

Draft Situation Analysis and preliminary SWOT

for the drafting of the Hungary – Croatia Crossborder Operational
Programme 2014 – 2020

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1. The situation analysis

1.1. Demography

In the programme area which has a territory being a bit more than of Belgium, the number of population exceeds 2,1 million heads, 46% of that lives in Hungary and 54% in Croatia. The population density is 69 capita/km², amounting to 59% of the figure of the European Union (EU 27) and lagging behind the national averages of the two countries as well (64% of the Hungarian and 91% of the Croatian average). It is especially the centre of the programme area which is scarcely populated, in the western part the population density could be regarded as high, but despite of that strong urban centre could not be found there. In Hungary Baranya county stands out somewhat, because of its county seat is Pécs, the biggest city in the programme area. Its neighbouring county, Somogy is the less populated county of Hungary, where the population density is even lower than half of the national average.

In Croatia, Međimurje and Varaždin County are particularly densely populated, above national average, in contrast to the middle part of the territory (Koprivnica-Križevci, Bjelovar-Bilogora, Virovitica-Podravina and Požega Slavonia), while the eastern Counties are close to Croatian average (75.71 inhabitant/km²).

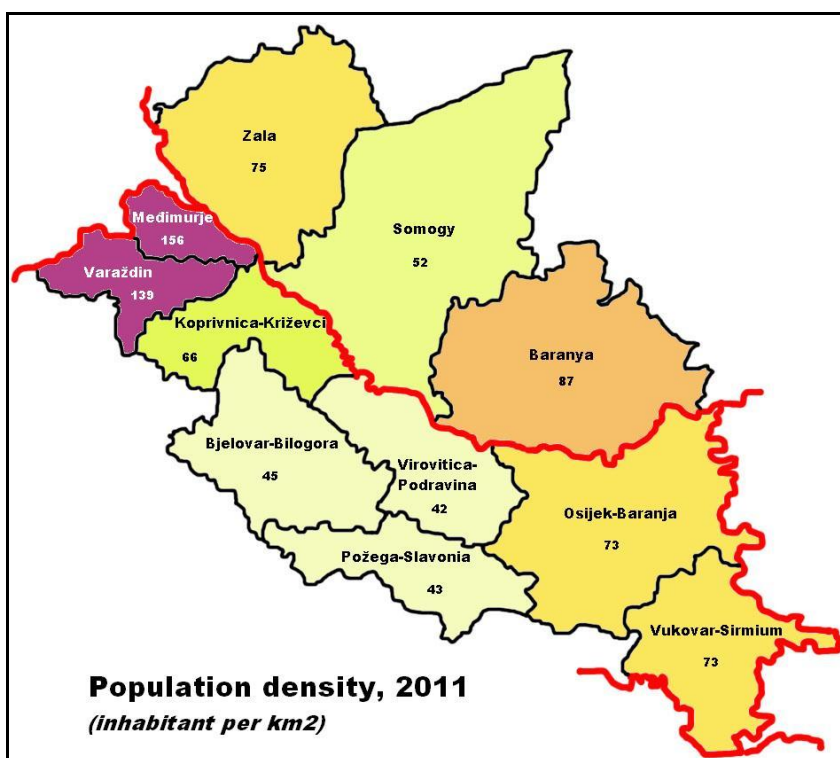


Figure 1: Population density of the counties within the programme area, 2011

Source: EUSTAT, own compilation

In the entire programme area, according to the two recent censuses, the number of population in general decreased by 4-12%, whilst the population of the European Union increased by 4%. The most dramatic fall in the number of population was registered in Vukovar-Sirmium county (-12.4% in comparison to 2001), but Bjelovar-

Bilogora County also has quite a significant drop in the population figures (-10.1%) in contrast with the Croatian average of -3.5%. In the three Hungarian counties the decrease in the number of population was similarly exceeding 5%, being twice as high as the national tendencies.

By the year 2011 the whole area was characterised by population decline. The process was strengthened by the general negative migration balance of the programme area.

The result of the above impacts in the area is that the proportion of the elderly increases and of the young decreases within the entire population. These will have severe negative social and economical consequences. The dependency ratio of the elderly population is the most favourable in Baranya among the three Hungarian counties: it is 24.5%, being lower than the national average. By contrast, the ratio of Zala county even exceeds the ratio of the European Union (25.9%). The dependency ratio in Croatia averages at 25.4%, but it varies between the counties in the border areas, from 23.1% in Medjmurje County (whose demographic data are in general the most positive within the Croatian part of the area) to 27.76% in Bjrlovar-Bilogora.¹

One of the favourable conditions of the area is the cohabitation of different nationalities, colouring the cultural supply and strengthening the cross-border cooperation as well.

In Baranya county 6.6% of the population is German, 4.5% Roma and 1.8% is Croatian. In Somogy 5.3% Roma and in Zala 2.6% Roma are registered. Increase of Roma population causes constantly emerging problems as their social integration is very problematic which is hindered by the fact that highest proportion of Roma minorities can be found in the micro regions in the most disadvantageous economic and social position.

In Hungary, there are 23 561 (0.2% of total population) people considering themselves belonging to the Croatian ethnic group. It is 66% growth compared to the census of 2001, although presence of Croatian minority is still marginal. Within the three counties, in total 16,000 Croatians (68% of total Croatian minority) are living according to the census of 2011, most of them in the settlements being located alongside the border. The educational, cultural centre of the Croatians living in Hungary is Pécs.

Croatia has 9.58% national minorities, of which Serbs are the largest (4.36%), followed by Bosniacs (4.36%), Italians (0.42%) and Albanians (0.41%) and Hungarians (0.33%). Of the eight counties included in the programme area, Vukovar-Sirmium has the largest proportion of minorities (about 20.3%), of which 15.5% Serbian. A significant Roma population lives in Međimurje County (4.49%), Bjelovar-Bilogora has, in addition to 6.31% Serbian population, a significant Czech minority (5.25%),

There are 14,048 Hungarians in Croatia, i.e. 0.33% of overall population, mostly concentrated in the border area. The percentage of Hungarians in different counties of the programme area varies. Significant proportion of Hungarian minority (almost 2/3 of total) can be found in Osijek-Baranja County: 2.7%. Presence of Hungarian minorities is much more marginal in the other Croatian counties with proportion of 0.94% in Vukovar-Sirmium, 0.74% in Bjelovar-Bilogora, 0.24% in Virovitica-

¹ DZS, Census of population 2011 (own calculation based on available data)

Podravina, 0.21% in Požega-Slavonia, 0.08% in Koprivnica-Križevci, 0.06% in Međimurje and 0.03% in Varaždin County. Like Pécs for Croatians in Hungary, Osijek is the educational and cultural centre of Hungarians in Croatia.²

1.2.Spatial structure

The programme area is partly bordered by natural waters: on the north by the Balaton, on the east by the Danube. The state border of Hungary and Croatia predominantly follows the Mura and Drava rivers until Drávaszabolcs.

The target area is characterised by a disperse small settlement system (see Figure 2). On the Hungarian side the programme area comprises three counties, whereas Somogy has the biggest size and Baranya is the most populated. Baranya and Zala have the most disperse settlement structure with more than twice higher number of municipalities than Hungarian average.

The programme area on the Croatian side consists of eight counties whereas Osijek-Baranja county has the biggest size and is most populated. On the Croatian side there is a huge difference in density of settlements: the Western counties consist extremely high number of settlements even comparing to Croatian national average, while Eastern counties of Osijek-Baranja and Vukovar-Sirmium are characterised by much lower density of settlements.

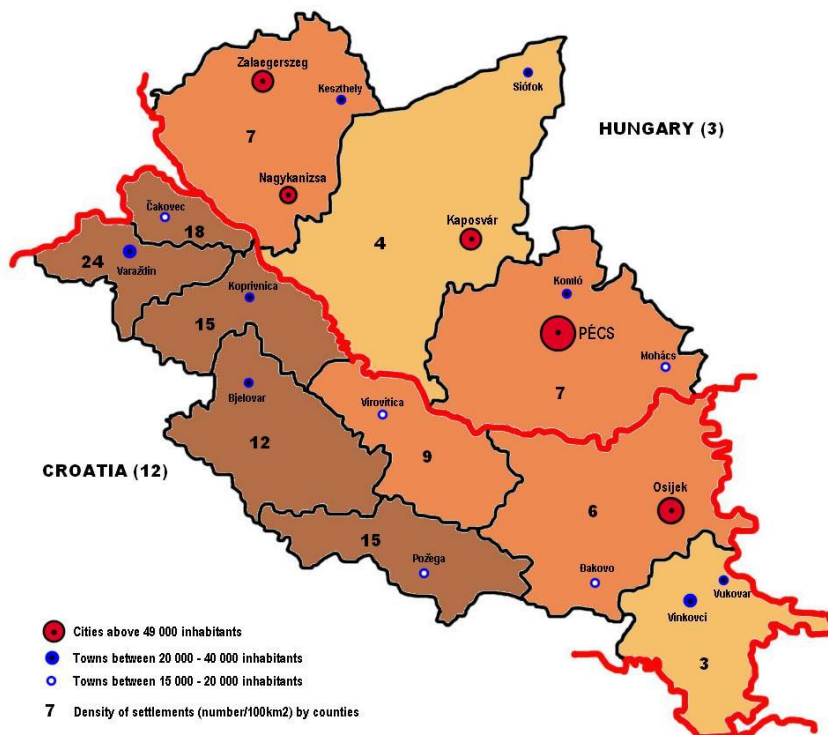


Figure 2: Density of settlements and cities within the programme area, 2011

Source: EUSTAT, own compilation

² DZS, Census of population 2011

The high average density of settlements reflects the rural characteristic of the programme area, which is even more emphasised by the weak network of urban areas. There are only five cities with more than 40,000 inhabitants in the programming area: the four Hungarian cities with county rank: Pécs (the biggest urban centre of the programme area with an agglomeration of about 190,000 people), Kaposvár, Zalaegerszeg as county seats, Nagykanizsa as an urban pole on the south of Zala (being the most important transport node in the programme area) and Osijek as the only Croatian town in the area with an agglomeration over 100,000 inhabitants, the third biggest town in Croatia (city of strategic and transport importance).

Backbone of the settlement structure is the high number of small sized towns (see Table 1) with limited economic capacity and services and the lack of middle sized cities with considerable urban functions and quality city functions and services.

Cuty/Town	Population 2001	Population 2011	Change (%)	County (NUTS3)	
Pécs	162 498	156 049	96	Baranya	HU
Osijek	90 411	84 104	93	Osijek-Baranja	HR
Kaposvár	68 697	66 245	96	Somogy	HU
Zalaegerszeg	61 654	59 499	97	Zala	HU
Nagykanizsa	52 106	49 026	94	Zala	HU
Varaždin	41 434	38 839	94	Varaždin	HR
Vinkovci	33 239	32 029	96	Vukovar-Sirmium	HR
Bjelovar	27 783	27 024	97	Bjelovar-Bilogora	HR
Vukovar	30 126	26 468	88	Vukovar-Sirmium	HR
Siófok	22 684	25 045	110	Somogy	HU
Komló	27 081	24 394	90	Baranya	HU
Koprivnica	24 809	23 955	97	Koprivnica-Križevci	HR
Keszthely	22 388	20 619	92	Zala	HU
Požega	20 943	19 506	93	Požega-Slavonia	HR
Đakovo	20 912	19 491	93	Osijek-Baranja	HR
Mohács	19 223	17 808	93	Baranya	HU
Čakovec	15 790	15 147	96	Međimurje	HR
Virovitica	15 589	14 688	94	Virovitica-Podravina	HR

Table 1: Size of cities within the programme area, 2011

Source: EUSTAT, own compilation

On the Hungarian side only Siófok, Komló, Keszthely and Mohács are above the 15,000 limit and act as middle sized city centres. Towns along the border (Lenti, Letenye, Curgó, Barcs, Sellye, Siklós) belong to the less populated urban centres with very limited services that affects the economic performance of the direct border area.

On the Croatian side Varaždin (important Croatian northwest gate), Vinkovci, Bjelovar, Vukovar, Koprivnica, Požega, Đakovo, Čakovec and Virovitica all have over 15,000 inhabitants and act as middle sized regional centres, but they all have less

than 40 thousand inhabitants and have varying capacities to provide services and infrastructure of the quality available in bigger centres, such as Zagreb and Osijek. There is also a number of small towns and municipalities (Đurđevac, Pitomača, Slatina, Donji Miholjac) at the border area, but they do not act as drivers of regional development in their areas – this is mostly the role played by the county seats.

1.3.Economy

1.3.1. General overview

As regards the economic performance, the majority of the counties within the area are at similar level. The GDP/capita compared to the average of the European Union varies in between 32-54%. Only Zala county has better figure (54%) and the lowest performer in this sense is the Vukovar-Sirmium county (32%).

