpose, <u>decentralisation and reorganisation</u> of the whole administrative system and the reform of local self-government will be needed in Croatia in the long run. The process of decentralisation has already started. The Government Programme for the period 2000-2004 announced initiation of a process of broad decentralisation and the strengthening of local and self-government, which includes widening of competences of the local self-government units and the provision of higher level of independence from central government and administration. The gradual broad-based transformation process of territorial organisation is envisaged, including the revision of legislation and creating framework for a stronger process of decentralisation and reform of local self-government<sup>21</sup>.

#### The role of technical assistance

For implementing the mentioned measures, technical assistance is needed in form of transfer of know how and the experience from the EU member states and candidate countries. In some areas either bilateral or the EU programmes are underway, but still there are many areas that should be covered by the assistance programmes in order to prepare the ground for the efficient adjustment and implementation of the SAA.

The SAA envisages strengthening of regional development cooperation between Croatia and the EU, with the objective of *contributing to economic development and reducing regional imbalances*. As it is stated in the SAA<sup>22</sup>, specific attention will be given to crossborder, trans-national and interregional cooperation, including exchange of information and experts.

Different areas of cooperation between Croatia and the EU that might reflect on regional policy and regional development are envisaged by the SAA<sup>23</sup>. For example, promoting local development to assist industrial and labour market restructuring is envisaged with regard to employment<sup>24</sup>. Cooperation at regional and international level is envisaged in areas of environment<sup>25</sup>, while cooperation on rural development is specified in agriculture and agro-industrial sector<sup>26</sup>. In the area of industrial cooperation "initiatives will take into account the regional aspects of industrial development, promoting trans-national partnerships when relevant"<sup>27</sup>.

<sup>23</sup> Chapter VIII, Cooperation Policies.

<sup>&</sup>lt;sup>21</sup> Perko-Šeparovic, Inge. The Reform of Local Self-Government in Croatia. In: Local Self Government and Decentralisation in South-East Europe. Proceedings of the Workshop held in Zagreb, 6<sup>th</sup> April 2001. Friedrich Ebert Stiftung. Office Zagreb. 2001

<sup>&</sup>lt;sup>22</sup> Article 105 of the SAA.

<sup>&</sup>lt;sup>24</sup> Article 91 (Social co-operation) of the SAA.

<sup>&</sup>lt;sup>25</sup> Article 103 of the SAA.

<sup>&</sup>lt;sup>26</sup> Article 92 of the SAA.

<sup>&</sup>lt;sup>27</sup> Article 86, paragraph 2, SAA

Development of well-prepared projects based on national priorities will be among essential preconditions for the EU funding. The CARDS National Strategy for Croatia (Multiannual Framework Programme 2002-04) envisages strengthening the administrative capacity as one of priority areas for cooperation. Planning of national, regional and local development is envisaged within this priority (with the emphasis on strengthening of institutional capacity to planning) as well as local and regional authorities capacity building for the process of fiscal and other decentralisation.

On the other hand, CARDS regional strategy (2002-04), within the priority of integrated management of borders envisages allocations on regional development. In cooperation of border areas, there is a possibility of coordination with PHARE (Slovenia, Hungary) and INTERREG III B CADSES<sup>28</sup> (Italy). CARDS regional strategy also envisages possibility of supporting cooperation in development of state statistics and their integration into the European statistical system.

The Adriatic Ionic Initiative meeting held in Split on 25 May 2001 confirmed the importance of designing and implementing cross-border projects in the Adriatic space, creating synergy between the EU Structural Funds, INTERREG III and the assistance programme for the SAP countries (CARDS).

Technical assistance from the EU should complement and contribute to corresponding national operations and current practises at national, regional, local and other level, with all participants acting as partners.

#### **Conclusions**

Implementation of Stabilisation and Association Agreement will mark the beginning of a comprehensive work on adjustment to the EU standards in the sphere of regional policy. Adjustment related to regional policy plays important role in the process of integration into the EU. Croatia is at the beginning of the process, since a coherent strategy for regional development and regional policy was not developed in the county.

The precondition for the adjustments is preparation of national strategy and the concept of regional development having in mind that the principles, instruments and institutions of regional policy should be harmonised with the EU regional policy. Furthermore, it is necessary to coordinate the regional policy and other policies that influence spatial development (industrial, agricultural, tourist, transport, employment etc).

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<sup>&</sup>lt;sup>28</sup> CADSES - Central Adriatic, Danubian and South-East European Space.

The Stabilisation and Association Agreement covers some important aspects of future regional development – legislation related to competition policy and State aid in particular, regional statistics and territorial classification. Adjustment in this sphere is among priorities in implementing the SAA.

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