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**Contribution to a public debate on the regionalization of
Serbia through the promotion of Euroregions from the
perspective of Slovak experience**

by

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Executive Summary

Disparities of socio-economic development among regions in Serbia are among the greatest in Europe, which puts regional development issues at the top of the Serbian political agenda. Even though there are some initiatives at local, regional and central level that aim to tackle regional development challenges in Serbia, disparities among regions have continued to exist. Border regions, having marginalized positions, are considered the most underdeveloped and at risk of lagging further behind other regions. Serbia has introduced some legal and financial measures to improve the situation. Legal framework has been prepared according to the Stabilization and Association Agreement, which, among other things, sets forth an obligation to introduce new statistical regions in Serbia to provide efficient financial aid distribution. Regarding financial measures, Serbia is eligible for EU pre-accession funds within cross-border cooperation programs. These funds have provided establishment of Euroregions as a tool for border regions' development. Despite its potential, this has not produced adequate results. Therefore, Serbia should look at those new EU member states that have gone through similar transitional processes, such as Slovakia, whose Euroregions contributed to its more balanced regional development. This paper is based on an analysis of Slovakia's positive experience which served as a base for the formulation of policy recommendations for Serbian actors involved in the regional development process.

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1. Introduction

Regional disparities

Socio-economic development disparities between Serbian regions reach a ratio of 1 to 7, among the highest levels in all European countries. The situation regarding municipalities is even worse – the ratio between the most and the least developed municipality is 1 to 15. Continued migrations of people and businesses to larger urban areas has resulted in income concentrations in the city of Belgrade and Vojvodina and corresponding economic stagnation and negative population trends in the rest of the country, particularly in border regions in central and south-eastern Serbia. There are many problems these regions face: high migration flow, high unemployment rate causing poverty, poor infrastructure and poor living conditions, an aging population, distance to markets, etc. Decision makers are aware of this terrible situation and the issue of balanced regional development has long been at the top of the political agenda. However, little has been done so far. Until recently, a lack of adequate institutional and legal framework led to a lack of coordination between regional and other economic policies. Furthermore, Serbia remains a highly centralized state with limited participation of local authorities in defining development initiatives and strategies.

Regional policy

Things are improving following the signing of the Stabilization and Association Agreement (SAA) which defines the obligation of introducing the system of regional statistics and nomenclature of statistical territorial units (NUTS). The first step in fulfilling this obligation was the introduction of the Law on Regional Development in 2009, which was revised in 2010. The Law defines 5 regions (NUTS II) and areas (NUTS III), as statistical territorial units for planning and implementing of regional development policy. The Law identifies underdeveloped areas in Serbia, with a special emphasis on border areas.

Regional development of candidate and potential candidate countries is also strengthened with EU financial assistance in the form of pre-accession funds for Cross Border Cooperation (II IPA Component). Serbia has access to 8 CBC programs with neighboring countries, except Macedonia. In addition, Serbia can use two programs of regional cooperation. The biggest grants are assigned to cooperation with neighboring countries which are EU member states. To make access to CBC programs easy, the Serbian government established 7 offices in border areas. Despite this, development of border regions in Serbia is yet to occur. Serbia still does not recognize CBC programs as a resource for this development. CBC is based on ad hoc projects without a strategy for their merging into larger long-term projects that would have a greater impact on local and regional development.

Euroregions

There were various measures that aimed to improve the marginalized position of border regions, such as the establishment of Euroregions as an institutionalized form of CBC. The first Euroregion in which Serbia took part was Dunav-Kris-Moris-Tisa (established 1997) between Serbia, Hungary and Romania. It remains to date the most active Euroregion that Serbia participates in. Other Euroregions have been established as well. In 2002 the Council of Europe established the Eurobalkan Euroregion located in the Sofija-Nis-Skopje triangle. There were