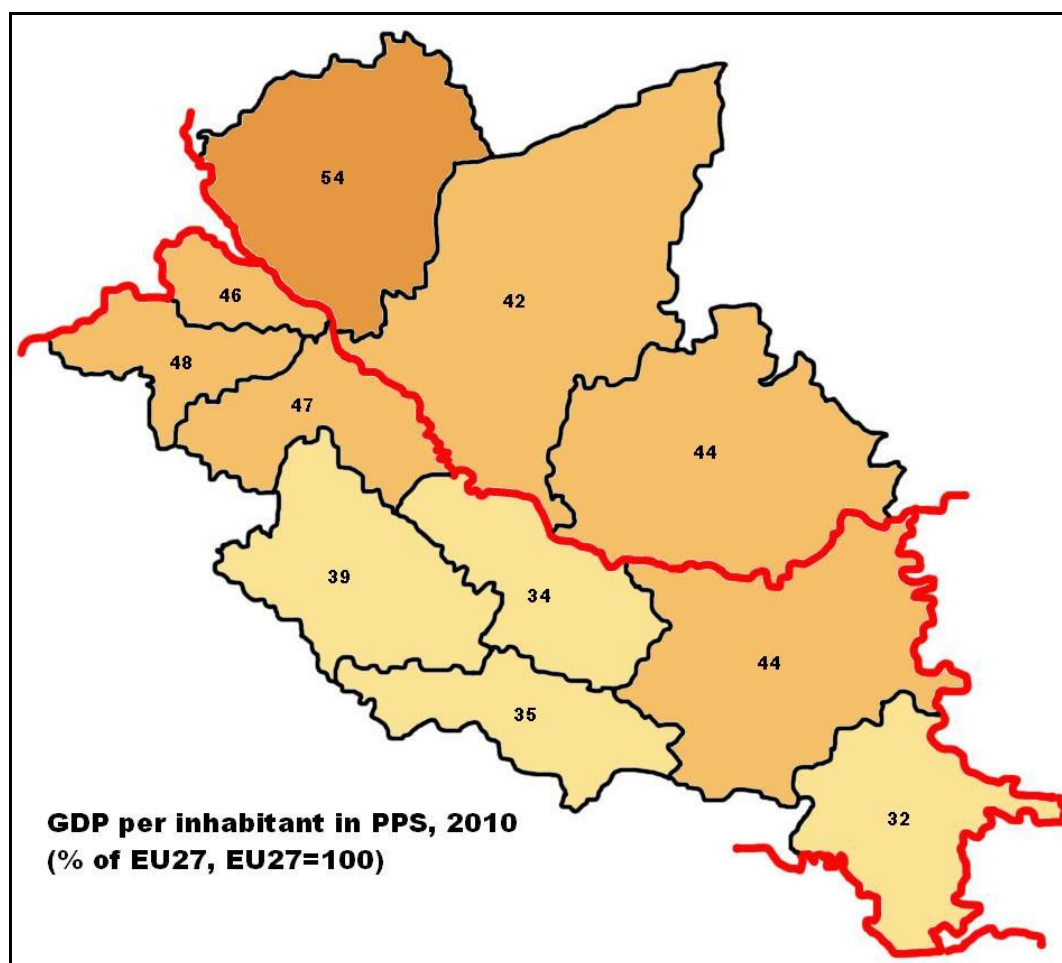


Figure 3: Economic performance of the counties within the programming area
Source: EUSTAT, own compilation

In general the north-western part of the programme area performs slightly better in economic terms and Hungarian counties somewhat overperform the Croatian ones, but differences are not significant.

Having a look at the economic trends it is visible that in the past decade the entire area was characterised by the process of economic downturn, all counties concerned registered lower rates of development than their national average. Hungary could increase its economic performance measured in GDP and compared to the average of the European Union by 11%, whilst Croatia managed to reach 9% growth. As regards the counties of the programme area, Zala county is to be considered as the most successful with its 7% increase, but Međimurje and Osijek-Baranja counties of Croatia have also registered 5% catching-up in the 2000-2010 period. The 4% figure of Somogy and 3% of Baranya is just a modest step ahead compared to the average of the European Union. The best year of the three Hungarian counties in the above context was 2003. By contrast, in case of other Croatian counties a downward trend was registered, having in its background the 2009 economic crisis and the significant downturn as a result of the crisis.

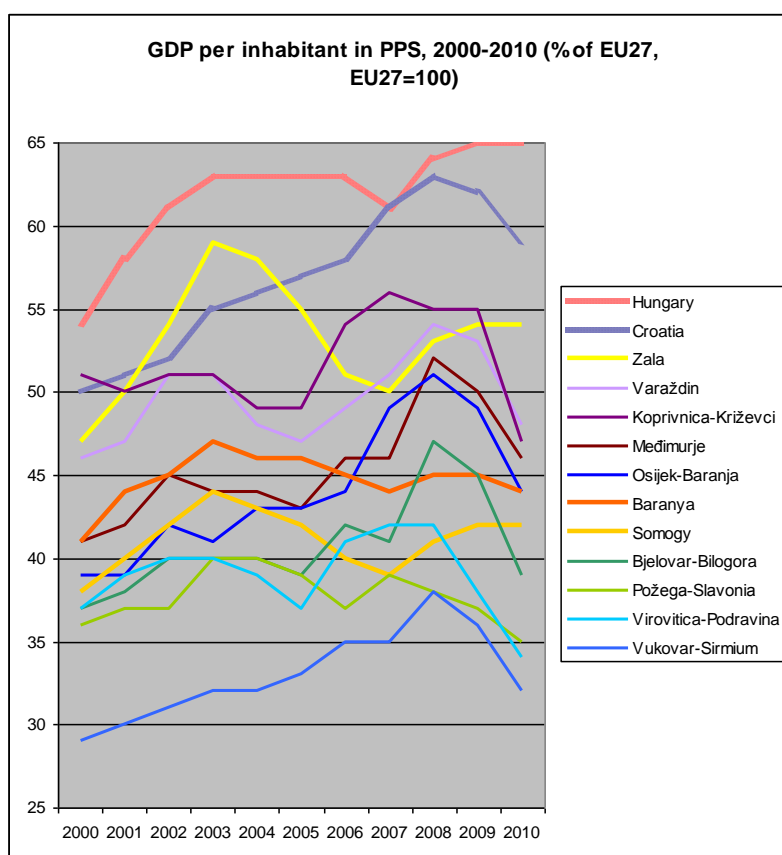


Figure 4: Economic trends of the past decade in the counties of the programming area

Source: EUSTAT, own compilation

Summarising the above, the area in economic terms is less developed and is characterised by lower growth rates than the respective national averages (Hungarian counties: 64-83%, Croatian counties: 54-81% of national GDP per capita average).

1.3.2. Agriculture

The agriculture plays more important role in the area than it does in the national economy of the two countries. This statement refers to both the sector's income generation potential and to the employment as well. The share of the agriculture is three times higher in the area than the European average. The main agricultural areas are the excellent quality lands and soils which could be found alongside the Danube and Drava rivers. The structure of the farms is different in the two countries. In Hungary lands of bigger territories are common and these are cultivated by large holdings. In Croatia the lands are smaller and are predominantly being cultivated by family-run agricultural businesses.

On both sides of the border production of arable crops is typical, like maize, wheat and other cereals, sunflower and rape. The number of livestock decreased in the past decades, there are typically poultry and pigs for slaughter, cattle for milk and bee families for honey.

Zala and Somogy are the two most afforested counties of Hungary, but in Baranya and on the Croatian areas there are extended forests as well.

On the Croatian part of the programme area particularly its eastern part (historical region of Slavonia) is traditionally strong in agriculture. Even now, agriculture is a very significant source of employment, on average reaching up to 10.4% of employed persons in Vukovar-Sirmium (national average being 2.1%)³. Within the Croatian programme area, it brings about on average 13.3% of gross value added, in comparison to the national average of 4.9%.⁴

However, agricultural sector is suffering from a number of structural difficulties: especially the small size of agricultural holdings, but also a large share of agricultural land that is not farmed.

The target area is relatively abundant with agricultural land, however there is lack of rational land management caused by numerous factors (unresolved ownership status, problems of small private land, permanent loss of agricultural land due to urbanization, undefined management of state land, a considerable proportion of uncultivated and abandoned land, etc.).

The common asset of the area is the high level of wine-growing and making which is frequently linked to tourism and catering industry and by doing so generated significant incomes in some areas in the recent years.

In the programme area, on the Hungarian side two wine regions with their four sub-regions are located (as part of the Pannon wine region the Pécs and Villány sub-regions, and in the Balaton wine region the Balatonboglár and the Zala sub-regions). On the Croatian part five wine-growing areas (Podunavlje, Slavonia, Prigorje–

³ DZS: *PERSONS EMPLOYED IN LEGAL ENTITIES, BY COUNTIES, BY SEX AND ACCORDING TO NKD 2007.1) ACTIVITIES, SITUATION AS ON 31 March 2011*

⁴ DZS: *GROSS DOMESTIC PRODUCT FOR REPUBLIC OF CROATIA AND FOR SPATIAL UNITS FOR STATISTICS OF 2nd AND 3rd LEVEL, 2000 – 2010, data on 2010*

Bilogora, Moslavina, Zagorje–Međimurje) produce high quality wines and has a number of wine roads.

1.3.3. Tourism

In Hungary, the role of tourism in Zala and Somogy is outstanding as regards the number of guests. In these counties the number of tourists on an annual basis is around twice as much as the number of inhabitants. In Zala the number of guest nights per thousand people as of 2011 were three times, in Somogy 2,5 times higher than the national average. This is mostly due to the availability of waters: lake Balaton and the spas and thermal waters play decisive role in the dynamism of touristic turnover. Lake Balaton's impact is especially strong on the tourism industry of Somogy, whereas in Zala the existence of popular spa-resorts (as Hévíz or Zalakaros) provides strong contribution to these high figures. In the area the number of domestic guests exceeds that of the foreign ones. The share of foreign guest nights is the highest in Zala county (45%) though it is still lower than the Hungarian national average (48%).

The tourism activity does not concentrate in the border area, the exception is the Siklósi microregion, where the Harkány Spa generates significant tourism nights. All other Hungarian border microregions have inconsiderable touristic performance.

County, microregion		Tourism nights		County, microregion		Tourism nights	
		number	per 1000 inhabitants			number	per 1000 inhabitants
HU	Hévízi -Zala	1 207 335	94 271	HU	Zalaegerszegi - Zala	67 187	700
HU	Zalakarosi - Zala	512 339	40 434	HR	Međimurje	78 856	693
HU	Balatonföldvári - S.	346 522	30 772	HU	Komlói - Baranya	26 313	684
HU	Siófoki - Somogy	887 423	23 380	HU	Nagykanizsai - Zala	43 853	680
HU	Fonyódi - Somogy	499 091	21 984	HU	Kaposvári -Somogy	65 012	655
HR	Croatia	60 354 275	14 085	HR	Varaždin	118 597	642
HU	Keszthelyi - Zala	444 601	12 741	HU	Tabi - Somogy	7 554	594
HU	Siklósi - Baranya	406 976	11 225	HR	Osijek-Baranja	173 892	570
HU	Lenti - Zala	92 125	4 439	HU	Pacsai - Zala	5 491	537
HU	Zalaszentgróti - Zala	70 054	4 111	HU	Csurgói - Somogy	7 543	455
HU	Marcali - Somogy	133 317	3 831	HU	Letenyei - Zala	6 685	411
HU	Sásdi - Baranya	47 757	3 471	HR	Virovitica-Podravina	32 917	388
HU	Hungary	23 880 140	2 403	HU	Mohácsi - Baranya	18 563	382
HU	Pécsi - Baranya	285 407	1 534	HR	Vukovar-Sirmium	62 394	305
HU	Pécsváradi - B.	15 357	1 254	HR	Požega-Slavonia	23 627	275
HU	Barcsi - Somogy	26 811	1 135	HR	Bjelovar-Bilogora	30 468	229
HU	Lengyeltóti - Somogy	12 178	1 082	HR	Koprivnica-Križevci	25 351	219
HU	Nagyatádi - Somogy	25 525	997	HU	Sellyei - Baranya	2 304	177
HU	Kadarkúti - Somogy	19 789	983	HU	Szentlőrinci - B.	2 145	146
HU	Szigetvári - Baranya	20 785	806				

Table 2: Tourism nights in 2011 (border areas are orange)

Source: KSH, DZS

The Croatian areas in terms of both the number beds and the number of guests lag significantly behind the figures of the Hungarian counties located alongside the border. Croatian tourism is mainly based on the coastal areas, so the 8 counties along and next to the border with Hungary jointly bring only about 11% overnight stays in Croatia. Within the area, the most visited county is Osijek-Baranja, where in particular Baranja region is recognised for its rural tourism and gastronomy. Medjmurje County also has a slightly higher number of visitors per year than other counties in the programme area, due to the well developed rural, spa and wellness offer. The largest proportion of visitors of the area are domestic tourists.

