

# VALUATION OF ECONOMIC AND SOCIAL DEVELOPMENT OF THE COUNTIES BROD-POSAVINA AND POŽEGA-SLAVONIA THROUGH EU FUNDS

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## Abstract

*The best way to interpret the global economy of today is by using the concepts of networking in the commodity and service trends, continuity of developmental changes, development of information technology, and the complexity and dynamism of economic relations. The importance of adapting the local economies to the global business trends is growing rapidly. In this context the support of the government to the local community is becoming more and more important, which is reflected in recognizing the needs of key stakeholders and the creation of local development policies.*

*The key for regional development at the local level has become the networking of stakeholders, identifying development priorities and drafting and implementation of key strategic development documents.*

*Public, private and civil sector are powerful levers in the development of local communities through partnership in setting the priority development goals, which are embedded in the County Development Strategy. This partnership and the mutually supportive approach is the result, at the national level, of a relatively new strategic thinking in which the importance of the local community is recognized by contributing to the strengthening of the private, civil and public sectors.*

*EU funds in this respect represent the support for achieving local development goals. The aim of this paper is to evaluate the contribution of EU funds to the economic and social development of the counties Brod-Posavina and Požega-Slavonia in the period from 2011 to 2013 and to provide a look at the wider context of the current moment by analysing the key development indicators. The intention of the above is to give a fuller picture of the current state and an indication of future development needs.*

**Keywords:** *Economic-social development, European Union funds, the County Development Strategy, the county of Brod-Posavina, the county of Požega-Slavonia*

JEL Classification: F63, I25, O1

## 1. INTRODUCTION

The life quality of the residents in a particular area make concerted efforts of public, private and civil sector directed to the realization of outlined development needs. For a longer period of time the steady and sustainable growth of the counties Brod – Posavina and Požega-Slavonia have been located on the front position of the index of development of these areas. The continuous development of the local and regional governments is a subject of the regional development policy of the Republic of Croatia. Networking of the participants of this development: public, private and civil sector represents the historical novelty which is in many ways significantly different from the previous, recently centrally managed Republic of Croatia which was subject within the borders of former Yugoslavia. (Puljiz; 2005, page 9). In this sense, it is about a new culture of relations and ways of thinking and cooperation.

Strengthening of public-private partnerships and networking of all participants of the local area certainly contributes to local development. In this regard, an important role is played by economic strength of the local community, the capacity of local actors in creating partnerships for development and their interests and goals (Cernicova; 2005, page 127). Advantages of cooperation that develops in this way are reflected in linking human and financial resources, actors affected by globalization themselves improve their environment by providing additional touch of the contemporary world and world events. Such an understood cooperation then results in something new and current.

Local problems are often not large enough and important so the state would deal with it. (Cernicova; 2005, page 127) Therefore it is necessary to address the problems on the local level.

## 2. POLICY OF REGIONAL DEVELOPMENT OF THE REPUBLIC OF CROATIA AND REGIONAL POLICY OF THE EUROPEAN UNION

The main problems which the Republic of Croatia has been facing for many years are the different level of social-economic development of the domestic territory, the aging of the population and the depopulation, lack of domestic capital for significant investments within the development of the economy. The goal of regional development policy of the Republic of Croatia is based on the sustainable development of all parts of the country through the link between local and regional development needs with the development needs of the central level and the objectives of EU cohesion policy. (Law on Regional Development (2014). The main strategic objectives which are defined in the Strategy of Regional Development of the Republic of Croatia are the development of the counties and statistical regions as well as the development of supported border areas.

The Regional Policy of the European Union aims to equalizing the level of development of different parts of the European Union by increasing productivity and competitiveness of each region (Đulabić; 2007, page 100). The cohesion policy itself contains a strong social dimension which aims to homogenize and transform the European economy, with particular emphasis on the convergence, regional competitiveness and employment as well as the European territorial cooperation. (Đulabić; 2007, page 115).

The European Commission has signed a partnership agreement with the Republic of Croatia by the amount of 10.423 billion Euros for the use of structural funds and investment funds in the period from 2014 to 2020 and of which is intended to invest 8.397 billion in growth and employment, and 2.026 billion Euros for agriculture and rural development.

Partnership agreement is an agreement of five European funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Fund for Maritime Affairs and Fisheries

(EMFF) and the European Agricultural Fund for Rural Development (EAFRD). (source: **The Ministry of Regional Development and EU Funds.**

### 3. GENERAL CHARACTERISTICS OF THE COUNTIES BROD-POSAVINA AND POŽEGA-SLAVONIA

Administrative-territorial structure of the counties Brod-Posavina and Požega-Slavonia is shown in the table 1. The area of both observed counties make up the number of settlements and lower population density.