several unsuccessful attempts to activate this Euroregion. The newest Euroregion, Stara planina, was established in 2006. It has so far contributed to tourism development in the border areas of Serbia and Bulgaria. One of its biggest successes is the institutionalization of cooperation through the formation of the Bulgarian-Serbian NGO “Balkan Civil Coalition”. These Euroregions have failed to achieve sufficient results for a variety of reasons. Local municipalities lack an adequate number of employees familiar with procedures for the preparation and implementation of EU-funded projects. Apart from this, adequate local development strategies are rarely prepared. Furthermore, there are legislative obstacles, a lack of financial resources, lack of administrative capacity, frequent local elections, etc. All of these create a situation where many Euroregions exist on paper only.

2. Policy option

2.1. Euroregions as a component of EU regional and cohesion policies

EU regional policy aims to decrease regional development differences within EU borders. There are various European standards of internal regional development that include the following:

- introduction of regional statistics based on nomenclature of statistical territorial units (NUTS), which should enable gathering of statistical data on development of specific regions in order to secure efficient and adequate financial aid distribution,
- capacity of public administration and local governments for using European funds for these purposes,
- standards and qualities of policies that affect use of structural and cohesion funds.

The EU recognized the problem of border area marginalization and created various programs for cooperation of border areas belonging to neighbouring countries. Cross-border cooperation (CBC) indicates the stability of neighbouring countries’ relations. Its results depend on the territorial organization of the country – levels of regionalization and decentralization and national and local institutional and administrative capacities. CBC aims to neutralize negative border position effects and harmonize development policies between neighbouring border areas in common issues (floods, environment, transportation, etc). CBC programs offer investments in entrepreneurship development. For efficient use of these funds, some preconditions have to be fulfilled such as local municipalities’ capacities for project preparation and implementation.

Euroregions appeared as a result of CBC programs, being seen as an adequate exercise preceding EU accession and a good mechanism for a grass-roots approach to border regions’ development.¹ In broader terms, Euroregions can be defined as territories interconnected by a network of mutual relations of various actors, regardless of traditional national borders and with an aim of supporting official regional policy (D. Šíbl,1998, p. 87).

¹ “As a rule, Euroregions do not constitute a sovereign entity. They do not possess administrative, political or jurisdictional powers. They operate within the framework of local and regional institutions. In the interest of the common good, Euroregions undertake joint development ventures to benefit their population on both sides of their borders.” Development Plan, Ister – Granum Euroregion, 2005, pg. 7

EU structural and cohesion funds designed for these purposes have the following positive effects on border area development in new EU member states: increases in GDP per capita are 50% faster than in other EU regions, the unemployment rate falls more quickly, there is modernization of the economy, long-term partnerships are built between the public and private sector, administration managerial capacities are improved, etc.

Euroregions from the perspective of Slovakia

Unbalanced regional development and marginalized border regions are characteristics that Serbia shares with other East European countries that have gone through the transitional process. For this reason, Serbia can look to Slovakia as one of the most similar countries of this group. Slovakia's transition period was characterized by a deepening of socio-economic differences between regions caused by their different developmental dispositions. Slovak border regions were underdeveloped as well, sharing many common characteristics with Serbian regions. Slovak experience has shown that one of the most appropriate tools for tackling these issues is cross-border cooperation (CBC). Slovak experience in CBC is based on two forms of CBC: ad hoc cooperation of border regions based on different development projects, and Euroregions as institutionalized forms of CBC. Both forms of CBC have supported border region development with respective impacts on people's quality of life in these territories. However, Euroregions are considered a more effective tool for addressing these issues as follows:

1. Euroregions provide opportunities for local authorities to actively participate in the regional development process

Slovak experience clearly shows a need to involve local and regional authorities in the process of border region development. When the Carpathian Euroregion was established in February 1993, Slovakia could only become an associate member. The obstacle was at official level - incomplete state territorial-administrative organization. Attempts at the "initial stage" of CBC in Slovakia, especially in the period up to 1998, had insufficient support and trust from national institutions. Namely, at that time the central government tended to consider cross-border cooperation as a part of international relations and acted as a "gate keeper". Furthermore, they perceived it as a potential threat to territorial integrity. The political climate and official attitudes toward Euroregional initiatives started to change after 1998 parliamentary elections, despite the fact that the transfer of state competencies to self-governed institutions and the creation of regional administration has yet to be introduced. After 1998, when the Act 302/2001 Coll. on Self-Government of Higher Territorial Units was adopted, self-governed higher territorial units as well as territorial state administrations (regional authorities), civil associations and business entities become eligible for membership. However, municipalities remain predominant.²

Currently, Slovakia participates in 12 Euroregions: Carpathian Euroregion, (centre in Slovakia established in 1993), Kras Euroregion (established in 2003), Slaná – Rimava Euroregion (established in 2000), Ipeľský Euroregion (established in 1999), Beskydy Euroregion (since 1999), Biele/Bílé Karpaty Euroregion (since 2000), Neogradinsis Euroregion, Váh – Dunaj –

² Lubomir Faltan, "Cross-border Euro-regional activation and regional development in Slovakia; AGRIC. ECON. – CZECH, 51, 2005 (12):

Ipeľ Euroregion; Tatry Euroregion (since 1994), Južný region, Podunajsko – Dolnovážske Euroregion, Ung –Tisza – Túr Euroregión.

2. Euroregions as an institutionalized form of CBC are more effective in fostering border regions' economic development

Institutionalization gives Euroregions power to manage border region development processes in a more coherent and effective manner. Slovak Euro-regions have begun to create their own elected and executive institutions. Furthermore, these institutions can form a joint coordinating body, where they are represented via delegation. This body meets according to an agreed schedule and has a rotating presidency. Joint coordinating bodies (working groups) focus on specific issues of their territory (such as the economy, environment, culture, information, etc.) which they want to address. Establishment of Euroregion offices (secretariats) and their professional staffing takes place in various forms and at differing pace.

Euroregions initiate or coordinate various types of economic activities: ensure cooperation of entrepreneurs, organize fairs and exhibitions, offer information background, organize specific events, seminars and conferences, etc. Based on Slovak experiences, these activities can be grouped as follows:

- Specialised – analytical: within the Tatry Euroregion – Slovak-Polish economic forum “Strategy of economic and social development of the Tatry Region”.
- Contract-offer: within the Slaná-Rimava Euroregion – “Gemer – Expo” – contacting-sales exhibition
- Information-consulting: Karpaty Euroregion: “Central-European internet business information services”; “Integrated database of organizations in the Slovak and Polish part of the Carpathian Euroregion – EURO-SMER“,
- Pre-investment and investment - within the Slaná-Rimava Euroregion – Preparation of background documents for investment “Business incubators in Gemer-Malohont”;³

All of these illustrate the broad range of activities that Slovak Euroregions undertake related to the socio-economic development of border regions. It shows that there is enough room for various initiatives that can be adjusted to local and regional needs more appropriately than those that managed at central level.

3. There are specific EU financial resources for supporting border region development

Euroregions' activities can be financed from several sources, but the most important are EU funds which aim to support balanced regional development across the EU. External funding may be acquired by Euroregions via projects. In addition, financial resources may come from state funds and different donor organizations. There are also a number of Slovak Euroregions' activities that have been mainly funded from their own resources built up from membership fees.

³ Lubomir Faltan, “Cross-border Euro-regional activation and regional development in Slovakia; AGRIC. ECON. – CZECH, 51, 2005 (12).