The programme area has colourful touristic assets. The most important destination is the lake Balaton, but significant number of guests are attracted by the spas and thermal baths located in significant numbers in the programme area. Spas of international importance are at Hévíz, Zalakaros and Harkány, but several other settlements operate thermal baths (for example Szigetvár, Zalaegerszeg, Kaposvár, Siklós, Zalaszentgrót, Kehidakustány, Barcs, Nagyatád, Marcali, etc.). In Croatia, most significant spa resorts are Varaždinske Toplice in Varaždin County, Sv. Martin in Medjmurje and Daruvar in Bjelovar-Bilogora county.

Other main touristic destinations are in the centre of Baranya county: the Pécs – Mecsek Mountain – Siklós – Harkány area, where culture and gastronomy contributes to the touristic supply. In Somogy and Zala hunting tourism is also important.

In Croatia, the town of Osijek has significant architectural heritage. In Varaždin County, the Trakošćan Castle is one of the nationally known and recognised tourist attractions, predominantly attracting one-day excursions.

The favourable natural endowments of the area also form important touristic assets such as the protected areas of the Danube-Drava National Park, the Kopački rit and the Papuk mountain. Besides these the built environment is worth mentioning: Pécs is as UNESCO World Heritage site, its valuable ecclesiastic (cathedrals, churches, monasteries, mosque) and secular (castles and fortresses) buildings are attracting visitors.

1.3.4. Industry and services

In terms of industrial production Zala county is the leader among the three Hungarian counties. The value of industrial production per capita of the county is 102%, in Somogy it is 70% and in Baranya it is 32% of the national average. Baranya records the lowest figure despite the fact that the biggest urban agglomeration of the area is located there.

In all of the three Hungarian counties the agriculture's role in the production of value added is remarkable, especially in Baranya and Somogy. The value added share of industry is the highest in Zala, this is significantly beyond the national average. The share of services is the highest in Somogy, but this is higher than national average in Baranya as well. The sectors of trade, transport, hotels and restaurants are strong in Somogy, while the sectors of public administration, education, human health and social work activities are overrepresented in Baranya. Info communication and

financial services are rather weak in all of the three counties, showing the underdevelopment of the economic structure.

NACE Code	Group of industry	Share of value added by main groups of economy			
		Baranya	Somogy	Zala	Hungary
A	Agriculture, forestry and fishing	7.9	9.1	5.5	3.5
B,C,D,E	Industry	21.0	16.8	34.9	26.5
C	<i>of which manufacturing</i>	15.3	12.8	31.1	22.0
F	Construction	4.6	6.0	5.0	4.2
G-U	Services	66.4	68.2	54.6	65.8
G,H,I	Trade and repair, transport and storage, hotels and restaurants	15.1	22.8	18.5	17.5
J	Information and communication	2.9	1.4	1.4	5.3
K	Financial and insurance activities	3.2	2.5	2.1	4.7
L	Real estate activities	9.8	10.2	8.0	8.9
M,N	Professional, scientific and technical activities	7.5	5.1	5.6	8.6
O,P,Q	Public administration and defence, education, human health and social work activities	24.4	22.5	15.8	17.8
R,S,T,U	Arts, entertainment and recreation, other services	3.5	3.7	3.1	2.9
A-U	Total	100.0	100.0	100.0	100.0

Table 3: Distribution of gross value added by main groups of economy, 2010

Source: KSH

NACE Code	Group of industry	Varaždin	Koprivnica-Križevci	Međimurje	Bjelovar-Bilogora	Virovitica-Podravina	Požega-Slavonia	Osijek-Baranja	Vukovar-Sirmium	Croatia
A	Agriculture, forestry and fishing	7.6	15.0	8.2	18.1	19.0	13.4	9.9	15.5	4.9
B,C,D,E	Manufacturing, mining and quarrying and other industries	34.0	35.7	38.1	22.9	21.6	21.7	18.7	14.9	20.2
C	<i>of which Manufacturing</i>	29.7	24.1	34.0	19.4	17.7	17.6	14.1	10.9	15.9
F	Construction	5.5	4.4	5.4	4.8	7.5	5.4	8.3	10.0	6.7
G-U	Services	52.9	44.9	48.3	54.2	51.9	59.5	63.1	59.6	68.2
G,H,I	Wholesale and retail trade, transportation, storage, accommodation and food service activities	14.2	12.6	14.1	11.8	11.6	13.1	17.1	14.6	20.1
J	Information and communication	3.0	1.1	2.7	2.0	1.3	6.0	4.4	1.8	5.1
K	Financial and insurance activities	4.2	5.1	4.2	6.0	4.5	1.9	4.1	2.0	7.0
L	Real estate activities	8.9	9.2	10.6	11.6	12.6	13.9	10.9	14.1	10.6
M,N	Professional, scientific, technical, administrative and support service activities	4.3	3.4	4.5	4.0	2.8	2.1	4.9	3.0	7.3
O,P,Q	Public administration and defence, education, human health and social work activities	16.6	12.0	11.3	17.3	17.8	21.0	19.6	21.9	15.5

R,S,T,U	Other service activities	1.8	1.6	1.0	1.5	1.2	1.6	2.2	2.2	2.6
A-U	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 4: Distribution of gross value added by main groups of economy, 2010

Source: DZS

Similarly to the Hungarian counties, in all 8 Croatian counties agriculture plays significant role in gross value added. Medjimurje, Koprivnica-Križevci and Varaždin rate better than national average and much better than other parts of the Croatian programme area in terms of industry, while Vukovar-Sirmium is significantly below the national average. The share of services fails to reach national average in either of the Croatian counties concerned. Within the programme area, Osijek-Baranja county has the strongest services sector (63.1% gross-value added), while Virovitica-Podravina has the smallest (51.9%). Public administration, education, human health and social work activities are overrepresented in Požega-Slavonia and Vukovar-Sirmium, while real economy related service sectors (e.g. info communication, financial, professional and scientific services) are extremely weak in these counties – reflecting the lagging behind status of these areas.

In the programming area there are no signs of real sector specialisation. Most segments of the processing industry operate here, among them it is worth mentioning the food industry, the machinery and there are significant capacities of electronic assembly plants.

1.3.5. SME's

The density of enterprises is higher on the Hungarian territories. Enterprises operate in higher numbers in the bigger towns and in the proximity of lake Balaton, whilst they are present in lower numbers in rural areas. The density of the operating enterprises in none of the Hungarian counties reaches the national average. Among the three Hungarian counties the highest number of operating enterprises per km² (5,9) could be found in Baranya. In comparison with the number of county population Zala and with a slight difference Baranya take account the highest ratios (99% and 97% of national average, respectively). The lowest density of the enterprises is in Somogy county (87% of national average).

In the Hungarian side of programme area there is a lack of large enterprises. The number of active corporations and unincorporated enterprises with 250 or more persons employed is only 54 (20 in Zala, 18 in Somogy and 16 in Baranya). The total number of active enterprises is 64 977 of which 62 341 enterprises have 1-9 persons employed (95,9%), therefore SMEs have important role in self-employment and employment as well.

In recent years the supporting institutions of SMEs were strengthened on the Hungarian programming area. Chamber of commerce and centre for development of enterprises operate at county level, regional innovation agency operates at regional level, plenty of incubators were built and 27 industrial parks operate (12 in Zala, 8 in Baranya and 7 in Somogy).

In Croatia, the North-Western part of the country, including Medjimurje and Varaždin counties overall have the largest number of SMEs, the greatest share of total employment in SMEs and the greatest value added generation by SMEs. The Central

and Eastern part of Croatia is the poorest performing part of Croatia in SME terms, as this largest part of the programme area possess the smallest number of enterprises, the least employment in SMEs and the lowest generation of value added.

Like in Hungary, there is a well developed SME support network. Traditionally, Croatian Chamber of Commerce and Chamber of Crafts are present regionally. In addition to that, a more recent array of SME support institutions has emerged: 11 incubators, 13 support centres, 5 technology parks, 8 regional and a number of local development agencies.

Among the 8 Croatian counties, the highest spatial density of enterprises can be found in the most densely populated Medjmurje region (4.6 operating enterprises per km², which is 186% of national average – compared to the value of the eastern part of the area spreading between 23-59% of national average), but this is also notable in relation to the number of inhabitants (2.9%, which is only 90% of national average, but much higher than in the eastern part of the area, where this value spreads between 40-62%). In relation to the number of inhabitants, most of the Croatian part of the programme area lags behind the Croatian average.⁵

1.3.6. R&D and innovation

Hungary is characterised by low level of gross domestic expenditure on R&D - GERD (1,16% in 2010, compared to 2,00% of EU-27 average), Additionally, research and development activities are heavily concentrated in the Central region (around Budapest), regional centres have a relatively modest share.

On the Hungarian side of the programme area, the research and development activities are concentrated in Pécs and - to a much lesser extent - are also present in Zalaegerszeg and Kaposvár. This is due to the university basis as the University of Pécs is one of the biggest universities of the country outside of Budapest, in terms of number of faculties, lecturers and students as well. University of Pécs is a main actor not only in higher education but also in research. On the university 225 research groups are working on different scientific domains, in 2012 the Szentágotthai Research Centre started its operation. University of Pécs also has wide range of international relations with a focus on research, inter alia with the Josip Juraj Strossmayer University of Osijek.

The Centre of the Regional Committee of Hungarian Academy of Sciences is also located in Pécs. Regarding the number academicians, in Baranya it is ten times more than in Somogy and Zala counties.

By contrast, the industry is the less developed in Baranya, this phenomenon is justified by the fact that more than 70% of the research and development (R&D) spending is coming from the central governmental budget and only 20% of the R&D expenditure is provided by the enterprises. This unfavourable situation hinders the improvement of the innovation processes.

The R&D spending is at the highest level in Baranya, where in 2010 it amounted to 0.8% of the GDP which is even below the 1.16% national figure and less than half of

⁵ DZS: *NUMBER AND STRUCTURE OF BUSINESS ENTITIES, BY COUNTIES Situation as on 31 December, 2012 (with own calculations)*

the 2% rate of the EU27. In Zala the figure is one-fourth of Baranya (0.2%) and in Somogy half of that (0.4%).

In Baranya during the past decade negative tendencies prevailed as regards the R&D spending and the number of researchers. As a result, Baranya lost its importance compared to other R&D centres in the country. University of Pécs has rather low level of productive and R&D based industrial relations which even more weakens R&D performance of Baranya.

South Transdanubian Region, where Baranya and Somogy counties belong to, in its regional innovation strategy identified the sectors which should act as focal points of innovation for the forthcoming period. These perspective sectors are the following:

- agro-food industry,
- health industry,
- mechanical engineering and metalworking, electronics,
- information and communication technology industry,
- environment industry,
- creative industry.

In Western Transdanubia, where Zala county belongs to, the following sectors are prioritised in terms of innovation:

- automotive industry, mechatronics, mechanical engineering,
- wood and environment industry,
- health tourism.

Horizontal domains:

- information technology, electronics,
- branches of creative industry (design, marketing),
- logistics.

Croatia in general has a relatively low level of R&D spending (0.73% of GDP in 2010⁶ in contrast to the European average of 2%), mainly deriving from public sources (56%). The number of patent applications at European Patent Office per million inhabitants is also much below the European average (5.7, compared to the EU average of 108.6)⁷.

While R&D spending data are not available per a county, it can be concluded on the basis of the number of research institutions that R&D potential is concentrated around a few university centres, with domination of Zagreb and around a few bigger companies with potential for R&D spending, one of which is food industry Podravka, located in Koprivnica.

Within the programme area, the strongest university Centre with a research potential is Josip Juraj Strossmayer University in Osijek with 11 faculties, 4 departments and

⁶ EUROSTAT, R&D expenditure (October 2012)

⁷ EPO statistics, 7 August 2012

one academia. Osijek has an Institute for Agriculture (dating from 1878), which is a nationally significant research institution. Osijek also hosts a Tera Technopolis, a technology development centre and incubator.

Varaždin hosts 2 technology parks and a Faculty of Organisation and Informatics, which has a significant potential to act as a driver for the development of ICT industry, not only in Varaždin, but also in Medjmurje County and in broader Croatian territory. Medjmurje County hosts the Technology and Innovation Centre Medjmurje, which is focused primarily on ICT and cooperates closely with the faculty in Varaždin.

Bjelovar, Vinkovci (in Vukovar-Sirmium County) and Virovitica have technology with a business incubator.

Most of the county development strategies of the Croatian counties concerned recognise insufficient orientation of the regional businesses towards R&D as their developmental weakness and plan measures that should lead to the improvement of such situation.

1.4.Labour market

In terms of employment there are significant unutilised potentials in the area. The number of employees exceeds 50% only in Zala county among those of aged between 15 and 74, the same figure is 46% in Baranya and 44.3% in Somogy. The ratio of Somogy is lower than the national average and also less than the average of the EU-27. Employment rate for Croatia in general is 36.6%, but no data are available on County level.

In the area the role of agriculture in terms of employment is more significant than nationally as in Baranya and Somogy it exceeds 5% compared to the national average being 2.8%. In Zala county it is the industry which is more important, approaching the rate of 30%, being also higher than the European average. In Baranya the industry provides only for 20% of the total employment.

