

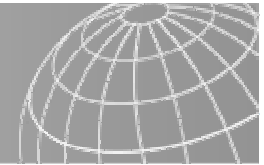
Regional economic development and investment promotion in the context of EU integration – A challenge for politics and civil society in South Eastern Europe?

Experiences of GTZ

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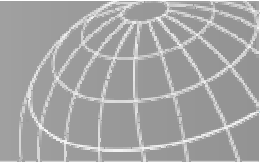
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Development Cooperation and European Union

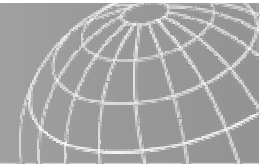
GTZ is motivated by 2 ambitious goals:

1. the fight against poverty and
 2. the integration of SEE into Europe:
- **Development cooperation** aims at reducing extreme poverty (Millennium Development Goals, Action Programme 2015 of the German Government)
 - In order to activate the economic potential of the poor, development cooperation focuses on poor regions
 - **European integration:** We share the vision of South-Eastern Europe as a modern business region that is equipped for global competition and at the same time offers European living conditions and attractive prospects



The Europe of Regions

- The “***Europe of Regions***” requires comparable living standards in order to strengthen peace and social stability
- With the **expansion of the EU to include Bulgaria and Romania**, the challenge becomes even greater for the remaining countries of SEE
- The **gap between average income** in the EU and in SEE has to be closed
- GTZ projects in the region take up this fundamental European idea and at the same time make use of proven development policy approaches



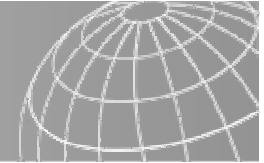
Regional development in the past and now

Past:

- Businesses in SEE were often set up to ensure employment was relatively equally distributed throughout the country
- Little attention was paid to competitiveness
- As a consequence, public debt accumulated

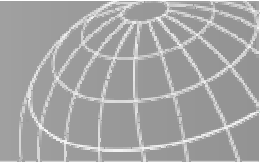
Now:

- In a competitive environment, **regional differences are increasing**: several urban centres demonstrate full employment, less favourable regions are falling behind
- Adjusting to globalization requires mobility and flexibility from people, but only gradually is a market for affordable housing emerging, which makes moving to growth regions possible



Opportunities of SEE

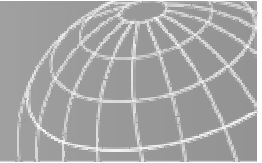
- The region is incorporated into the **trans-European transportation routes**
- **Trade and border agreements** are increasingly facilitating the transportation of goods and people
- **Markets** for selling goods within the region to 55 mil. people are becoming more accessible
- **Tourism** offers a new source of income + creates markets for domestic products
- The **traditional wine industry** has potential
- Modern sectors (**software development**) build on earlier **scientific capacities**
- Old **cooperation networks (automotive industry)** can be revived
- The countries **share the goal of European integration** (and in part history + languages)



Instruments of regional economic development

- From the identification of **regional value-added potential** and regional development concepts to **positioning in specific competence areas** + location marketing
- From business start-ups and advising **SMEs** to **sector strategies** and the introduction of innovative technologies
- From opening up business contacts to developing business networks (**clusters, value chains**)
- From improving the credit supply for SMEs to innovative **financial instruments**

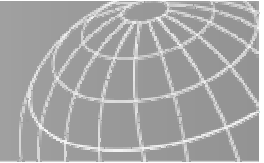
The **institutions** responsible for RED are undergoing a process of differentiation:
roles, functions + responsibility for implementation are being reassigned in dialogue between government, private sector, and civil society.



Project example 1 (publication)

Cluster approach

- an instrument to combine **sector-specific + region-specific** economic development
- **It takes years** to set up functioning clusters, but progress is visible (Croatia, Bosnia, Bulgaria, Serbia)
- Step by step, **networking** between private businesses is being complemented by cooperation with universities, suppliers of business services and the government
- It is not easy **to build trust** between competitors, by defining areas of joint interest + reserving entrepreneurial independence in other areas
- **Bottleneck:** availability of skilled **cluster managers** (handbook + training)



Project example 2 (publication)

Integrated Regional Development Plan

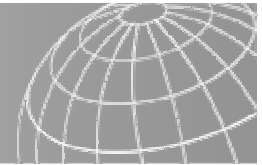
Success story Vojvodina:

- **Plan:** Analytic work by local scientists, programmes prepared by administration, plan passed by parliament, implemented by regional government
- **Implementation** is **co-financed** by regional government + donors
- Implementation is now being **evaluated** by independent consultant
- **Vojvodina Investment Promotion** – in cooperation with municipalities (EXPOREAL)
- Regional Economic Research Institute