**Table 1.** Administrative-territorial structure of the counties Brod-Posavina and Požega-Slavonia

County	Area in km <sup>2</sup>	Population according to the census in 2011	Population per km <sup>2</sup>	Number of cities	Number of municipalities	Number of settlements
Brod-Posavina	2030	158 575	78,1	2	26	185
Požega-Slavonia	1823	78 034	42,8	5	5	277

Source: Croatian Bureau of Statistics 2014.

According to the decision of the Croatian Government on the classification of local and regional governments, concerning to the level of development of the counties Brod-Posavina and Požega-Slavonia are classified into the first group of local (regional) government, whose development index value is less than 75% of the average of the Republic of Croatia: Counties Bjelovar-Bilogora, Brod-Posavina, Karlovac, Koprivnica-Križevci, Krapina-Zagorje, Lika-Senj, Međimurje, Osijek-Baranja, Požega-Slavonia, Sisak-Moslavina, Virovitica-Podravina and Vukovar-Srijem. (The Decision of the Classification of the Local and Regional Governments According to the Stage of Development (2013). Development index is calculated based on the following indicators (Regulation on Development Index, NN 63/10):

- Average income per capita
- Average original income per capita
- Average unemployment rate
- Population trends and
- Share of educated population in the population of 16-65 years.

Table 2 shows the state of the value of the development index of the analyzed counties and it is noticed the unfavourable situation of both analyzed counties.

**Table 2** Index of development of local self-government in the counties Brod-Posavina and Požega-Slavonia

County	Number of local governments Group 1 Index of development in 2013 < 75%	Number of local governments Group 2 Index of development in 2013 75-100%
Brod-Posavina	5	22
Požega-Slavonia	0	9

Source: The Ministry of Regional Development and EU Funds <http://www.mrrfeu.hr/UserDocsImages/Regionalni%20razvoj/Vrijednosti%20indeksa%20razvijenosti%20i%20pokazatelja%20za%20izra%C4%8Dun%20indeksa%20razvijenosti%20na%20lokalnoj%20razini%202013..pdf>

Figure 1 shows the geographic location of the selected counties of Brod-Posavina and Požega-Slavonia. Both regions belong to the second level of NUTS classification.

**Figure 1.** Location of the counties Brod-Posavina and Požega-Slavonia in the continental Croatia



Source: The Ministry of Regional Development and EU Funds

#### 4. ANALYSIS OF COUNTY DEVELOPMENT STRATEGIES OF THE COUNTIES BROD-POSAVINA AND POŽEGA-SLAVONIA

The legal framework for networking achieved through national strategic documents and the county development strategies. The Institute of Economics in Zagreb supported by the Ministry of Regional Development and EU funds as a client has developed a study assessment system of strategic planning and financing possibilities of counties and local units. (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 Croatian development policy, 2012). A part of this study was the analysis of the county development strategies and their compliance with the Regional Development Strategy of the Republic of Croatia. According to the mentioned study it is concluded that all county development strategies coordinate with the Strategy of Regional Development of the Republic of Croatia. By examination of the main strategic documents of both counties such as County Development Strategy for the period from 2011 to 2013 it can be obtained an insight into the widespread coverage and target development directions through selected strategic objectives as shown in table 3 and 4.



**Table 3. Overview of the county strategic development priorities of the county Brod-Posavina in the period from the year 2011 to 2013.**

Strategic development objective:	Priorities
1. Strengthening the economy in a manner leading to significant and continuous increase of employment and job quality	<p>Development of institutions to support entrepreneurship and attract investments</p> <p>Encouraging competitiveness and exports of existing companies</p> <p>Activities to attract investors from the Croatia and abroad</p> <p>Economy and transport infrastructure as a prerequisite for the development of sector distribution and logistics</p> <p>Encouraging the development of manufacturing industry, agriculture and tourism</p> <p>Encouraging the development of crafts</p>
2. Protection of nature and environment as the basis of sustainable development and economic activity	<p>Municipal infrastructure</p> <p>Renewable energy and energy efficiency</p> <p>Rural development</p> <p>Biodiversity conservation</p>
3. Continued development of the education system in accordance to the needs of the economy	<p>Monitoring of labour market needs</p> <p>Linking educational institutions with the economy</p> <p>Implementing lifelong education which encourage the creation of knowledge and skills</p>
4. Improvement of life quality, development of social infrastructure and improvement of the position of socially vulnerable groups	<p>Support to health and social care</p> <p>Improving quality of life</p> <p>Support the development of civil society</p>

Source: The County Development Strategy Brod-Posavina County 2011.2013.