In Croatia, the three counties to the east of the programme area (Osijek-Baranja, Vukovar-Sirmium and Virovitica-Podravina), have the highest proportion of their employed population in agriculture: Osijek-Baranja 5.88%, Virovitica-Podravina 8.43% and Vukovar-Sirmium even 10.34%, compared to the national average of 2.1%. On the other hand, the western counties in Croatia, such as Varaždin and Medjmurje rely much less on agriculture for employment (1.62% and 1.35% respectively). Medjmurje and Varaždin also have a much higher than average employment in manufacturing industry (41.5% and 39.3%, compared to the national average of 18.6%). Other significant sources of employment in the area - reflecting the general national tendencies - are trade, education, construction, public administration and health and social care.⁸

In Zala the transportation and warehousing has bigger weight than nationally due to the favourable conditions of logistics and as a result of the availability of developed accommodation, catering and touristic services. The touristic sector is also a major

⁸ DZS: *PERSONS IN PAID EMPLOYMENT, BY ACTIVITIES AND COUNTIES, Situation as on 31 March 2011, own calculations of percentages*

component of employment in Baranya and in Somogy. In Baranya the role of education is outstanding, whilst in Somogy the impact of human health and social services on employment is significant similarly to Baranya where this segment directly contributes to the employment.

In Baranya and Somogy counties the unemployment is problematic as its rate is far above the national average (10.9% in 2011) and it shows upward trend in Zala county as well, in spite of the proximity of this county to the Austrian labour market and the relatively high number of commuters to Austrian workplaces. Distribution of unemployment is uneven on the Hungarian side as in the Balaton and Pécs area it is lower than in the other parts of Baranya and Somogy counties. In Baranya, compared to the year of 2000, the number of the unemployed doubled. The majority of them are low-skilled, their share in Somogy is 45% among the jobseekers, in Zala county it is a bit less than 40%. This results in the presence of long-term unemployment as 22-24% of the jobseekers are registered for more than one year, similarly to the figure of the national average. The majority of the jobseekers are men, though the difference between the two sexes is not significant. The number of registered jobseeking career starter was increased in the recent years and reached 9.1% of the registered jobseeker total (7.4% in Zala, 9.5% in Somogy, 9.6% in Baranya and 9.4% as Hungarian average).

The Croatian part of the programme area has an unemployment rate of 11.4%, which is above the national average for the same period (9.3% in 2011). However, the differences between the westernmost part of the area and the eastern part are huge: while Medjimurje and Varaždin rate well in comparison to the national average (Medjimurje with 7.9% and Varaždin with 7.3%), Osijek-Baranja, Vukovar-Sirmium and Virovitica-Podravina are well above the national average with their unemployment rates being 13.9%, 13.6% and 14.5% respectively. Like in Hungary, there is a trend of growth of unemployment and it has been present in Croatia since 2008.

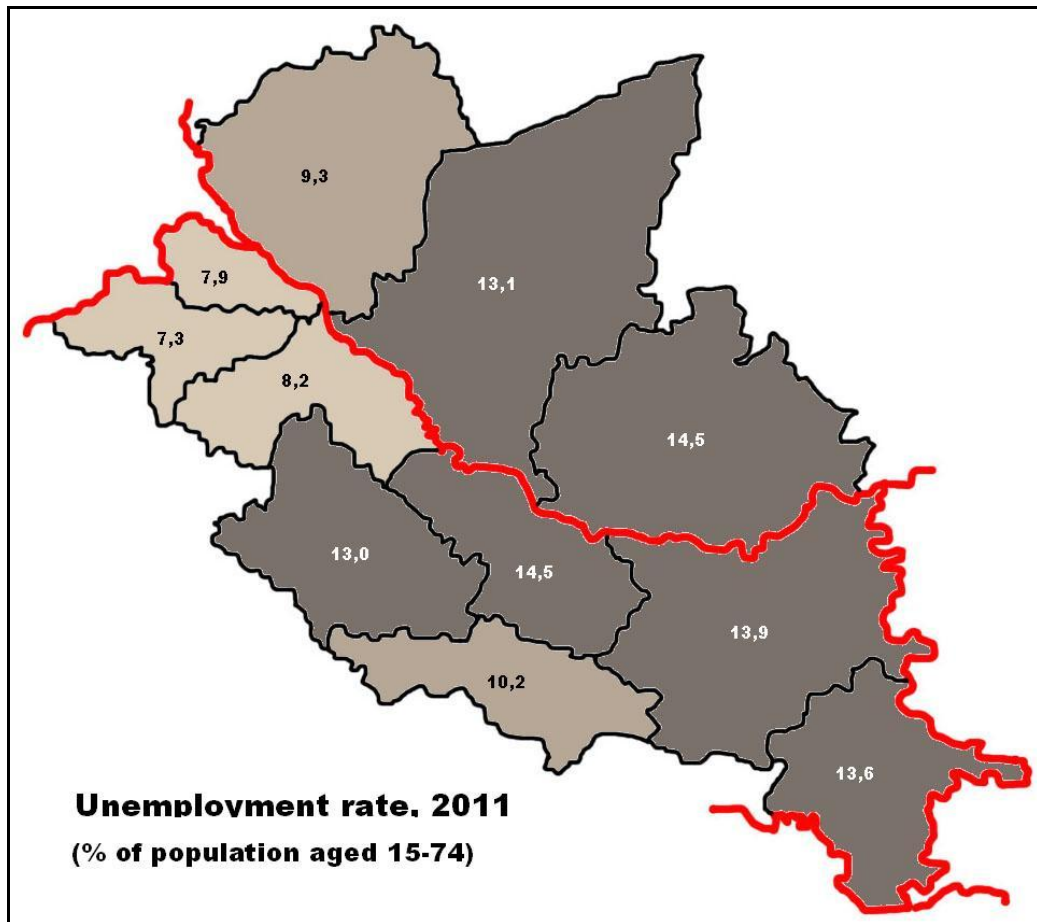


Figure 5: Unemployment rate of the programming area

Source: KSH, DZS, own compilation

The cross-border commuting is not significant because of the lack of large employer.

In Croatia, there is notable disproportion between the labour market and educational system which is reflected in the fact that the majority of unemployed are those with 1-3 year vocational secondary schools, whose numbers prevail in the structure of unemployed even over those with no schooling or with primary school (the average for the counties within the programme area is 33.67% of unemployed with this level of education, as opposed to 27.2% of those with no schooling or with primary school). Most of the unemployed have been unemployed for over 12 months (the average of long-term unemployment in the programme area is 42.8%, close to Croatian average) and majority of the unemployed and particularly of long-term unemployed are women.

A significant proportion of unemployed are young (34.59% of all unemployed are below 30), who have trouble entering the labour market, but a problem is in particular the unemployed of the population of over 45 years of age (also 34.64%), which tends to be hard to re-enter the job market.

In terms of ethnicities, a particularly high unemployment rate is registered among Roma population. According to data presented in the National Strategy for Roma inclusion (2013 – 2020), the unemployment rate in Roma population in 2011 was 65% (as compared to 24% in general population), resulting in long-term poverty and

marginalisation of that group.

The level of average incomes are different in the two countries. The average monthly net earnings were 5,441 HRK (cc. 716 EUR) in Croatia in 2011, whilst in Hungary 140,255 HUF (cc. 501 EUR), resulting in 40% difference between the rate of earnings of the two countries.

The earnings in the three Hungarian counties are below the national average, this could mean a comparative advantage in terms of the costs of the labour. The lowest monthly net income is registered in Somogy, being 80% of the national average, in Zala it is 82% and in Baranya 87%. In all three counties the rate of earnings is less than the national average calculated by excluding the capital. Data on the county level for Croatia are not available.

1.5.Environment

1.5.1. Natural resources

The programme area is characterised by relatively favourable environmental conditions that is caused by the avoidance of large scale and heavily polluting socialist industry prior the 1990s on the Hungarian side and the dominance of less-polluting light industry on the Croatian side. Once operating heavily polluting facilities have dominantly been shut down during privatisation process in Hungary, recently established machinery and light industry (dominantly in Zala, but also in Somogy county) are not the main responsible for pollution.

Air quality is generally to be considered as satisfactory: Zala county has above-average air quality figures, while Baranya county, more precisely the Pécs area – in spite of the shutdown of heavy industry and modernisation of the local power plant – is still unfavourable compared to other parts of the programme area, but is on the level of other major Hungarian cities. Low air quality is caused by high concentration of dust resulted by heavy traffic and unfavourable land use in areas of the Mecsek hill. Another factor is the high concentration of ozone, especially in summertime period. On the Croatian side of the border, air quality can mainly be estimated as satisfactory. The relevant check points are in Osijek and Slavonski Brod (outside of the programme area, but presumably affecting it) and the latter shows lower quality due to air pollution from refinery in Bosanski Brod. This is, however, mainly felt in Brod-Posavina county, i.e. closer to the border with Bosnia and Herzegovina.

The programme area is characterized by three big water systems: the Danube on the East, the Drava-Mura that makes most of the border line, and the Balaton on the north of Somogy and Zala county. All three waters systems have numerous tributaries that are dominantly having a modified character, but some of them could retain their natural river basins. Efforts have recently been made in the framework of the “Ancient Drava” complex programme on the Drava riverside of Hungarian Baranya to restore the former Drava river basin and supply more water to former tributary streams that have been dried out in the past decades. Water systems of the Balaton and Drava-Mura suffer from big volatility. During hot summers the Balaton lacks fresh water that heavily deteriorates its natural wildlife, while during high waters

on the Danube the Balaton serves as accumulator of water reserves and helps protect the Danube riverside from flooding.

Counties of the programme area are among the above-average afforested counties, especially Somogy, Zala, Virovitica-Podravina and Koprivnica-Križevci. Forests may be an asset in tourism, basis of wood industry and raw material of biomass based energy production.

1.5.2. Protected areas

The Hungarian programme area has a slightly lower ratio of nationally protected areas (national parks) than the national average (7,06% compared to 9,1%). The Danube-Drava National Park Directorate seated in Pécs manages majority of the protected areas in Baranya and Somogy counties. Total territory covered by the National Park amounts to 49 478 hectares, including most of the Drava riverside. The Balaton Uplands National Park Directorate – that manages about 56 997 hectares of protected areas around the Balaton lake, thus all in Zala county and some smaller areas in Somogy – controls the Balaton and Balaton Ramsar sites.

	Balaton Uplands NP (ha)	Danube-Drava (ha)	Total (ha)	County surface (ha)	Territory protected (%)
Somogy	23,017	16,600	39,617	603,586	6.56%
Baranya		34,460	34,460	442,960	7.78%
Zala	27,142		27,142	387,411	7.01%
Hungarian programme area total	50,159	51,060	101,219	1,433,957	7.06%

Table 5: Territory of national parks in the Hungarian counties concerned (2012)

Source: KSH, NP homepages, own compilation

In the Croatian part of the programme area there are no national parks present, only the next level or protected areas – parks of nature - can be found. In the area on Croatian side there are two parks of nature, the swamp of Kopački rit, with an ornithological reserve, and Papuk, a mountain with a rich forests, swamps and meadows. Kopački rit has an area of 17,700 ha (with a protected bird reserve of 8,000 ha) and is located in Osijek-Baranja. Papuk has a bigger surface (33,600 ha) and spreads between two counties: Virovitica-Podravina and Požega-Slavonia. Both are managed by public institutions.

	Kopački Rit (ha)	Papuk (ha)	Total (ha)	County surface (ha)	Territory protected (%)
Varaždinska	0	0	0	126,200	0.00
Koprivnica-Križevci	0	0	0	174,800	0.00

Bjelovar-Bilogora	0	0	0	264,000	0.00
Virovitica-Podravina	0	14,600	14,600	202,400	7.21
Požega-Slavonia	0	19,000	19,000	182,300	10.42
Osijek-Baranja	17,700	0	17,700	415,500	4.26
Vukovar-Sirmium	0	0	0	245,400	0.00
Međimurje	0	0	0	72,900	0.00
Croatian programme area total	17,700	33,600	51,300	1,683,500	3.05

Table 6: Territory of parks of nature in the Croatian counties concerned (2012)

Source: DZS, own compilation

In addition to parks of nature, Koprivnica-Križevci County has a protected geography-botanic reserve Đurđevački pijesci (The Sands of Đurđevac) and there is a number of protected landscapes along the river Mura on Croatian side.

The Danube-Drava National Park Directorate has established intensive cooperation with several Croatian public institutions for management of protected natural areas, first of all with Kopački rit that are connected with a “green corridor” of floodland forests. They regularly organise joint events, campaigns and further physical and awareness raising actions.

Large territory of the Danube-Drava National Park is part of the Mura-Drava Biosphere Reserve that has been proclaimed by the UNESCO in 2012 as “Europe’s Amazon”. The total reserve covers 631,461 ha, whose 395,861 ha is in Croatia and 235,600 in Hungary. The biosphere reserve is managed by the nationally designated bodies (Danube-Drava National Park Directorate in Hungary, Kopački rit, county level public institutes for protected area management in Croatia).

