

INSTITUTIONAL FRAMEWORKS OF REGIONAL POLICY IN LIGHT OF EUROPEAN STANDARDS

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***Abstract:** In this paper, above all, we will consider the growing importance of regional policy, one of the most common policies of the EU. Main objectives, available resources in the budget of the Union, as well as differences between 271 NUTS-2 regions are presented. To the issue of convergence, as the indicator of the success of regional policy, special significance has been given by analysis of regional differences. Given the growing and marked differences between regions in Serbia, the institutional foundations of the new regional policy are represented.*

***Keywords:** EU regional policy, statistical regions, regional differences, convergence, Regional policy in Serbia*

1. INTRODUCTION

In the process of increasing efficiency and improving macroeconomic policy and management at all levels, regional policy based on the European concept of regionalism can play an important role. Specifically, under conditions of strong regional disparities in Serbia - between and within regions, between regional centers and other areas, between cities and rural areas - cannot make any global economic objectives. In the process of transition, differences even more manifest, with growing poverty and underdevelopment.

Regional differences are present both in individual countries and in the European Union as a whole. Due to differences at levels of development and the unequal distribution of economic and public sectors within countries, it is natural that they are the largest in the EU. It is not surprising that the regional policy with the main aim of reducing disparities and increase social cohesion, has become one of the most important in the EU. Going through the different phases, with increasing funding in the budget of the Union, it took second place of importance regarding Common Policy.

Bearing this in mind, in Serbia is necessary to increase the importance of regional policy, made its modernization and convergence with EU standards. To this end, reform is necessary based on contemporary regionalism and institutionalization of an adequate strategy for regional development. In accordance with that, this paper focuses on policy and empirical developments in the EU, the issues of convergence, as well as the most important problems of the empirical character and problems of regional policy in Serbia.

2. REGIONAL DISPARITIES IN THE EU - DEVELOPMENT POLICY AND THE ISSUE OF CONVERGENCE

EU regional policy from the beginning of its operation has gone through different phases. It is important to point out that its share of the EU budget part is increased, and that there was synthesizing of its objectives, so in the latest period three main objectives were formulated. With 35.7% of budget funds in period 2007-2013, which amounts to €347.41bilions in 2007, it should allow the achievement of the following objectives. First, convergence at the level of NUTS-2 regions with fostering growth in underdeveloped areas. Second, increase of competitiveness and employment at NUTS-3 regions, where it comes to great unemployment, declining employment and the problems of rural areas. Third, cross-border cooperation in terms of multi-ethnicity also emphasizes employment, education and intensification of cooperation.

In order to gain insight into the extent of regional differences UTS N-2 EU regions data have been presented (Table 1). While in the mid-'70s by the criteria of income per capita, GDP PPS biggest difference was 1:7, the most developed region was Hambrug, and the least developed region was Calabria, while significant increasing of differences was caused by enlargement of the Union from EU15 to EU27. Data based on income per capita expressed in purchasing power (PPS GDP) between the 271 NUTS-2 regions show that the difference between London (PPS €1.316), and Nord-East Romania (€4.008 PPS), is 1:15.

Based on the PPS GDP per capita in 2005, presented values of 15 most developed and 15 least developed regions confirmed growing differences. It is obvious that in the first group are the EU15 regions except Prague. On the other hand, all underdeveloped regions are located in new member states (Bulgaria, Poland, and Romania).

