



TOWARDS SUSTAINABLE FINANCIAL MECHANISMS FOR REGIONAL DEVELOPMENT IN CROATIA

“Enhanced Strategic Planning at Regional and Local Levels in Croatia” project

DAY 1

15-16 June, 2023

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TOWARDS SUSTAINABLE FINANCIAL MECHANISMS FOR REGIONAL DEVELOPMENT IN CROATIA

OECD opening presentation

Antti Moisio, Senior Economist, Decentralisation, Subnational Finance and Infrastructure, CFE, OECD

15 June, 2023

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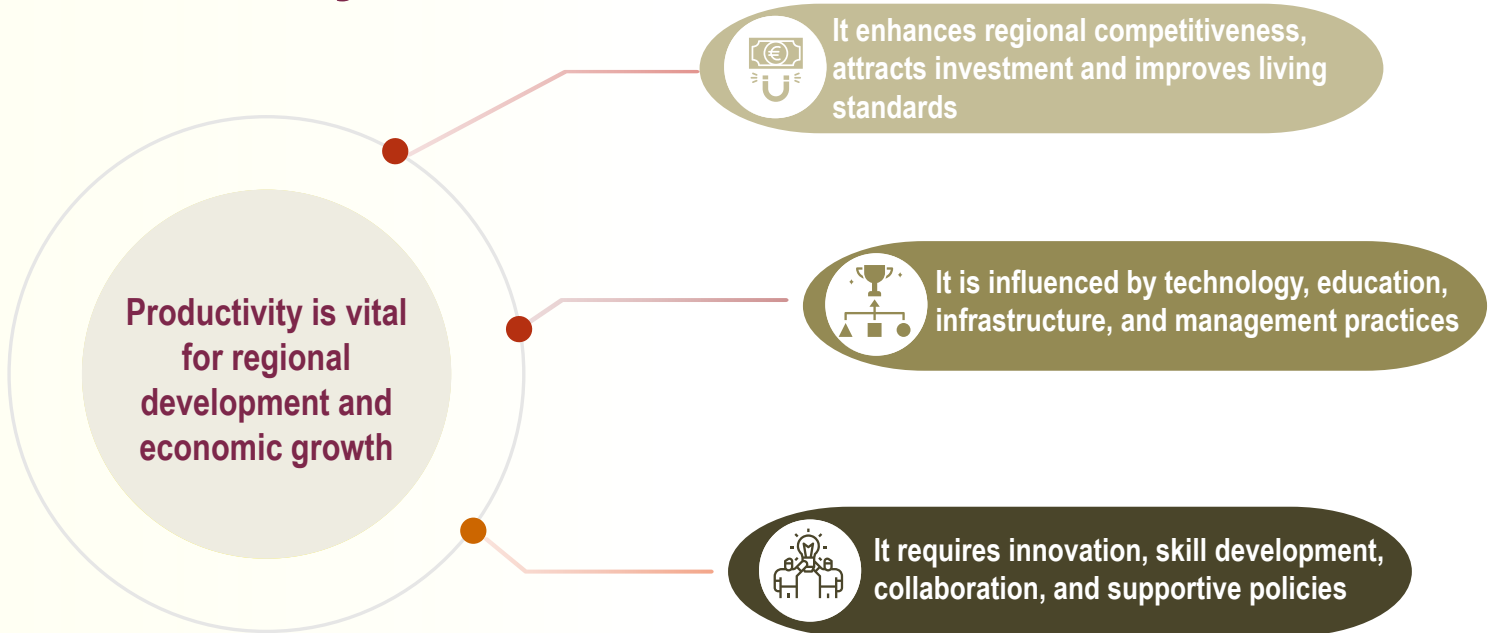


Outline of the presentation

- Productivity development in Croatia and in EU
- Disparities in regional economic development
- Enabling conditions for funding and financing regional development