**Table 4. Overview of the county strategic development priorities of the county Požega-Slavonia in the period from the year 2011 to 2013.**

Strategic development objective:	Priorities
1. Increase the competitiveness of the county Požega-Slavonia through better use of natural resources, supporting the introduction of modern technologies and methods of operation and securing the prerequisites for attracting investments	<p>Supporting the competitiveness of industry and entrepreneurship</p> <p>Development of rural areas, agriculture and tourism</p> <p>Strengthening Human Resources</p>
2. To enhance the physical, economic and social infrastructure and reduce the negative effects of population on the environment	<p>Improvement of social and physical infrastructure</p> <p>Efficient management of natural resources</p> <p>Demining</p>

Source: The County Development Strategy Požega-Slavonia County 2011- 2013

## 5. CONTRIBUTION OF EU FUNDS FOR SOCIAL-ECONOMIC DEVELOPMENT FOR THE COUNTIES BROD-POSAVINA AND POŽEGA-SLAVONIA

The adoption of the county development strategy marked by a process of participation, in which the participants of the public, private and civil sector decide on the further development of the local area. This approach of participatory decision-making on future directions of development has many advantages, but also disadvantages. Actors of the participatory process could be: (Đokić et al; 2010, page 67):

- Local citizens
- Proponents and users in the decision making process
- Representatives of central and local authorities
- Central and local government agencies
- NGOs
- Sponsors
- Private sector
- Scientific(academic) institutions.

The money of the European Union, which in this sense are available and can be used by different programs contribute significantly to the development of local areas. In Table 5.

**Table 5.** Sources of funds of the European Union as a support to the financing of social-economic development of the county Brod-Posavina, years 2009 – 2013

County of Brod-Posavina	Value of the project	Donation of EU
Source of program	EUR	EUR
IPA II	1 017 101	394 684
IPA IIIb	29 652 030	15 344 925
IPA IIIc	2 647 267	2 141 785
Regional Competitiveness		
TOTAL IPA IV	2 413 721	2 141 785
TOTAL IPARD	8 533 478	3 748 888

*Source:* Department of Development and European Integration of the county Brod-Posavina, Brod-Posavina county (internal data)



In table 5 it can be noticed that the structure of the EU funds which are supported overall projects in the period from 2009 - 2013 accounting for 53% of all funds involved.

In this regard, the EU funds make up a substantial base of financing activities on the social-economic development which is done by the county.

**Table 6.** Sources of EU funds to support the financing of social-economic development of the county Brod-Posavina in the year 2010 – 2013

County of Požega-Slavonia	Value of the project	Donation of EU
Source of program	EUR	EUR
IPA IIIc Regional Competitiveness	1 034 278	620 567
IPA IV	324 081	273 484

*Source:* Regional Development Agency of Požega-Slavonia County Ltd. For business services and project development (internal data)

According to the data in table 6 it is obvious that the projects which are funded by the European Union are in the framework of IPA components III c Regional Competitiveness and IPA IV. The total value of the project amounts € 1 358 359 and the funds of the European Union consists of € 894 051 which represents 66% of the funds. Promotion of human resources in the planning and implementation of programs that can be financed with EU funds will certainly contribute to a greater number of projects financed from EU funds to the county Požega-Slavonia.

## 6. CONCLUSION

The Regional Policy of the Republic of Croatia aims the balanced development of all its counties. On the selected example of the counties of Brod-Posavina and Požega-Slavonia it is shown the current status of the administrative-territorial organization, indices of development, the structure of the strategic development priorities through an area analysis of the years 2011 - 2013 and realization of various development projects in the period from 2009 to 2013. The share of EU funds significantly participates in the support of development projects and the development of the local area.

The challenge in the coming period is certainly the need to invest new effort to approach new strategic objectives which will be incorporated into fu-

ture development strategies of these counties. In this regard it should be made much more efforts in attracting EU funds specifically for the area of the county Požega-Slavonia. In this process an important role plays the partner councils and human resources who can be engaged within the local development agencies, which have be strengthened in the next period, because the process of the regional development is a durable effort of the local participants and that the European Union funds which are available to the Republic of Croatia are already defined. The absorption capacity, regardless of the results so far, should be upgraded because it is an area of lower levels of development, which emphasizes the need for new ideas. The accelerating of development can be achieved only with a high degree of cooperation and budgetary assistance, notably from the European Union.

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