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IDENTIFICATION OF THE NECESSARY CONDITIONS FOR THE DYNAMIC DEVELOPMENT OF THE ECONOMY OF EASTERN CROATIA

IDENTIFIKACIJA POTREBNIH UVJETA ZA DINAMIČAN RAZVOJ GOSPODARSTVA ISTOČNE HRVATSKE

ABSTRACT

Reducing the existing differences in the level of economic development of eastern Croatia compared to other regions is the goal of regional development policy and regional institutions. The aim of local (regional) self-government is sustainable development and strengthen competitiveness. In the next period the Republic of Croatia has access to significant resources from EU funds for regional development and competitiveness. The key question at this moment is how to increase the use of EU funds. Units of regional self-government and regional development agencies provide technical support to all applicants. What is crucial at this point is how to intensify activities on attracting money from EU funds.

The aim of this paper is to examine and determine the conditions that are necessary in order to attract considerably more investments through the EU funds.

Subject of research are the opinions, attitudes and experiences of employees of regional self-government and regional development agencies which have participated in the technical preparation, the creation and implementation of development policies through the EU funds. The geographical scope of of research includes five local government units: Brod - Posavina County, Pozega-Slavonia, Osijek-Baranja County, Vukovar-Srijem County and Virovitica-Podravka County.

Key words: EU Funds, Eastern Croatian Economy, Regional Development, Competitiveness, Attitudes

SAŽETAK

Smanjivanje postojećih razlika u stupnju razvoja gospodarstva istočne Hrvatske i ostalih regija zadaća je politike regionalnog razvoja i regionalnih institucija. Održiv razvoj i jačanje konkurentnosti te odabir ciljeva i prioriteta na lokalnom nivou zadaća je jedinica područne (regionalne) samouprave. Republici Hrvatskoj idućem periodu na raspolaganju su znatna sredstva iz EU fondova za programe regionalnog razvoja i konkurentnosti. Ključno pitanje ovog trenutka jest kako što više aplicirati na programe EU fondova.

Jedinice regionalne samouprave i regionalne razvojne agencije pružaju tehničke informacije i potporu svim prijaviteljima projekata. Ono što je ključno u ovom trenutku jest upravo potreba da se intenziviraju aktivnosti na privlačenju sredstava iz Eu fondova, da

potencijalnih prijavitelja bude što više i da razvojni projekti poboljšaju konkurentnost ovih područja.

Cilj ovog rada jest ispitati i utvrditi koji su preduvjeti potrebni da bi u bliskoj budućnosti područje istočne Hrvatske privuklo znatno više investicija putem fondova Europske unije. Predmet istraživanja su stavovi, mišljenja i iskustva djelatnika jedinica regionalne samouprave i regionalnih razvojnih agencija koji su do sada sudjelovali u tehničkoj pripremi, kreiranju te provedbi razvojnih politika putem fondova Europske unije.

Geografsko područje istraživanja čini pet jedinica lokalne samouprave: Brodsko-Posavska županija, Požeško-Slavonska županija, Osječko-Baranjska županija, Vukovarsko-Srijemska županija te Virovitičko-podravska županija.

Ključne riječi: *Fondovi Europske unije, gospodarstvo istočne Hrvatske, regionalni razvoj, konkurentnost, stavovi*

1. Introduction

In November 2014, Croatian Government and Croatian Parliament recognized (within the framework of the draft Law on Croatian Regional Development), that regionally balanced development is of great importance for the overall Croatian economic growth and development (Proposal of Law on Croatian Regional Development, 2014)

The funds of the European Union allocated to Croatia in the period 2014-2020 should contribute to the reduction of regional disparities.

Law on Croatian Regional Development defines the objectives and principles of regional development, and bodies under its jurisdiction that managing regional development and other important issues in the field of regional development (Law on Regional Development, Official Gazette 147/2014).

According to the Law on Regional Development (Official Gazette 147/2014) development agencies were assigned the role of coordinating and promoting regional development.

Institute of Economics in his study from 2012 estimated that all existing county development strategies are harmonized with the Strategy of Regional Development of the Republic of Croatia (The rating system of strategic planning and possibilities of financing the development of counties and the local government in the context of implementation of regional German development policy, 2012).

Strategic development planning represent a vision the desired state in which a state, region or local government wants to reach in order to managed to retain and increase social and economic well-being and thereby preserve the environment (Djokic et al, 2010, p.22). The Republic of Croatia requires a systematic approach in the development of regional policy and mechanism to enable a proactive management of regional policy (Đulabić, 2007, p. 207). Grows importance of of local and regional communities in creating their overall development (Puljiz, 2005, p. 9)

The level of development of local and regional governments is measured by an index of development, which is calculated as a weighted average of several socio-economic indicators to measure the degree of development of local and regional governments (The Decision of the Classification of the Local and Regional Governments According to the Stage of Development, 2010). Table 1 provides an overview of the development index of selected counties, surface area, population, towns, municipalities and settlements.