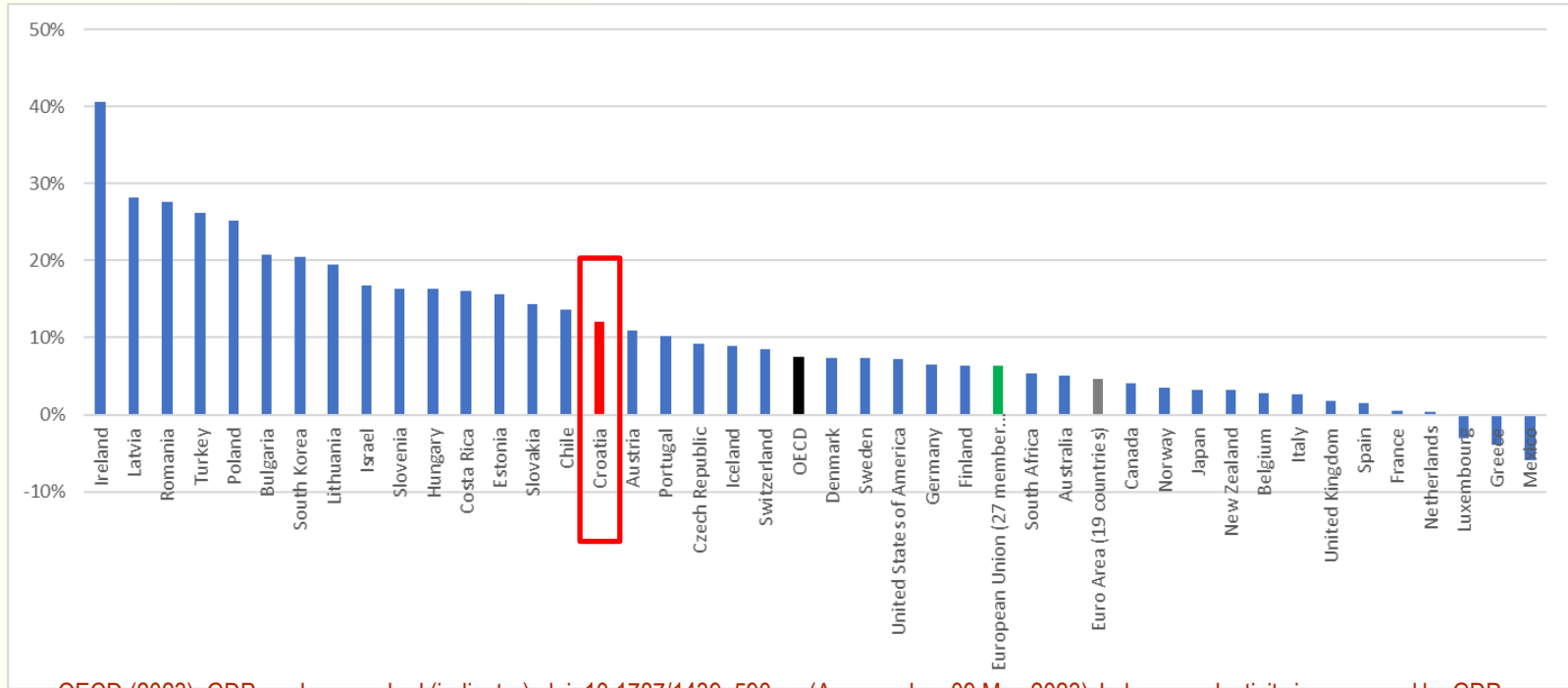


Driving regional development: the power of productivity





Labour productivity growth in Croatia has been higher than in OECD or in EU in 2015-2022