The most developed and least developed region of EU27 in 2005 G. GDP PPS

Table 1					EU 27= 100%
Rank	The most developed	%	Rank	The least developed	
1	Inner London (UK)	303	1	North and East (Romania)	27
2	Luxembourg (Luxembourg)	264	2	Northwest (Bulgaria)	27
3	Brussels (Belgium)	241	3	South and Central (Bulgaria)	27
4	Hamburg (Germany)	202	4	North and Central (Bulgaria)	28
5	Vienna (Austria)	178	5	North-West Oltenia (Romania)	28
6	Il de France (France)	173	6	Muntenia South (Romania)	29
7	Stockholm (Sweden)	172	7	Northeast (Bulgaria)	31
8	Berkshire&Oxfordshire (UK)	168	8	South and East (Romania)	31
9	Kienberg (Germany)	166	9	Southeast (Bulgaria)	33
10	Groningen (The Netherlands)	216	10	Nord – West (Romania)	34
11	Hovedstaden (Denmark)	161	11	Lublin (Poland)	35
12	Prague (Czechoslovakia)	160	12	Subcarpathia (Poland)	35
13	Utrecht (The Netherlands)	158	13	Center (Romania)	36
14	South and East (Ireland)	158	14	Podlasie (Poland)	38
15	Darmstadt (Germany)	158	15	Svijeokrizijski (Poland)	38

Source: Eurostat: New release 19/2008, February 2008, Regional GDP per inhabitant in the EU27, p. 2, Quoted by M. Prokopijevic (2009).

Given the fact that regional policy in the EU became the second policy by the amount allocated from the EU budget (after the Common Agricultural Policy and its only serious competitor) is natural that to the problem of convergence is one of the key indicators of success of common policies and the functioning of the EU devotes special attention.

The latest data for 2007, (Eurostat Regional Year book, 2010, p.p. 74-84) for the EU 27, with an average income per capita of 24 900 PPS, indicating that regions of southern Germany, southern Britain, northern Italy, Belgium, Luxembourg, Austria, Ireland and Scandinavia, are the most developed regions. In this group, there are regions of major cities (Madrid, Paris and Prague). On the other hand, less developed regions are located on the southern, western and southeastern periphery of the Union, in Eastern Germany, and the new member states, as well as in Croatia, the Former Yugoslav Republic of Macedonia and Turkey, i.e. candidate countries.

In the same year, the most developed region regarding an average GDP achieved 83.200 PPS, while the least developed in northwestern Bulgaria, only 26%, i.e. 6400 PPS. Thus, the range is 13.1. All in all 67 regions is 75% below the average EU 27, with the proportion of the population is 24.4% of the total, of which three quarters are located in new member states. Of the 30 regions of candidate countries, only two are close to the level of 75% of EU27 (North-West Croatia with Zagreb and Istanbul).

In accordance with the previously highlighted relationship are inter-regional differences within countries. In 14 of the 23 countries, the highest per capita GDP is more than twice the lowest. These include 7 of 9 new members and 7 of the EU15. We get an indication of the presence of large regional disparities in less developed countries. There are indication of the discrepancy in the EU range from 1.5 (Slovenia) to 4.6 (UK), while small in the Netherlands (1.6) and significant in Slovakia (3.5). With the exception of Slovenia, regional disparities are moderate only in the EU 15.

In the candidate countries, the differences are unequal. While in Croatia the proper factor is smaller than 2, in Turkey is 4.9. There are no comparable data for Serbia, but we can talk about the disparities at the level of districts 7:1 and municipalities 15:1 with obvious index of vulnerability (Boskovic, O. and R. Dragutinovic-Mitrovic, 2010).

On a more favorable situation in the EU 15 points reducing the difference in their important work, as opposed to the new member states which are characterized by an increase of disparities. The growth rate is not only characteristic of the 15 EU member states, but also in some peripheral parts of the EU in the west, east and north. The leading regions still have the fastest pace of major cities, not only in the EU 15 but also in new member states.

That there was a convergence of regional disparities explicitly shows the difference per capita GDP (PPS) in 2007 compared to 2000. Factor of the difference between the most developed and least developed regions declined from 17.7 to 13.1. These results are formed based on faster growth in Bulgaria and Romania, where it is not known what movements were in a large group of the region between the extremes.

As another method for the expression of regional disparities, is to determine the share of population in a more or less developed regions, as well as corresponding changes in the reporting period. As a result, there has been a prominent tendency to a different distribution of population in 2005-2007, compared to 1998-2000. Taking GDP per capita (PPS) in relation to the average and the percent of the population by region, it is determined a reduction in its percentage in the extreme regions. In accordance with that, of the six studied groups, the share of the most developed was reduced in the most advanced 24.5% to 20.4% and from 17.2% to 16.6%. For the other extreme, similar trend can be concluded, i.e. down from 27.2% to 24.5% and 15.2% to 10.7% (Eurostat Regional Yearbook 2010).