Table 1: Counties, surface area, population, towns, municipalities and settlements, development index (territorial organization at 31 december 2013)

County of	Surface area, km ²	Population in 2011	Population density per km ²	Towns/cities	Municipalities	Settlements	Development index * %
Požega-Slavonia	1823	78034	42,8	5	5	277	33,81 %
Slavonski Brod-Posavina	2 030	158575	78,1	2	26	185	18,43 %
Osijek-Baranja	4 155	305032	73,4	7	35	263	46,07 %
Vukovar-Sirmium	2 454	179511	73,2	5	26	85	18,73 %
Virovitica-Podravina	2 024	83836	41,9	3	13	188	5,56 %

Source: The author on the basis of data collected by the Croatian Bureau of Statistics 2014.

*Source: The Ministry of Regional Development and EU Funds – Development index

2. Research methodology

The choice of regional development agencies was made according to the defined geographical area of research. The research area are regional development agencies of Brod-Posavina, Požega-Slavonia, Vukovar-Syrmia, Osijek-Baranja and Virovitica-Podravina County.

The list of regional development agencies is available on the website of Ministry of Business and Trade, which published a list of all the regional development agencies:

Regional Development Agency of Požega-Slavonia County Ltd.,

VIDRA – Development Agency of Virovitica-Podravina County,

Regional Development Agency of Slavonia and Baranja Ltd.,

Agency for Development of Vukovar-Sirmium County HRAST Ltd.,

CTR Ltd. - Development Agency of the Brod-Posavina County.

The depth semi-structured interview was chosen as a research method. The basic condition for participation in a depth semi-structured interview is a previous work experience of interviewed employees of Regional Development Agency in the framework of the regional development agencies. Number of interviewed N=5 (one respondent to the agency).

Given the area and research topics, the following hypotheses have been defined:

H1: the regional development agencies should increase the number of human resources in order to attract more EU funds in the next period;

H2: civil, public and private sectors do not have enough people who are trained for writing and implementing EU projects at the discretion of the regional development agencies;

H3: networking of public, private and civil sector in defining development priorities of regional policy is insufficient;

H4: cooperation between contracting entities at the national level with regional development agencies should be improved in the activities related to tenders, consultation and harmonization of the implementing rules.

3. Research results

Based on the depth semi-structured interviews were obtained the following results are displayed below.

Question 1:

- Do you think that the current number of available human resources in the regional agencies who are trained for writing and implementing EU projects is sufficient, so we can withdraw more funds in the coming period than before?
 - a) sufficient - 40% of respondents
 - b) insufficient - 60% of respondents

Other remarks interviewees in this part of the research:

- *problem for development agencies is to find a good project ideas - 20% of respondents*

Question 2:

- Where is the greatest lack of human resources who can perform complex tasks of application and implementation of EU funds:
 - a) in the civil sector:
 - not enough available human resources - 0% of respondents
 - enough available human resources - 0% of respondents
 - optimal available human resources - 20% of respondents
 - it is necessary to enable and train more people to apply EU funds – 80% of respondents
 - b) in the public sector:
 - not enough available human resources - 0% of respondents
 - enough available human resources - 0% of respondents
 - optimal available human resources - 0% of respondents
 - it is necessary to enable and train more people to apply EU funds – 100% of respondents
 - c) in the private sector:
 - not enough available human resources - 20% of respondents
 - enough available human resources - 0% of respondents
 - optimal available human resources - 20% of respondents
 - it is necessary to enable and train more people to apply EU funds – 60% of respondents

Other suggestions of interviewees:

- *in the civil sector there is a lack of organizations that might be carriers of certain socially relevant activities (young people, the unemployed, the disabled and others) - 20% of respondents.*

Question 3:

- a) if all three levels (civil, public, private) are sufficiently networked in identifying development priorities of regional and local areas:
 - yes - 0% of respondents
 - no - 100% of respondents
- b) if all three levels of society (civil, public, private) are proactively engaged in the development:
 - yes - 20% of respondents
 - no - 80% of respondents

Question 4:

- Whether it is necessary to improve coordination between national and regional / local level in the development and implementation of EU funds (contracting authorities and others):
 - yes - 100% of respondents
 - no - 0% of respondents

If the respondent answered the fourth question with "yes" he/she was sent to answer the fifth question.

Question 5:

- Where do you see the greatest need for improvement?