1.5.3. Water quality and flood prevention

Quality of surface waters in the programme area is generally favourable. Accordingly to data of ecological assessment of surface waters in 2009 Danube has ‘moderate’ quality, while the Drava and the Balaton were having the ‘good’ quality grade. This is mostly caused by the decrease of nitrogen and phosphor production of households, especially in the West Pannonian region (Zala county). This is mostly resulted by the high number of households connected to 3rd grade sewage treatment systems.

Drinking water supply has been managed almost in all settlements of the programme area. Quality of drinking water varies: the level of arsenic is above the health limit in the Barcs and Sellye district.

In terms of flooding only direct vicinities of the major riverflows threat to a lesser extent the lower sections of the Drava river, on a more major scale the Mohács and Béda-Karapanca area. Favourable conditions are due to system of flood protection dikes and large surface of floodplain forests.

Flood prevention and defense is a well organized sector in Croatia, which so far proved to be able of successful prevention and management of floods. The key stakeholders are:

- the line ministry responsible for flood management (Ministry of Agriculture), in charge of the policy development and coordination with other countries
- Croatian Waters, in charge of planning, organization, financing and implementation of the prevention measures relating to water management and establishment of the National Centre for Flood Defense
- National Meteorological Institute, in charge of data provision
- National Protection and Rescue Directorate in charge of management and intervention of different catastrophic events, including floods

1.5.4. Public utility infrastructure (water supply and sewage system)

The Hungarian part of the border area is characterised by a high, almost 100% level of access to public water supply utilities. Although developments have also recently made on the sewage system connection figures, in the programme area it is still below the national average: the “utility gap” has remained an issue to be solved. Water regulation activities have been taken place in several areas of the Hungarian side, mostly by means of EU assistance.

County	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Households connected to public water supply system (%)											
Zala	94.7	95.2	95.1	94.9	96.3	95.8	95.5	95.2	94.9	94.0	94.2
Baranya	93.3	94.1	95.1	97.1	97.6	97.8	97.9	97.9	98.0	97.6	97.7
Somogy	93.3	93.5	94.6	95.3	95.9	95.9	96.0	96.1	96.4	94.6	94.7
Households connected to public sewage system (%)											
Zala	54.1	57.6	59.0	60.8	64.8	65.6	66.2	67.7	69.6	70.0	70.4
Baranya	60.7	62.3	64.6	68.0	70.1	71.9	72.3	73.0	73.4	71.6	72.0
Somogy	43.5	44.8	49.7	54.0	58.7	59.2	60.6	62.1	63.3	62.6	63.2

Table 7: Share of households connected to drinking water supply and sewage system in the Hungarian counties concerned (December 2011)

Source: KSH, own compilation

Share of waste water treated by 3rd grade sewage treatment system significantly varies on the programme area. Middle part of Somogy county and the Northern and Southern periphery of Baranya are not equipped with this technology (see Figure 6).

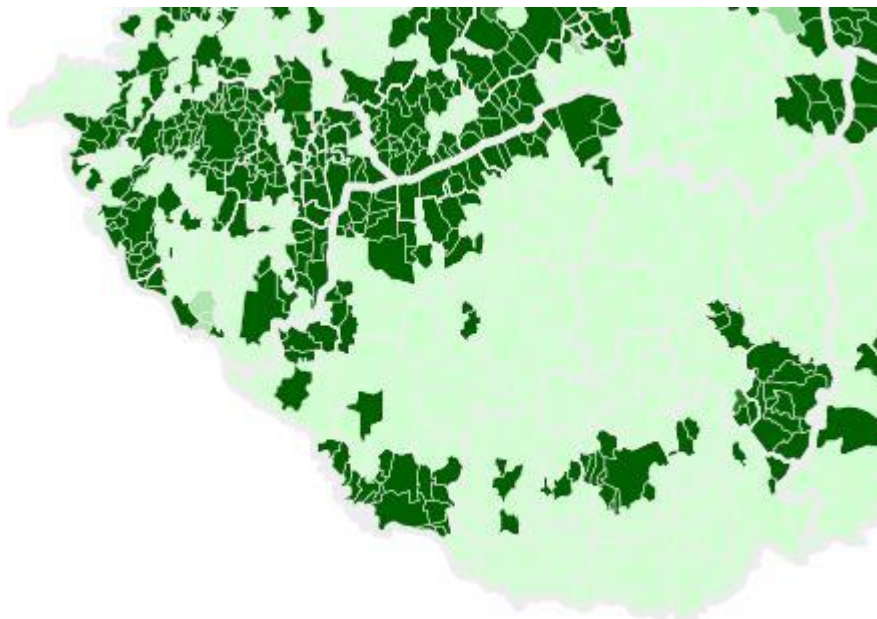


Figure 6: Share of waste water treated by 3rd grade sewage treatment in Hungarian counties concerned

Source: KSH

In Croatia, according to the data presented in the Implementation Plan for the Water Utility Directives (2010), in general rates well in relation to water supplies standards, but the levels of water treated by the appropriate sewage systems are not satisfactory. Out of the total of 295 settlements with the built sewerage system, 131 (44%) settlements also have a wastewater treatment plant (WWTP)⁹. In another words, only 27% of total population is encompassed with WWT utility (out of 43,6% of population served with collection of wastewater, 61% have systems that include treatment).

Significant investment in the development of sewerage networks with appropriate waste plants is planned through EU Cohesion Fund.

An opportunity for the water management in the programme area is seen in the fact that Decision on Designation of Sensitive Areas¹⁰ designated the Danube river basin as sensitive area for which higher degree of treatment is envisaged.

Overall, the coverage ratio (share of the population able to connect to the public water supply system) on the level of the Republic of Croatia is on the average 80-82%. The connection ratio (share of the population connected to the public water supply system) is somewhat lower and it is estimated at is on the average 74%.

In the 8 counties in the programme area vary in the percentages of the compliance with the requirements of Water Utility Directives estimated at the time of the plan preparation were as follows:

Bjelovar – Bilogora: 31%

Koprivnica – Križevci: 43%

⁹ Water Management Strategy, 2008

¹⁰ Official Gazette No. 81/10

Virovitica-Podravina: 60%

Osijek-Baranja: 72%

Požega – Slavonia: 72%

Varaždin: 75%

Medjimurje: 77%

Vukovar-Sirmium: 79%

In general, bigger urban centres have higher rates of connectedness to both the water supply and waste water treatment than smaller towns and villages.

Croatia has negotiated a transition period for the full implementation of the Water Utility Directives until 2023, when the water supply and waste-water management system will have to be fully aligned with the EU standards.

1.5.5. Solid waste management

Four regional waste collection cooperations have been formed in the three Hungarian counties. “ZALAI SPA” covers whole Zala county, while other three cooperations operate on the territories of Baranya, Somogy and Tolna counties. These cooperations have adopted their plans of development, however their implementation have been delayed for years.

In the past years decrease in solid waste production is detected, however share of recycled waste is low (14.74% at average – highest in Zala, lowest figure detected in Baranya county). Share of waste used for energy production while burning is minimal. Development of the waste management systems shall contribute to a higher share of recycling and energy production in the future.

Category	2006	2007	2008	2009	2010	2011
Solid waste transported by public service (t)						
Zala	118 571	101 035	106 904	90 983	98 064	95 468
Baranya	169 309	190 488	198 387	201 286	157 104	145 554
Somogy	137 516	144 340	166 323	143 679	119 817	112 680
Solid waste recycled (t)						
Zala megye	8 291	11 268	16 328	12 756	19 465	18 282
Baranya megye	6 066	16 264	19 155	17 305	17 894	17 324
Somogy megye	12 524	12 841	18 209	9 176	6 975	16 532
Solid waste burned with energy production (t)						
Zala megye	–	–	–	141	–	–
Baranya megye	–	–	–	–	–	–
Somogy megye	107	–	–	263	251	137
Solid waste burned without energy production (t)						
Zala megye	5	113	–	217	30	1 355
Baranya megye	–	0	–	–	–	0
Somogy megye	498	303	235	90	4	62
Solid waste deposited (t)						
Zala megye	110 276	89 655	90 576	77 868	78 569	75 831
Baranya megye	163 243	174 224	179 232	183 981	139 210	128 230
Somogy megye	124 386	131 195	147 864	134 149	112 586	95 949

Table 8: Collected solid waste and their use in Hungarian counties concerned

Source: KSH, own compilation

In Croatia, the 4 north-western counties (Koprivnica-Križevci, Međimurje and Varaždin County plus Krapina_zagorje, which does not belong to the programme area) have jointly established a regional waste management centre “Piškornica”, while other counties have not as yet established such centres.

Differences between individual counties are huge. While Medjimurje county is the most advanced Croatian county in terms of waste separation (25.8% waste is collected separately), Vukovar-Sirmium is among the least advanced (only 3.1% separately collected waste).

COUNTY	Population (2001 Census)	The population covered with organized collection	Coverage (%)	The total amount of communal waste produced (t)	Produced mixed communal waste (20 03 01) (t)	Separately collected types of communal waste (t)	Share of separately collected types within the county (%)	Directly submitted to the recovery operator (t)
Međimurje	118 426	111 701	94	18 258	13 535	4 722	25.9	4 055
Vukovar-Sirmium	204 768	187 348	91	43 142	41 825	1 318	3.1	959
Požega-Slavonia	85 831	67 580	79	14 040	13 006	1 034	7.4	507
Osijek-Baranja	330 506	293 132	89	83 947	78 833	5 114	6.1	3 026
Virovitica-Podravina	93 389	85 191	91	29 668	26 729	2 939	9.9	2 347
Varaždin	184 769	149 881	81	35 041	29 821	5 220	14.9	4 934
Koprivnica-Križevci	124 467	113 192	91	20 406	19 259	1 147	5.6	917
Bjelovar-Bilogora	133 084	104 620	79	31 871	30 140	1 730	5.4	652
Croatia	4 437 460	4 247 269	96	1 645 295	1 377 242	268 053	16.3	136 955

Table 9: Collected solid waste and their use in Croatian counties concerned

Source: Croatian Waters, Report on communal waste for 2011

In general, waste management is underdeveloped in the eastern part of Croatian programme area and this represents a significant weakness of the environment-related public facilities. However, all of the Croatian counties have established their waste management strategies and a national strategy is being implemented, with a great opportunity of utilising EU funding for the establishment of the regional waste management centres. The locations have been designated for most of the counties and the Accession Treaty obliges Croatia to establish all of the centres by 2018.

1.5.6. Energy potential

The region has favourable conditions in terms of renewable energy resources. As the Regional Renewable Energy Strategy for South Transdanubia is being finalised around this time, the following potentials are to be mentioned:

- Waters of Drava and Mura are an asset for energy production, however it conflicts with nature protection.
- High number of sunny hours in South of Baranya county provides good opportunity for solar energy production.

- Biomass (including agri-waste) due to high level of forestation is apparent in Somogy and Zala.
- Geothermal energy has favourable conditions first of all in Zala, but thermal resources are available throughout the programme area.
- The three counties are generally weak in wind, but Northern part of Somogy and Baranya could reach the required intensity of wind needed for wind energy production.

National concepts of renewable energies are guided by the EU 2020 targets: 20% reduction in greenhouse gas emissions, 20% of renewable energy share, 20% increase in energy efficiency.

The Hungarian National Energy Efficiency Action Plan foresees a saving of 57.4 PJ by 2016, among them the highest share on residential buildings. Energy efficiency is one of the pillars of the draft of the South Transdanubian Regional Energy Strategy, foreseeing a reduction in final energy consumption of 10% by 2020 and a 10% increase in the proportion of renewable energy in the mix.

Croatian national Regional Development Strategy recognises low level of sustainable energy production as a key weakness in all of Croatian regions. For both the North-West and Pannonian Croatia, the Strategy foresees a strategic need to widen the sustainable and clean energy production. In Pannonian Croatia, (which incorporates the eastern part of the programme territory), opportunities are also seen in thermal and hydro-energy sources.

1.6. Transport

1.6.1. Road infrastructure

The programme area is situated in the triangle of corridors V/b (E71; A4–M7), V/c (E73; A5–M6) and X (E70; A3). The programme area's western periphery is located at the batch of various transnational communication routes that creates excellent accessibility from Western Europe, however the area suffers from capacity problems especially in summer season. The eastern periphery has considerably improved its accessibility by the development of A5–M6 (E73, Corridor V/c) motorways, however section between Babarc (Mohács) and Osijek is still missing. The isolated situation of the middle part of the border area encumbers internal cohesion of the programme area.

County seats' accessibility features vary: Zalaegerszeg and Kaposvár don't have the sufficient quality connection to motorways. The programme area's most isolated part is the Southern periphery of Somogy county (Internal Somogy) that is hard to access either from county seats or from dominant cities outside the area. This situation could be improved by the development of the A13–M60 (Zagreb–Bjelovar–Virovitica–Barcs–Pécs) speedway connection.