3. REGIONAL POLICY IN SERBIA - STATE AND NECESSARY CHANGES

Regional disparity in Serbia reflects a number of adverse conditions and trends. Significant differences in the development of the areas in great, undeveloped area leads to adverse demographic trends. As a result, there are demographic pressures, social stratification with the enormous increase in unemployment. On the other hand, there is an increasing concentration in urban centers and the waves of migration from villages and small towns to Belgrade.

The reasons for these imbalances are the result of inefficient sector and spatial allocation of resources in conditions of a socialist economy. Second, the lack of an institutional framework conceived in the broadest sense - the strategy, legal documents and policies of regional development - in recent years contributed to the further deepening of inequality (Rikalovic, G., 2009).

In order to reduce regional disparities and policy harmonization with the EU, Law on Regional Development, was passed in 2009, which defined statistical regions according to NUTS classification. After the public debate the classification of the five NUTS-2 regions, originate as a base for future regional policy. Those are Vojvodina region, Belgrade region, Sumadija Region and Western Serbia and Eastern Region and Southern Region of Serbia and Kosovo and Metohija, based on GDP and fall above or below the average for the country (as developed or underdeveloped). Although with the introduction of the region closer to EU regional policy, there is a need for the transfer of power from central to regional and local levels allowing for easier alignment of goals, but there are serious limitations in this regard. These are potential separatism, inadequate management capacity, underdevelopment of the legal system in the area of decentralization, underdeveloped legal and political culture, behavior and restrictions of the enormous increase in public spending due to the large increase in inefficient management (Lilic, S., 2009). The existence of the central level of government means better management and greater absorption capacity in the process of funds transfer. A distinct need to establish effective government determines the fact that the funds from the EU funds sent directly to the regions. Funds for regional development in the different budget periods had different goals, although all are aimed at reducing inequalities (Madzar, L., 2008). For the period 2007 – 2013, the objectives of convergence, regional competitiveness and employment, as well as cross-border cooperation explicitly stand out.

With the above definition of the five statistical regions NUTS 2, and their simple classification in the group of developed and less developed depending on whether they are above or below the average of countries by gross domestic product per capita, the Act defines the classification of local government units (four groups) with greater diversification in the region, and based on the same criteria. How regional policy will be led in line with the general goals of encouraging regional development is also established by law, which defines a number of general and specific objectives, institutions and decision-making process.

4. CLOSING REMARKS

Given the long-time transfer of funds, the question of the effectiveness of EU regional policy arises. Relevant analyses in this regard are the trends in the 271 NUTS-2 regions of the EU. As the result of some favorable trends, there was a different distribution of population in 2005-2007, compared to 1998-2000. Taking the GDP per capita (PPS) as compared to the average, the percentage allocation of the population by region, showed

reduction in its percentage in the extreme regions. In accordance with that, of the six studied groups the proportion with the most advanced decrease with 24.5% to 20.4% and from 17.2% to 16.6%. For the other extremes, similar trend can be concluded, i.e. down from 27.2% to 24.5% and 15.2% to 10.7% (Eurostat Regional Yearbook 2010).

With consideration of various problems related to inequality in Serbia, such as large areas of inequality, unfavorable demographic trends, the differences between and within regions, between regional centers and other areas of social stratification and poverty, problems of regional policy are obvious. It is a strategy of regional development and the need for decentralization of development and decision-making. It is also necessary to amend the Law on Regional Development in accordance with European standards and practices. In order to implement the Regional Development Act provided for establishment of various institutions at the national, regional (NUTS-2) and lower levels that are often characterized by overlapping jurisdictions. It should be added that emphasized role of national institutions in conducting and coordinating regional policy indicates that in the field of management functions state dominate.

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