The most recent activities financed by national and external funding can be divided into two main groups:

- investment activities on a large scale (large infrastructure projects), aiming to: improve infrastructure (improvement of access to trans-European communications, improvement of connections between regions on both sides of the border, development of regional communication through information technologies), environmental protection (establishment of joint national parks, improvement of air quality, use of renewable energy sources, use of technologies for sustainable environment protection, etc), and economic cooperation (building of industrial parks, creation of business incubators, small and medium enterprises development, etc).
- small non-investment activities related to the establishment of connections between border regions' inhabitants („People to People” program).⁴

4. There are EU legal mechanisms that make the functioning of Euroregions more efficient and result-oriented

In terms of legal status, Euroregions in Slovakia vary. They may involve a community of interest without legal entity, a European Economic Interest Grouping, a non-profit association, or a working community without a legal entity, or a public body. Regulation on the European Grouping of Territorial Cooperation (EGTC) was approved in 2006. The main purpose of this was "to reduce the obstacles and difficulties encountered in managing actions of cross-border, transnational or interregional cooperation within the framework of differing national laws and procedures".⁵

In Slovakia only the Ister-Granum Euroregion between Hungary and Slovakia is established as an EGTC. It has the capacity to act for and on behalf of its members, and it can place contracts, employ personnel and acquire movable and immovable property. As a legal entity governed by public law, it can act on behalf of its members in matters such as governance, public service, and public facilities. The EGTC's regulations provide for the controlling law to be the statutes of the member state where the EGTC has its registered office. In addition, the EGTC seeks to comply with the national law of its members.

3. Conclusion and recommendations

By analyzing the role of Euroregions in the context of balanced regional development in Slovakia, the following conclusions can be derived:

⁴ Viera Markova, "Assessment of Slovak and Polish Cross border Cooperation"; Department of Business Administration, Faculty of Economics of Matej Bel University

⁵ European Parliament 2005. Report on the proposal for a regulation of the European Parliament and of the Council on establishing a European grouping of cross border cooperation (EGCC) (COM(2004)0496 -C6009112004 -200410168(COD)) Committee on Regional Development. Rapporteur: Jan Olbrycht.

- Euroregions have contributed to border regions' development in a number of ways including: network building, creation of common agendas and strategies, infrastructure improvement, etc.;
- Euroregions have supplementary roles to government policy on regional development and other similar initiatives.
- In terms of their activities, Euroregions in Slovakia are mainly concerned with administrative matters which demand cross-border co-ordination at local and regional level. More recently, the scope of Euroregional action has been broadened to include initiatives in economic policy, the labor market and social and cultural issues.
- Although Euroregions have significant accomplishments to their credit, their importance in addressing national needs is not sufficiently visible and thus understood.
- According to the representatives of Euroregions in Slovakia, the main obstacles to the success of Euroregions are the following: insufficient support and trust from national institutions; inability to recruit and retain qualified staff; limited organizational capacity; lack of authority, insufficient funding, etc.

Taking into account both historical and developmental similarities between Serbia and Slovakia and the positive effects of Euroregions on Slovak regional development, the following recommendations for Serbian stakeholders can be made:

I Serbian government/Ministry of Economy and Regional Development

1. The necessity of further Serbian decentralization

Euroregions have only a supplementary role to national government and regional and local self-government policy on regional development. Therefore, decentralisation and transfer of competencies from national government to regional and local self-government is necessary to implement real regional development policy.

2. Providing legal and contractual framework for CBC and Euroregions

Central authorities have to meet preconditions that will enable CBC and the establishment of Euroregions, such as signing bilateral agreements with neighbors. These agreements can serve as a base for cooperation between local and regional actors on both sides of the border. Since 1998 the Slovak Government has signed bilateral agreements on CBC with all neighboring countries. In particular, the agreement with Poland was the most successful as it created conditions for the removal of the status of marginal undeveloped regions on their respective territories and provided their share in the creation of organizational and legislative preconditions for European cooperation.⁶

3. CBC should be incorporated into regional development strategies

⁶ Viera Markova, "Assessment of Slovak and Polish Crossborder Cooperation"; Department of Business Administration, Faculty of Economics of Matej Bel University

The Serbian government, and in particular the Ministry of Economy and Regional Development, should include CBC in its regional development plans, and should involve Euroregions in the development of cross-border infrastructure and spatial planning commissions. It should try to foster competency at regional/municipal level, and, after issues of local infrastructure are resolved, entrust Euroregions to find solutions responsive to local and regional needs.