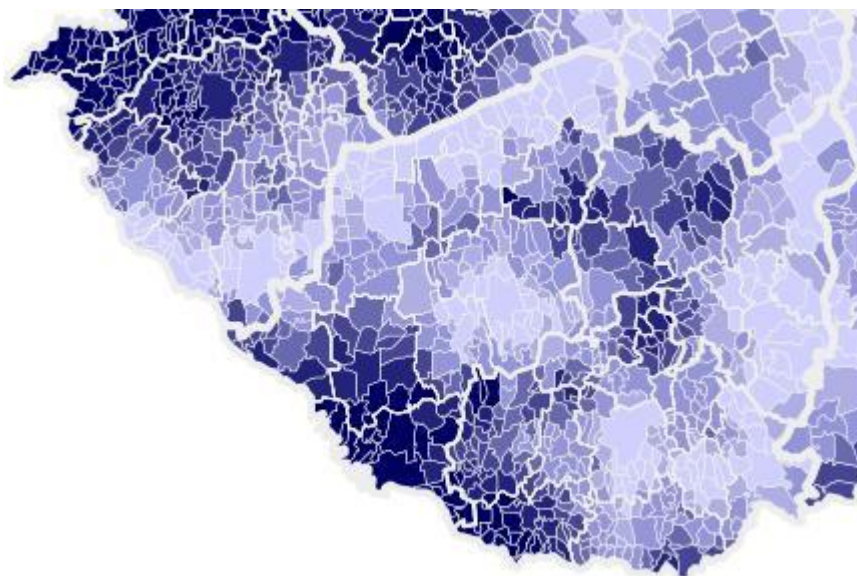


Figure 7: Accessibility of nearest motorway in Hungarian counties concerned (settlement level, 2011)

Source: KSH

The border of Croatia and Hungary is an exceptionally non-permeable one: it has the lowest border crossing density among Hungarian borders. Average distance of border crosses is 62 km, whereas the longest distance is between Barcs/Terezino Polje and Drávaszabolcs/Donji Miholjac (72 km). This makes the districts of Sellye and Szentlőrinc (also partly Szigetvár) and on the Croatian side the Slatina area heavily isolated from other side of the border. Since Mura and Drava form the state border on a long distance, opening of new border crosses turns to be a bridge construction issue. Establishment of a new border cross in the area of Sellye and Slatina has been investigated by various studies in past programmes, however no big improvement has been made since. As temporary solution the establishment of a ferry connection between Vejti and Podravska Moslavina has been recently investigated.

Analysis of border crossing data shows that the Letenye border crosses – due to the M7-A4 motorway connection between the national capitals – concentrate about 60% of total personal border crossing on road. In spite of the general decreasing tendencies the border crossing on corridor V/c at Udvar—Duboševica has improved its figures (see Table 10), most likely due to recent motorway developments M6-A5 that are likely to rise further upon foreseen constructions towards the national borders.

		Persons				Vehicles			
		2010	2012	Change 2012/2010	Distribution 2012	2010	2012	Change 2012/2010	Distribution 2012
Road	Letenye-Goričan (7-D3)	470 207	455 869	96.95%	11.26%	220 554	210 741	95.55%	14.10%
	Letenye-Goričan (M7-A4)	2 012 439	1 967 236	97.75%	48.58%	616 137	573 068	93.01%	38.33%
	Berzence-Gola	86 493	74 980	86.69%	1.85%	37 166	31 720	85.35%	2.12%
	Barcs-Terezino Polje	387 384	357 571	92.30%	8.83%	169 123	161 291	95.37%	10.79%

	Drávaszabolcs-Donji Miholjac	460 522	401 729	87.23%	9.92%	219 563	197 967	90.16%	13.24%
	Beremend-Baranjsko Petrovo Selo	160 302	155 685	97.12%	3.84%	65 213	62 123	95.26%	4.15%
	Udvar-Duboševica	572 908	636 214	111.05%	15.71%	243 934	258 237	105.86%	17.27%
	Road subtotal	4 150 255	4 049 284	97.57%	100.00%	1 571 690	1 495 147	95.13%	100.00%
Rail	Murakeresztúr-Kotoriba	14 799	12 444	84.09%	5.52%	33 088	15 293	46.22%	10.08%
	Gyékényes-Botovo	237 479	188 566	79.40%	83.71%	110 121	112 772	102.41%	74.32%
	Magyarbóly-Beli Manastir	22 868	24 240	106.00%	10.76%	21 868	23 668	108.23%	15.60%
	Rail subtotal	275 146	225 250	81.87%	100.00%	165 077	151 733	91.92%	100.00%
Water	Muraszemenye (temporary)		15		0.01%		9		0.10%
	Letenye (temporary)				0.00%				0.00%
	Órtilos (temporary)	3 600	3 602	100.06%	2.74%	36	44	122.22%	0.51%
	Drávaszabolcs	222	33	14.86%	0.03%	10	5	50.00%	0.06%
	Mohács	109 554	127 780	116.64%	97.22%	9 688	8 569	88.45%	99.33%
	Water subtotal	113 376	131 430	115.92%	100.00%	9 734	8 627	88.63%	100.00%
	Total	4 538 777	4 405 964	97.07%		1 746 501	1 655 507	94.79%	

Table 10: Border crossing data on border crosses of Hungary and Croatia (2010-2012)

Source: Police Headquarters of Baranya, Somogy and Zala counties

Accession of Croatia to the Schengen zone (at least three years after the accession to the EU) will make opening of new border crosses easier. This would be beneficial for border sections where bridge construction is not needed, especially in the Baranya triangle.

East-west transport has serious capacity problems: the connection between Pécs and Zala county is done through low capacity and quality side roads. Similarly on the Croatian side the Podravina main road (D2) has recently been developed with bypasses built around major centres (e.g. Osijek, Virovitica), but horizontal connection still remains ineffective due to long transit road sections on D2.

At the moment there is no scheduled coach service operating between Hungary and Croatia, all past routes have been closed down in the past years. However in pre-holiday weekends Pécs malls operate shopping related coach service from Osijek.

1.6.2. Railways

Railway infrastructure is characterized by poor quality substructure and lack of electrification even on key sections (Pécsbánya-Rendező–Magyarbóly, Szentlőrinc–Gyékényes, Nagykanizsa–Zalaszentiván, Koprivnica–Osijek). Poor infrastructure results low speed levels, inefficient timetables and minor demand for cross-border traffic. Since December 2012 direct trains between Budapest and Sarajevo have been ceased that resulted Osijek from Pécs remained inaccessible by railway, however border crossing figures have shown slight improvement in this area (see Table 10) till it was in operation. As the only cross-border connection, one daily service is operating between Budapest and Zagreb through Koprivnica–Gyékényes–Nagykanizsa (on line 30). This connection may be used from Pécs or Kaposvár with transfer in Gyékényes (albeit with very long waiting time), but unfeasible from Zalegerszeg.

1.6.3. Aviation

In terms of air transport, the border area's most developed airport is the Fly Balaton in near Hévíz that serves regular charter flights mainly from Germany, further lines are under way from Riga and Moscow. The Osijek Airport serves regular scheduled flights in summer season to Dubrovnik and Split. These two airports have the capacity to land typically used big size passenger aircrafts. Another internationally operating airport is Pécs-Pogány having only a 1500 m runway that provides landing only to small jets. The airport currently serves charter flights in summer season to Greece and Bulgaria. Further non-public airports having concrete runway are located in Varaždin and Taszár (near Kaposvár) that don't serve passenger flights.

1.6.4. Inland navigation

Water transport is relevant only on the eastern part of the programme area. The Mura border river is not navigable for normal passenger ships, only for small vessels for tourism and sport. The Drava is navigable from Barcs to Aljmaš, however only minimal navigation takes place at the moment, dominantly between Osijek and the firth. The Danube has more relevance in terms of navigation. On the Hungarian side Mohács has status of public port, recently equipped with modern infrastructure. In Croatia Vukovar is the most important port. For tourism purposes smaller ports are under construction (Batina, Aljmaš).

1.7. Education and training (incl. vocational training)

Educational systems in both countries are in need of reforms that would bring them closer to the needs of labour markets in the respective countries.

According to the report of the Eurydice network¹¹, the efficiency of the entire Hungarian educational system has been on a low level for years. The experience shows that - by following the processes in the society - the Hungarian school system is non-competitive. It also has to tackle with segregation in terms of vocational training, Roma integration, antidiscrimination programmes and integrating children with special education needs¹². Roma integration education programmes have been available for more than two decades in Hungary. On one hand because of their low-effectiveness, on the other due to the outstanding presence of the Roma in Baranya and partly in Somogy counties, these initiatives could not integrate the Roma children even at primary level of the education. Though, the early leavers from education and training is 11.5% of the population aged between 18-24, which is more favourable than the 12.8% data of the EU-27 (EUROSTAT). In the three Hungarian counties of the programme area the above mentioned issues are strengthened by the structure of small settlements and of the undeveloped districts, the undeveloped economy, the low education level of adults and a high number of families in unfavourable position.

¹¹ Education, Audiovisual and Culture Executive Agency (EACEA P9 Eurydice): Key Data on Education in Europe. Brussels, 2012.

¹² INTMEAS report: Inclusion and education in European counties. Final report on Hungary.

Croatian primary and secondary education systems are in constant small-scale reforms that do not bring about significant changes, while the higher education system underwent a significant reform by complying with the Bologna process. That reform, however, received a lot of criticism by student and lecturer organisations. The rates of unemployment of persons with vocational secondary education (33%) in Croatia alarm at the inappropriateness of that aspect of education in relation to the labour market needs.

The education level of the population in the three Hungarian counties improved continuously during in the past decade. Compared to the 2001 census, the most dynamic development took place in higher (54% growth) and partly in secondary education (32% growth) as regards the qualifications obtained¹³. In 2011, the proportion of those with eight grades of primary school shows a slightly favourable picture than the Hungarian average. With respect to highest completed qualification, 41.52% of the population has secondary school and 13.65% have higher education qualifications. These two figures are both below the national average, especially in Somogy county.

The Croatian data demonstrate that the levels of secondary and tertiary education in the programme area (41.51% and 7.50% respectively) are much lower than the national average, especially in environments without a greater urban centre, such as Virovitica-Podravina, Požega-Slavonia, Medjmurje, Bjelovar-Bilogora and Koprivnica-Križevci. Osijek-Baranja County has a significantly higher rate of university educated population, which can be attributed to both the economic and cultural importance of the City of Osijek, as well as to the fact that Osijek has the only University in the area.

	Primary schools with 8 classes	Secondary school	College, university
Hungary total	95.59%	47.01%	16.96%
Baranya	95.67%	43.36%	14.90%
Somogy	94.15%	38.79%	12.36%
Zala	95.36%	42.05%	13.38%
Hungarian programme area	95.10%	41.52%	13.65%
Croatia total	96.47%	47.06%	11.89%
Varaždin	98.08%	45.41%	8.36%
Koprivnica-Križevci	97.20%	34.48%	6.98%
Bjelovar-Bilogora	95.84%	38.27%	6.57%
Virovitica-Podravina	95.53%	37.08%	5.75%
Požega-Slavonia	94.54%	39.62%	6.74%
Osijek-Baranja	96.02%	43.95%	9.17%
Vukovar-Sirmium	93.55%	41.34%	6.62%
Medjmurje	97.95%	44.82%	6.52%
Croatian programme area	96.07%	41.51%	7.50%

¹³ Ratios are own computings based on KSH 2001 (census) data.

<http://www.nepszamlalas2001.hu/hun/kotetek/06/index.html> Accessed: 17 June 2013.

Table 11: Ratio of the of population aged over 15 by educational attainment to the national/county population, 2011

Source: KSH, DZS

In terms of social inclusion, significant efforts are still required in Croatia to increase the rate of involvement of Roma children into the educational system. According to the “National Programme for Roma”. The Ministry of Education does not dispose of precise information of a number of Roma children of school age, but it is estimated that 1/3 of Roma children in Croatia have never been involved in any type of formal education. In addition to that, language barriers (a significant proportion of Roma children enter primary school without sufficient command of Croatian language) and prejudice of local communities make the integration of those children who enter the system difficult.

In Hungary the primary and secondary public education system is going through a comprehensive restructuring process. In 2011 the state – as part of the liquidation process of public debt – took over educational institutions from local and county governments. The Klebelsberg Institution Maintenance Centre is the management body of the majority of public education institutions. Set up of their management capacities on local level are in progress.

In Croatia, public primary schools are still managed by local (cities and municipalities) or regional (counties) self-governance units, although they can also be established by the state, while secondary public education is managed by regional level, i.e. counties. Private persons can also establish primary or secondary education institutions, provided that they are, like public schools, certified by the Ministry of Science, Education and Sport.