In this regard, the respondents who answered the question no. 4 with "yes" identified the following areas for needed improvement:

- tendering for EU funds - better coordination of national level with regional self-government units in the selection of development priorities, preparation of the contents and conditions of the tender - 60% of respondents;
- strengthens advisory support of contracting authorities - 80% of respondents;
- uniform implementing of rules among national authorities - 80% of respondents;

Others:

- *Troubleshooting funding applicants - 40% of respondents;*
- *lack of information and need for more exchange of information between the national level (contracting authorities) and regional development agencies (the*

- need for more frequent contact of the contracting authority with the agency and informing agencies) - 60% of respondents;*
- *problem of staff fluctuation and the overload of staff at national level - 20% of respondents;*
- *the absence of feedback to unsuccessful applicants in order to learn more for the next project cycle - 20% of respondents.*

Question 6:

- *Do you have a suggestion on how to successfully apply for EU funds in the next period?*
- *preparation of sectoral strategies at the county levels - 40% of respondents;*
- *the public sector needs to strengthen its capacity through people and through the development proposals - 20% of respondents;*
- *at the level of each fund to provide advisory service in the contracting authority which is to facilitate a consultative process and answer questions about the preparation and implementation of projects - 20% of respondents;*
- *to provide quality financial support to applicants in the process of obtaining EU funds - 20% of respondents;*
- *proactivity and timeliness of national level towards development agencies.*

In accordance with the starting hypotheses in the work and data collected and processed on semi-structured interviews by which the development agencies staff opinions and attitudes were collected, it is concluded that the hypothesis 1 confirmed that regional development agencies should strengthen the administrative capacity in the number of human resources which could result in increased attraction of EU funds. In this part of the research related to hypothesis 1, 20% of respondents stated the problem of lack of development ideas in its territory.

Based on the collected views of interviewees it is concluded that the hypothesis 2 is confirmed, and also a civilian, public and private sector do not have enough people who are trained for writing and implementing projects. Almost 100% of respondents believe that the public sector should have significantly more people trained in applying for EU funds, while 80% of respondents believe that the same should be taken with the civilian sector.

The private sector also needs to train significantly more people to apply for the EU funds. Attitude of 20% of interviewees is that it should increase the number of associations that may be carriers of certain socially relevant activities.

In the part of research related to the confirmation or refutation of hypotheses 3, the results clearly indicate that the networking of civil, public and private sector is insufficient.

This attitude has 100% of respondents who are employees of development agencies and have previous experience in the work of agencies. The study has noted that 80% of respondents believe that all three levels of society do not take up proactively for the development of the society. This confirmed the hypothesis 3.

In the research related to hypothesis 4, which is an area of cooperation of the national and regional levels, 100% of respondents believe that there should be improved coordination in the development and implementation of the program.

The results indicate the need for uniform implementing rules among national authorities, which was recognized by 80% of respondents, a stronger technical assistance of contracting authorities, which was recognized by 80% of respondents and 60% of respondents have the opinion that the part of the competition for EU funds should have better coordination between national level units with regional levels.

In this part of the research related to the question of coordination between national and regional levels, 60% of respondents indicate the lack of information and the need for more exchange of information between national and regional level, and also believe that it is necessary to solve the problem of funding applicants - 40% of respondents.

4. Conclusion

Balanced development of all Croatian regions is a common goal of regional and national governance. In this sense, it is necessary to intensify networking of all management levels in order to achieve a common effort. The aim is to identify the necessary conditions for more dynamic regional development which can be financed by EU funds in the next period.

The semi-structured in-depth interview was made in order to interview employees of the regional development agencies Brod-Posavina, Požega-Slavonia, Vukovar-Sirmium, Osijek-Baranja and Virovitica-Podravina County. The aim of semi-structured in-depth interviews was to gather views, opinions and recommendations of development agencies staff in order to identify areas for improvement in using EU funds.

Based on the obtained opinions of employees and after the results treatment, it was observed the need to increase the number of human resources in the regional development agencies in order to attract significantly more EU funds in the next period.

It should also ensure that civil, public and private sector, through the training of human resources, has access to more people who can write and implement programs of the European Union.

In the networking of public, private and civil sector in defining development priorities of regional policy, the need to intensify networking in the coming period was recognized.

The area of cooperation between contracting authorities at the national level with regional development agencies should also be intensified, and in relation to define of the contents and conditions of the tender, counseling support and the respondents attitudes that should weigh more consistent implementation rules between individual bodies.

The expressed opinions are going in the direction of need to strengthen the capacity of human resources, cooperation and mutual support in recognizing the development of priorities and building competitiveness of the Eastern Croatian economy.

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