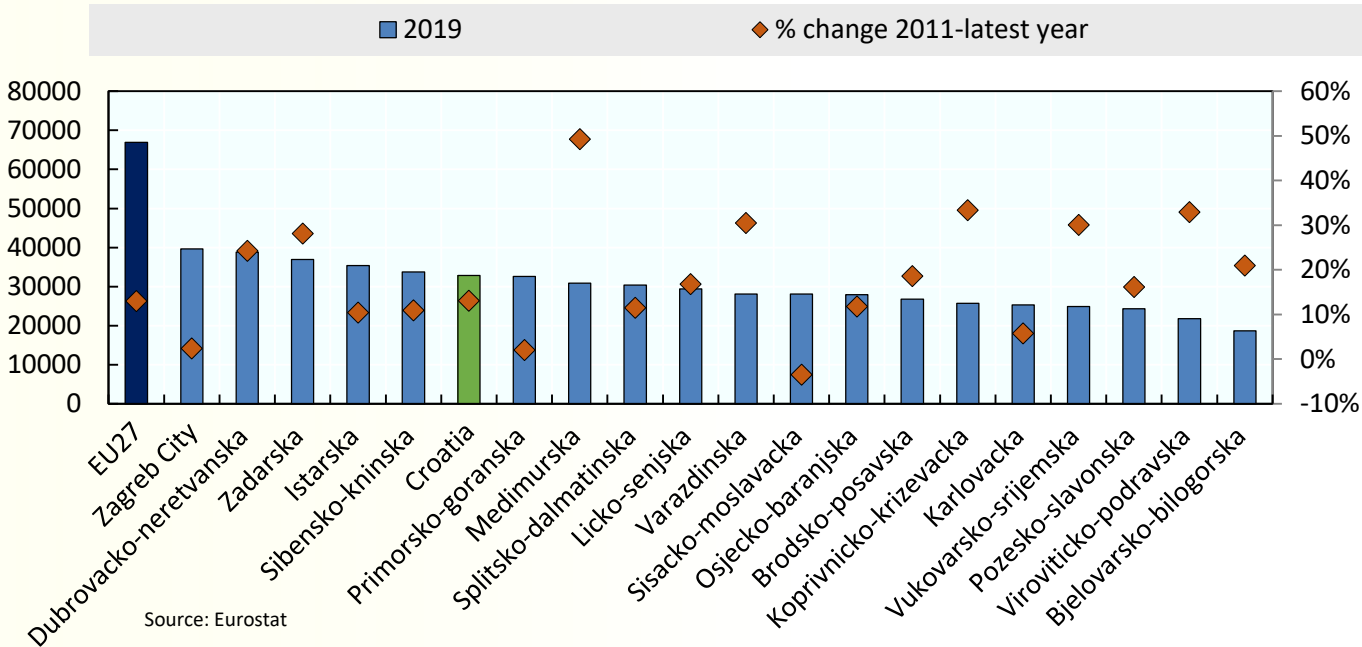


Source: OECD (2023), GDP per hour worked (indicator). doi: 10.1787/1439e590-en (Accessed on 09 May 2023). Labour productivity is measured by GDP per hour worked (constant prices), % change.