As part of the public education, vocational schools and training are getting even more important on both sides of the border as companies seek flexible labour force for less-innovative or traditional jobs. In such a sense a shortage can be experienced on the labour market. This structural problem is not only rooted in the profession structure of skilled employees, but also in the enrolment ratios of the various levels of education. Therefore efforts must be taken to continue the improvement of the qualification level to the benefit of skilled employees. Understanding the situation, the so called Territorial Integrated Vocational Training Centres were established in Kaposvár, Nagykanizsa, Marcali, Pécs and Zalaegerszeg. As these centres¹⁴ are part of the Hungarian public education system from 2011 on, being based on the cooperation of the (in most cases) closely located vocational training schools they serve territorial needs, whilst also provide up-to-date and innovative training facilities for the teachers and students as well. Their involvement in the cross-border cooperation could increase the attractiveness of the peripheral Hungarian-Croatian border area and may contribute to the development of the common economic space as well.

Adult and vocational education are growing educational sectors in Croatia, too. The network of adult education institutions is very broad, with significant overlaps in terms of geographical scope and compliance with labour market. Only in 2011, the Agency for Vocational and Adult Education has received requests for expert opinion from 210

¹⁴ 2012. évi LXXI. törvény a szakképzésről. www.magyarokozlony.hu/pdf/13146 Accessed: 7 April 2013.

adult education institutions for 1172 programmes. The Agency is trying to achieve better coordination and networking of those institutions and pre-accession funding has been directed towards the establishment of Regional Networks of Local Educational Institutions, which has helped bring some of the programmes in line, but did not aim at creating regional centres at the scale presented in Hungary. In terms of scale, of 348 adult education institutions that provide formal education in the Republic of Croatia, 100 are located in the programme area¹⁵, The most in Osijek-Baranja County (26) and Varaždin County (20), while the lowest concentration was in Virovitica-Podravina (6), Medjimurje (7) and Požega-Slavonia (8).

The different institutions of the higher education system are developed and available in all the three counties. In Baranya University of Pécs is the most important university of the Hungarian side, University of Pécs is located having ten faculties, several post-graduate and PhD studies. The university, being one of the biggest in Hungary with its 26,699 students in 2011, is well known not only nationally but in Europe as well: it records several hundreds of students coming from Europe, including 53 persons from Croatia¹⁶. The trendsetting governmental reforms towards extended self-financing of the higher education has affected the enrolment numbers of the University of Pécs as well. In 2012 the institution has accounted one-tenth loss in terms of number of its students (24,031 persons).

The Episcopal Theological College of Pécs is also located in the county seat of Baranya. In Somogy county Kaposvár University operates as the other important university of the region, offering studies in four faculties including animal science and arts as well. In Zala county various high education institutions run different programmes in Keszthely, Nagykanizsa and Zalaegerszeg Their portfolio comprises of business administration, mechanical engineering, informatics (Zalaegerszeg), agricultural studies, informatics, consulting (Keszthely) and tourism, engineering and mechanical engineering (Nagykanizsa). Tightening state financing quota in the higher education forces the institutions to suit their curricula better to the needs of the labour market and to attract more foreign students to their faculties. In terms of life-long learning the universities have already successfully organised shorter, tailor-made courses according to their profiles.

In Croatia, the most important university Centre within the programme area is in Osijek, where Josip Juraj Strossmayer University is located. The University consists of 11 faculties in both arts and sciences, four departments and one academia. Osijek also has an Institute for Agriculture (dating from 1878), which is a nationally significant research institution. According to the Agency for Science and Higher Education, 20421 students were enrolled at the University of Osijek in school year 2010/2011, which is 13.5% of all the students and the seven public universities in Croatia.

Of other counties, most have regionally established higher education institutions, some in some cases separate faculties of other universities, but which represent a significant contribution to the availability of higher education in the border regions¹⁷:

Varaždin County:

¹⁵ Agency for Vocational and Adult Education, 2011

¹⁶ Dr. M. CSÁSZÁR Zsuzsa: A felsőoktatás nemzetköziesedése, a PTE nemzetközi vonzástérképe. http://www.mandula.pte.hu/files/tiny_mce/File/2013/PPT/3/MCszaszar_Zs.pdf Accessed: 7 April 2013.

¹⁷ Network of Higher Education Institutions and Programmes, National Council for Higher Education, 2011

- University of Zagreb, Faculty of Organisation and Informatics
- University of Zagreb, Geotechnology Faculty
- Varaždin Polytechnics

Koprivnica-Križevci:

- Agricultural College in Križevci

Bjelovar – Bilogora County:

- Higher Technical School in Bjelovar

Virovitica-Podravina County:

- Higher School for Tourism and ICT in Virovitica

Požega-Salvonia:

- Polytechnics in Požega

Vukovar-Sirmium:

- Polytechnics “Lavoslav Ružička” in Vukovar

Međimurje:

- Polytechnics of Medjimurje in Čakovec

The successful cross-border cooperation requires good commands of foreign languages. The knowledge of the language used in the neighbouring side of the state border is an absolute advantage. The tables below shows that the knowledge of the Croatian is present in Hungarian counties at a rather low percentage. In Croatia, there is a strong concentration of Hungarian speakers in Osijek-Baranja, where Hungarian minority has the strongest presence. The most commonly spoken foreign languages in Hungary and Croatia (i.e. English and German) also facilitate the communication in the border zone.

	People speaking Croatian	People speaking Hungarian
Hungary	0.37%	-
Baranya	2.49%	-
Somogy	0.75%	-
Zala	1.71%	-
Croatia	-	0,24%
Varaždin	-	0.03%
Koprivnica-Križevci	-	0.06%
Bjelovar-Bilogora	-	0.05%
Virovitica-Podravina	-	0.04%
Požega-Slavonia	-	0.06%
Osijek-Baranja	-	2.19%
Vukovar-Sirmium	-	0.04%

Medjimurje	-	0.07%
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Table 12: Ratio of the population speaking Croatian-Hungarian-English-German languages in the programming area, 2011

As reflected in the figures, language skills can still be considered as major bottleneck to improved cooperation in the border area.

It is worth mentioning that driving forces of cultural and educational cooperation are bilingual schools. The largest one is the Miroslav Krleža Croatian Kindergarten, Primary, Secondary School and Student Hostel located in Pécs. The centre has been beneficiary of the first Hungary-Croatia PHARE cross-border grant scheme in 2002. Similar role has the Educational and Cultural Centre of Hungarians in Osijek.

1.8. Health and social care

The performance of the health care system of both countries are below the European average standards. Health care system in the Hungarian counties are under-financed, maintains non-efficient structures, suffers from territorial disparities, lacks sufficient number of doctors and supports personnel that have low level of motivation. In general terms the system cannot match the demand both in terms of quality and quantity.

Poor health conditions of the population are reflected in life expectancy figures that were somewhat higher in West Transdanubia and somewhat lower in South Transdanubia than the national average (75.1 years) in 2011. South Transdanubia is characterized by above-average level of the number of smokers and highest position in the number of heavy drinkers.

Life expectancy in Croatia is lower than European Union average. The national average in 2009 was 76.4¹⁸ while EU average was 79.7. Croatia thus has on average a higher life expectancy than Hungary, but the counties in Slavonia rate much below the national average and are close to the Hungarian part of the border.

	Men	Women	Average
Hungary	70.93	78.23	75.1
Baranya	71.27	77.99	
Somogy	70.32	77.97	
Zala	71.20	78.77	
Croatia	72.61	79.43	76.02
Varaždin	70.85	79.00	74.90
Koprivnica-Križevci	69.83	78.16	73.99
Bjelovar-Bilogora	70.58	77.5	74.04
Virovitica-Podravina	69.29	77.67	73.48
Požega-Slavonia	71.16	78.93	75.04

¹⁸ EUROSTAT, Life expectancy at birth, 1980-2011

Odijek-Baranja	71.66	78.24	74.95
Vukovar-Sirmium	72.01	78.87	75.44
Međimurje	72.14	79.8	75.97

Table 13: Life expectancy at birth, 2008/2009

Source: KSH, DZS, Population projections 2010 – 2061

Analysing statistical data of health care institutional system, general situation is very different in Zala county and the two South Transdanubian counties, especially Baranya county figures are very favourable. Number of doctors have a fairly high value in Baranya, but data of Somogy is under the national average. Number of patients per doctors in Zala corresponds to the national average, while the two South Transdanubian counties have a better position. Number of non-filled practices of family doctors is the lowest in Baranya county. As regards hospital beds per capita Zala and Somogy are close to the national average, Baranya is again in the most favourable position compared to national level – to large extent as a consequence of the capacities available in Pécs.

	2007	2008	2009	2010	2011
Zala	28.8	31.5	31.0	28.0	31.8
Baranya	45.5	52.2	48.9	47.9	45.3
Somogy	23.9	27.2	27.0	25.6	27.5
Hungary	32.1	36.0	35.1	34.0	34.9

Table 14: Number of doctors per 10,000 inhabitants in Hungarian counties concerned

Source: KSH

	2007	2008	2009	2010	2011
Zala	1 577	1 577	1 594	1 577	1 575
Baranya	1 372	1 366	1 372	1 378	1 369
Somogy	1 512	1 492	1 484	1 507	1 476
Hungary	1 540	1 529	1 536	1 548	1 546

Table 15: Number of inhabitants per family doctor in Hungarian counties concerned

Source: KSH

	2007	2008	2009	2010	2011
Zala	71.1	71.4	71.3	70.8	70.9
Baranya	76.9	80.3	79.0	81.2	81.3
Somogy	69.8	69.6	69.8	70.5	73.0
Hungary	71.6	70.8	71.0	71.3	71.5

Table 16: Hospital beds per 10,000 inhabitants in Hungarian counties concerned

Source: KSH

In 2011 the management of hospitals have been taken over by the state. Accordingly to the Semmelweis Plan for the Rehabilitation of the Hungarian Health Care System,

in the target counties the Pécs Clinical Centre (operated by the University of Pécs) has become an institution of “regional progressive centre”, Kaposvár and Zalaegerszeg have the status of county hospitals. Further local hospitals are in Keszthely, Komló, Marcali, Mohács, Nagyatád, Nagykanizsa, Siófok and Szigetvár. Active beds of the Siklós hospital have been ceased in 2012. Out-patient services are available in the district centres, but they differ in scope of activities and capacity. In the programming period of 2007-2013 local out-patient service centres have undergone intensive development by various ERDF funded operational programmes that resulted elevation of quality of services in the Hungarian part of the programme area.

Since the programme area is rich in thermal water, several spa facilities are available that along with recreational services provide medical examinations combined with spa treatments. In Harkány and Hévíz designated medical hospitals provide health insurance financed medical services to their patients.

Croatia, like Hungary, has a relatively low level of health care financing (according to WHO statistics for 2011, both countries dedicate below 8% of their GDP to health, compared to e.g. over 11% in France, Germany, Denmark and the Netherlands) and its healthcare sector has not managed the transition from socialist economy well. While the expertise of the doctors, nurses and medical staff is still considered high, the infrastructure of the hospitals is mainly inadequate and the management is inappropriate. Furthermore, there is a concentration of advanced healthcare in larger centres, especially in Zagreb, while smaller towns are often left with a basic and much less technologically advanced healthcare.

Hospitals in Croatia are established mainly by the counties (general hospitals and primary health care institutions, such as ambulances), but clinical centres, clinical hospitals and clinics are established by the state. Private persons can establish special hospitals and polyclinics. However, due to serious financial problems, majority of county hospitals have in early 2013 been centralised and are now managed by the state.

The strongest health care centre in the Croatian part of the programme area is in Osijek, which has a Clinical Hospital Centre, while other counties all have a general hospital and a number of other healthcare institutions.

	2011
Croatia	5.98
Varaždin	11.53
Koprivnica-Križevci	3.50
Bjelovar-Bilogora	5.29
Virovitica-Podravina	3.55
Požega-Slavonia	8.24
Osijek-Baranja	4.13
Vukovar-Sirmium	3.16
Medjmurje	3.07

Table 17: Number of hospital beds per 1,000 inhabitants in Croatian counties concerned

Source: DZS

The programme’s target area has unfavourable figures in terms of social protection benefits. Number of people getting permanent social assistance benefits are higher than the national average, particularly in the two South Transdanubian counties. The highest number of beneficiaries live in Sellye and Sásd districts (Baranya) that are sparsely populated undeveloped areas where accessibility to services is limited. In 2010 changes in social protection system resulted in a decline in number of beneficiaries and financial terms, since then both figures are on a moderate rise again.