II National Parliament of the Republic of Serbia

4. Ratification of Madrid Convention

One of the key problems that Serbian Euroregions have faced is different legal and administrative environments in partners' countries. Serbian authorities should therefore provide documents and legislation that regulate the CBC and be aware of possibilities to overcome existing legal and administrative problems. Ratification of the Madrid Convention would make border region cooperation easier.

III Local municipalities within existing Euroregions in Serbia:

5. The necessity of Euroregions' institutionalization

Slovak experience shows that a higher degree of institutionalization increases Euroregions' efficiency and effectiveness. This institutionalization means setting up permanent structures (bodies) such as Euroregion assemblies, secretariats, and executive committees with well-developed work and decision-making procedures. At the same time, institutionalization entails a certain degree of professionalization, particularly in regard to recruitment and training of Euroregion permanent staff. Some specific knowledge and skills are required for successful management such as: fundraising, project proposal preparation, project management skills, strategic planning, etc. The institutionalization of Slovak Euroregions resulted in the public recognition of Euroregions as institutions capable of dealing with development issues in border regions.

6. Participation in European Grouping of Territorial Cooperation (EGTC)

Representatives of Serbian Euroregions should be familiar with the possibilities of overcoming barriers to joint cross-border cooperation in terms of different administrative and territorial structures and legal systems. The case of the Slovak Ister Granum Euroregion shows how the legal status in the EGTS system successfully overcame administrative and legal barriers in CBC between Slovakia and Hungary. Serbian Euroregions should be aware that an EGTC can also include non-EU member states. In this case at least two members from two EU member states must participate in the EGTC. The registered office of the EGTC, which determines the applicable legal system under which the EGTC will operate, must be located in one of the EU member states under whose law at least one of the members of the EGTC is governed. Nevertheless, the EGTC remains under the control of national governments since the establishment of an EGTC must be approved by each member state concerned.

5) The benefits of strategic planning

Strategic planning as a tool for conducting Euroregions' activities in a comprehensive, coherent and efficient manner is one of the key factors for Euroregions' successful functioning. The strategic planning documents of Slovak Euroregions define the mission of Euroregions and their role, the characteristics of the operating environment and sets out priorities and activities.⁷ In Slovakia, Euroregions strategy priorities were mostly focused on sustainable regional planning, the creation of a common business environment, and the promotion of human resources.

6) The benefits of multi-sector membership

Different Euroregions' membership bases influence their performance. Slovak experience shows that Euroregions which include actors from three different spheres: political sphere (local and regional authorities), civil society sphere (CSO) and economic sphere (associations of SMEs, chambers of commerce) are more successful in their operations. Multi-sector partnership in Euroregions ensures that the interests of all parties can be presented and articulated. It also guarantees wider effects and sustainability of activities. For example, a large circle of stakeholders are included in the Bílé-Biele Karpaty Euroregion which has 29 members (17 in Slovakia and 12 in the Czech Republic) from all three spheres. A wide membership gives the Bílé-Biele Karpaty region the power to implement a vast number of projects in different fields: education, tourism, economic cooperation, environment, infrastructure, etc.

IV Regional and local civic initiatives

7. Connecting citizens from both sides of the border

The role of civil society is to provide communication channels between citizens from both sides of the border to strengthen their cooperation. The precondition is that civic initiatives from both sides of the borders increase their capacities and interconnect. An adequate solution would be the creation of a regional civil parliament which could influence regional and local politics. Parliament could serve as an educational institution where methods of writing applications and project management can be taught. It can also provide cooperation between civil organizations and the business sector. Furthermore, communication between citizens can be provided via various other means such as regional bilingual newspapers, non-profit portals and radio broadcasting. All of these should secure information exchanges that can lead both to the launch and strengthening of cooperation.

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