North Albania:

- **Analytic work** by local scientists completed
- Next steps: set up a regional steering committee (districts, municipalities, national ministries) for the **political process**; decide on priorities + elaborate programmes
- Next step: set up a regional management unit; **pilot projects**

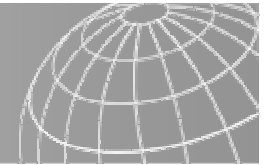
This procedure (strong role of the national government) is accepted by the EU for small SEE countries



Project example 3 (publication)

Micro-credits for small farms

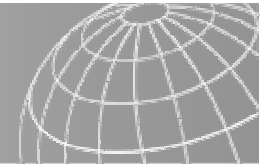
- **Small farms** are the key to reducing poverty in the Apuseni region of Romania. In order to become competitive in the EU, the small farms have to grow and for growth they need bank loans; loans are also needed for SAPARD pre-financing
- KfW, IFAD and World Bank had established credit lines via local banks, but local banks were not used to work with small farmers
- The project established a **relationship between small farmers and banks** (starting with small, short-term loans, proceeding to larger loans)
- The project offered sound business advice to farmers in order to spend the loans on **quick-win investment**.



Project example 4 (publication)

Sustainable Tourism

- While the Zagreb and the coastal regions grow fast, the Eastern Croatian region of Slavonia still suffers from economic depression and impact of war
- The **natural park of Lonjsko Polje** on the Save river offers opportunities for ecologically sustainable tourism, comprising
 - Eco-camping
 - Bed & breakfast in traditional restored wooden houses
 - Restaurants
 - Tourist guides
 - Local suppliers of traditional food products
- A significant number of local families returned to live in the area
- The administration (Gespanschaft) has initiated a tourism development plan for the whole region
- **Danube tourism** is being developed as well (separate presentation)

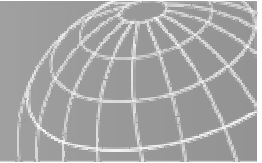


Project example 5 (publication)

Local Economic Development

Local initiatives can add up to a regional impact (PACA), and local growth centres have a positive impact on the region (Sibiu):

- **PACA** is a **participatory** approach to local development, which was first implemented in developing countries and then applied in Serbia and in Bosnia. It involves both politicians, administration and civil society in identifying quick-win and low-cost solutions to improve the local economic situation. This **bottom-up** approach requires some getting used to, since it is just the opposite of former centralized planning (or of waiting for the „big investor“)
- **Sibiu** (Hermannstadt), founded in the 12th century, represents a unique success story by becoming the **Cultural Capital of Europe 2007**
 - The project began by mobilizing the **population, architects, craftsmen and banks**
 - The rapid implementation of a series of **small demonstration measures** showcased the alternatives to prohibitively expensive overall renovation
 - Training for architects and craftsmen went hand in hand with public relations to alleviate fears among the population of becoming resettled.
 - The amazing development of Sibiu „spills“ to the region (tourism, local suppliers)

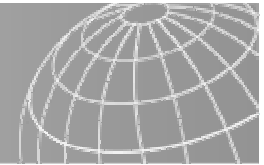


Project example 6 (publication)

Medicinal plants in Albania

- A German private company and GTZ are jointly implementing a **public-private partnership** project to cultivate rare **medicinal plants**, both to protect nature and to meet strict EU standards for medicinal plants
- Although medicinal plants and herbs are a niche product, they make a significant contribution to exports and to fight poverty in North Albania

Please don't hesitate to take along one of our (free of charge) publications which contain many more examples of regional economic development projects!



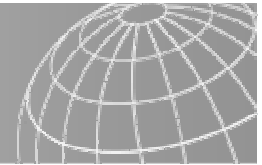
The challenges of regional development

- **Finding** the one **regional strength** and opportunity which can start a development process
- Taking the **initiative** (instead of waiting for someone else's decision)
- To work for **smaller and realistic investment** instead of waiting – often in vain - for one big investor who solves all problems
- In **sharing power** (central government with regional level)
- In cooperating **cross border** to develop regional potential (Danube...)
- To guess future development and invest in the right kind of education for the next generation
- To build **trust** and **consensus**: between national, regional and local level; between public and private sector, between political parties, between politicians and voters; between enterprises within the private sector, between the private sector and universities...

After all, the **people – civil society** - initiate change and have to accept change.

Europe is developing towards regions, towards regional economic development and regional investment promotion.

SEE as a part of Europe will participate in this development!



Thank you for your attention!