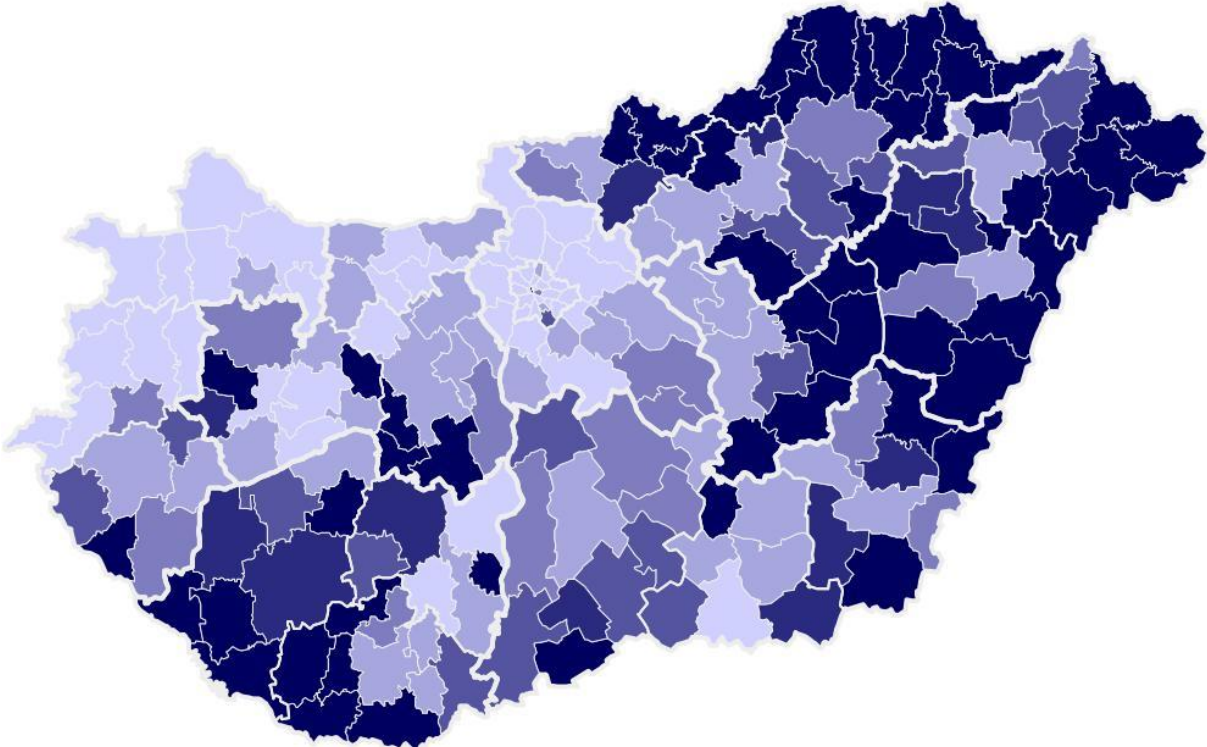


Figure 8: Number of beneficiaries of permanent social protection benefits per 1000 inhabitants in Hungary

Source: KSH.

Generally social protection suffers from serious capacity problems in Hungarian counties (high level of utilisation, poor infrastructure, lack of personnel, missing of some special services – e.g. hospice), however numerous development projects took place by EU assistance in this area. Due to fragile financial situation of local governments they tend to shift maintenance of social protection facilities to church and civil organisations.

Social care system in Croatia is also undergoing reforms that include deinstitutionalisation and transformation of institutions of social care and the ideas of

stronger reliance on the civil sector. The reform and in particular the support to the involvement of the civil society organisation in the provision of social services has been supported through a number of grant schemes within IPA IV Human Resources Development Programme.

The system currently works through a network of regional Social Care Centres and other specialised institutions, which are often insufficient or inappropriate to the needs on the ground. Like with the healthcare, bigger urban centres have a much better set of social services than smaller, in particular rural communities, which often have a greater need.

	Number of recipients of permanent social care benefits	Number of inhabitants	Recipients per inhabitants (%)
Croatia	107,750	4,284,889	2.51
Varaždin	3,558	175,951	2.02
Koprivnica-Križevci	3,203	115,584	2.77
Bjelovar-Bilogora	4,203	119,764	3.51
Virovitica-Podravina	4,019	84,836	4.74
Požega-Slavonia	2,196	78,034	2.81
Osijek-Baranja	14,988	305,032	4.91
Vukovar-Sirmium	7,635	179,521	4.25
Medjimurje	5,512	113,804	4.84

Table 18: Recipients of social assistance in Croatian counties concerned

Source: Ministry of Social Policy and Youth, Bi-monthly Report per County, October 2012; DZS, Census 2011

The figures show that the proportion of population receiving permanent social benefits is much higher than Croatian average in most of the Croatian programme area, with the exceptions of the western part of the area, which rates better than the east in majority of socio-economic indicators.

1.9.Cultural relations

Cultural cooperation is driven by partner towns, municipalities and institutions. Accordingly to the 2007 survey on local governmental partnerships (Croatia) there are altogether 38 partnership agreements or informal partnership relations between Hungarian and various Croatian municipalities or institutions in South Transdanubia. Since then many new cooperations have been established, many of them as by-result of joint development projects and people-to-people activities under the Hungary-Croatia CBC programme. Until December 2012 altogether 198 events were

realised under people-to-people actions, 325 083 people participated or got information about them. Interest was considerably higher as expected that proves the existence of local people's interest in cross-border cultural events and cooperation.

As far as local governmental contacts are concerned, most important cooperations are the following: Pécs – Osijek, Kaposvár – Koprivnica, Zalaegerszeg – Varaždin, Nagykanizsa – Čakovec, Komló – Valpovo, Mohács – Beli Manastir, Barcs – Virovitica, Nagyatád – Križevci, Szigetvár – Slatina, Beremend – Belišće, Órtilos – Legrad, Letenye – Prelog, Belezna – Donja Dubrava. On county level Somogy cooperates with Bjelovar-Bilogora, Koprivnica-Križevci and Virovitica-Podravina. Baranya's utmost important partnership is with Osijek-Baranja. Zala has also intensive relationship with Međimurje.

Along with public level institutional cooperation numerous cultural and artistic associations maintain intensive cooperation, especially minorities' cultural associations in the neighbouring countries. Cultural life is the most intensive in Baranya county. Most important acts are the Tanac Dance Ensemble and the Vizin Orchestra that could gain wide success on both sides of the border. Hungarian cultural life in Croatia is concentrated in Osijek-Baranja: Osijek, Kopačevo, Beli Manastir and Kneževi Vinogradi. Cultural cooperation involves mutual attendance on festivals, joint staging of theatre plays (with active involvement of the Pécs Croatian Theatre) and gastronomic events organised around characteristic regional food specialities and wine.

As mentioned in the education chapter, driving force of cultural and educational cooperation are bilingual schools. Beside those on both sides in municipalities with significant minority (Hungarian, Croatian) population education of the minority languages is accessible.

Cooperation of the Universities of Pécs and Osijek should also be mentioned in relation to arts, history, geography and linguistic subjects. Also intensive contacts are maintained between museums, archives and libraries as well.

2. The preliminary SWOT analysis of the border area

2.1. The internal factors identified:

Strengths	Weaknesses
Demography and spatial structure	
<ul style="list-style-type: none"> • Two important towns with rich urban functions (Pécs, Osijek) • Emerging urban centres in the western part of the border area (Nagykanizsa – Varasdin) • Balanced network of small towns • Attractive, unique, traditional rural space (e.g. small villages) 	<ul style="list-style-type: none"> • Decreasing population • Negative migration balance • Ageing population • Parts of the programme area is scarcely populated • Increasing number of disadvantaged social groups • Cooperation between urban centres within the region and towards neighbouring areas is hindered by weak accessibility • Number of middle towns/cities are not significant • Small towns lack full range of urban functions • Internal – external peripheries
Economy and tourism	
<ul style="list-style-type: none"> • Excellent quality lands for agricultural use • Afforested counties • Long tradition of agricultural production in the region • Favourable conditions for tourism (health, culture, world heritage sites/architecture, protected areas, wine regions, opportunities for sports like horse riding, angling, hunting, rowing) • Positive experiences and further demand for cooperation and joint development in the field of tourism on the basis of Tourism Product Plan • Emerging industrial production capacities in the western part of the Hungarian border area (Zala) • Well established SME support institutions in the border area 	<ul style="list-style-type: none"> • The border region is characterised by economic downturn • Decreasing investment value • Growth rates are lower in the border region than the national averages • No of operating enterprises are lower than the national averages • Weak cooperation between the actors of the economy • Shortage of tourism infrastructure and services in the Mura-Drava-Danube border region • Low number of tourists and the region being a relatively unknown destination • Weak tourism marketing in the region • Unused capacities in Industrial Parks
Employment, Labour Market	
<ul style="list-style-type: none"> • Significant unutilised potentials in the area • Relatively low labour cost in the border region 	<ul style="list-style-type: none"> • High rate of unemployment on both sides of the border • Majority of long-term unemployed are low-skilled and women

	<ul style="list-style-type: none"> • Command of foreign languages is poor (including Croatian in Hungary and vice versa) which hinders cooperation on the labour market
Education and RDI	
<ul style="list-style-type: none"> • Regionally established higher education institutions (Križevci, Čakovec, Varaždin, Vukovar, Keszthely, Kaposvár, Nagykanizsa, Zalaegerszeg) • Research potential at the two big Universities (Pécs, Osijek) and other higher education institutions of the border region • Developed adult education systems 	<ul style="list-style-type: none"> • Inequalities in the educational level of the population - small settlements, undeveloped districts and undeveloped economy are factors strengthening undesirable tendencies • Inappropriateness of vocational secondary education in relation to labour market needs • Low level of RD spending mainly deriving from public sources • RD activities dominated by the capital cities • Low level of RDI co-operation with firms • Underdeveloped RTD/RDI sector in the region (low number of researchers, research institutions etc.) • Lower ratio of higher education qualifications compared to national average • Low level of mutual language teaching • Inflexible educational system with institutions being slow at responding to market demand
Culture and society	
<ul style="list-style-type: none"> • Pécs Clinical Centre – regional progressive centre • Spa facilities provide improved services and treatments (experienced doctors, nurses and medical staff) • Good cooperation between HU/HR municipalities; cultural/artistic associations; universities and other public institutions like museums, archives and libraries • Strong initiatives to organise cooperation in common institutional framework (EGTC) 	<ul style="list-style-type: none"> • Poor health conditions • Performance of the health care system are below EU average standards • No of people receiving permanent social benefits are higher than national averages • The population's state of health is worse than the national average • Healthcare and social services are limited in smaller communities • Existing social segregation in the most underdeveloped micro-regions • Low level of mutual language skills hinders cross-border co-operation • Rundown and underutilised cultural infrastructure
Transport	
<ul style="list-style-type: none"> • Modern public port at Mohács • Relatively good accessibility of the Western parts of the region • Regional airport in Pécs and Osijek • Improved internal accessibility due to reconstruction works 	<ul style="list-style-type: none"> • Section of the A5-M6 between Mohács – Osijek is still missing • Lowest border crossing density among Hungarian borders • East – West transport has serious capacity problems • Lack of multi modal hubs • Bad state of internal road system makes

	<p>accessibility of intraregional centres and interregional thoroughfares difficult</p> <ul style="list-style-type: none"> • Poor quality railway infrastructure and services (low speed levels, inefficient timetables) • Minimal local presence of bicycle routes
Environment	
<ul style="list-style-type: none"> • Favourable environmental conditions (3 big water systems, above average afforested counties, ornithological reserve, protected landscapes/ areas, forestation is above national average) • Quality of surface waters is favourable • Quality of drinking water /public water supply is almost 100% • High potential in RES (biomass, geothermal) • Good cooperation between HU-HR institutions in charge of management of protected areas • Few contaminant agents in the River Drava and Mura 	<ul style="list-style-type: none"> • Share of recycled waste is low • 3rd grade sewage treatment is not available in certain parts of the area • Danube and its tributary system is polluted • Illegal dumping • Out of date waste water treatment • The proportion of land in agricultural use is decreasing

2.2. The expectedly most influential external factors:

Opportunities:

1. new instruments of EU cohesion policy – such as CLLD and ITI – can be used to develop more integrated interventions in the border region
2. the border becomes internal border of the EU with a perspective of Croatia becoming part of the Schengen area within the programme period
3. free movement of goods and services between the two countries encourages business cooperation of SME's and results in more FDI in the region as a whole
4. possible prospective title of Osijek as Cultural Capital of Europe can attract more attention and visitors to the larger area
5. increasing demand for nature-friendly („green”) and cultural tourism in both countries and in Europe as a whole, too
6. strengthening initiatives to support re-industrialisation processes in both countries to counteract the trends of relocation of industrial production
7. growing interest in various consumer groups in consuming/purchasing local and organic food and other agriculture-based products
8. initiatives in both countries to increase the share of renewable sources in energy production

Threats:

1. further economic downturn further reduces local purchasing power resulting in low level of demand to local products and services that leads to further ageing and depopulation („downward spiral”)
2. economic development – both FDI and the local economy - will favour more developed agglomerations leaving large rural areas of the programme region untouched
3. integration of the Croatian economy into the EU may result in termination of jobs in rural areas due to improving push for efficiency and more open competition
4. growing number of people living below the poverty level represent more risk of segregation, organised crime, worsening public safety and segregation, especially in the most deprived sub-regions
5. „mainstream” national OP’s in the cooperating countries will not focus adequately on the specific problems of the area, this way the level of public investment remains low and necessary investments to address inherent weaknesses will not be made (e.g. in infrastructure, businesses, human capital and environment)
6. low level of public financing for the operation of the various elements of the institutional system and public services will limit or restrict the cooperation across the border
7. higher probability of natural disasters or unusual weather conditions – such as draught or flood – due to the climate change