Aggregate labour productivity has increased, but regional disparities persist

Labour productivity by NUTS3 (EUR per person employed), 2011-2019

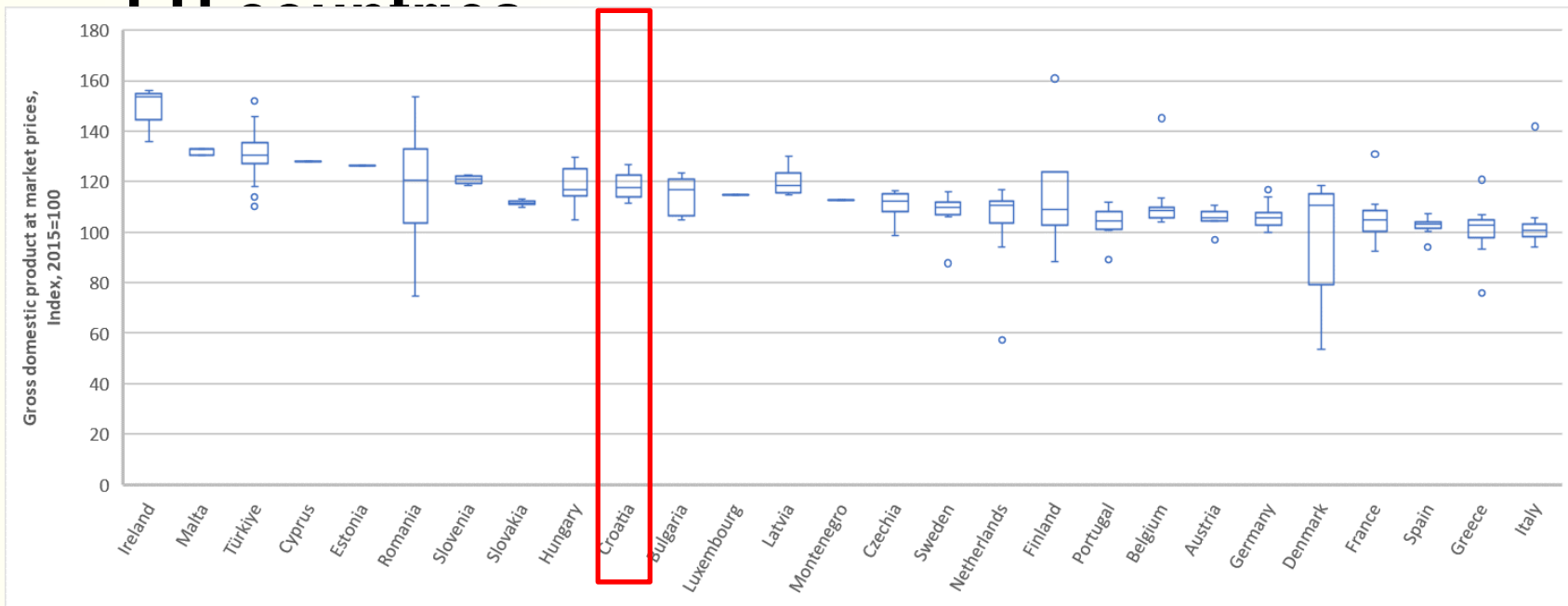


Source: Eurostat

- National labour productivity increased by 6% between 2011 and 2019.
- Regional productivity and growth rates vary.



Productivity growth between Croatia's regions compared with selected OECD and EU countries



Source: Eurostat, Gross domestic product (GDP) and Gross value added (GVA) in volume by NUTS 2 regions ([https://ec.europa.eu/eurostat/databrowser/view/NAMA_10R_2GVAGR\\$DEFAULTVIEW/default/table](https://ec.europa.eu/eurostat/databrowser/view/NAMA_10R_2GVAGR$DEFAULTVIEW/default/table))

(2021 situation, index 2015=100, NUTS2 regions)

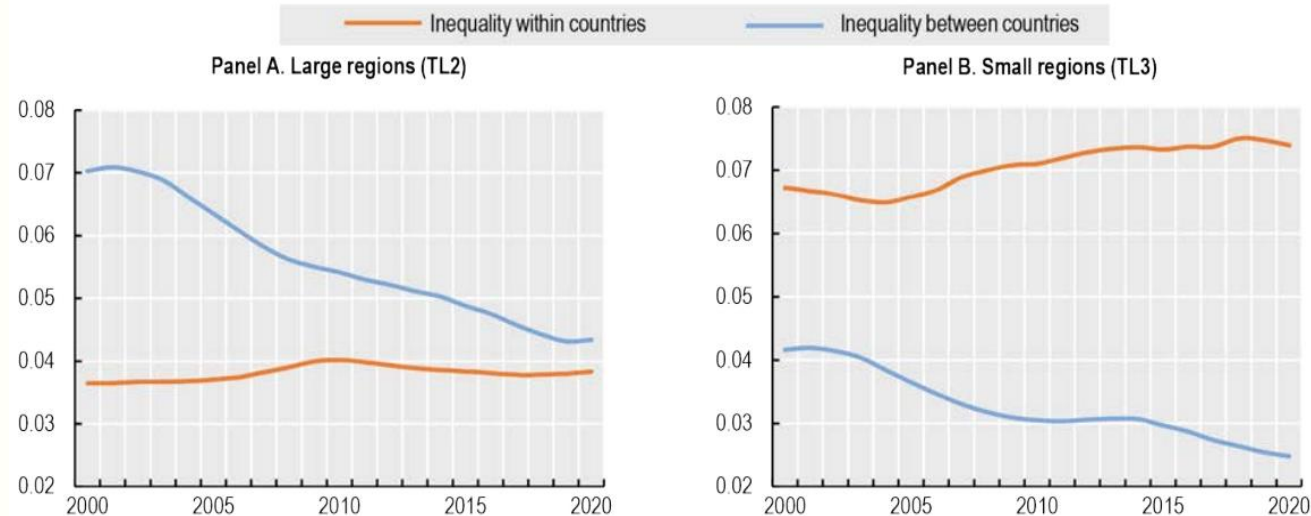


Inequalities between OECD countries have declined but not within countries

Theil Index of PPP-adjusted GDP per capita, 2000-2020

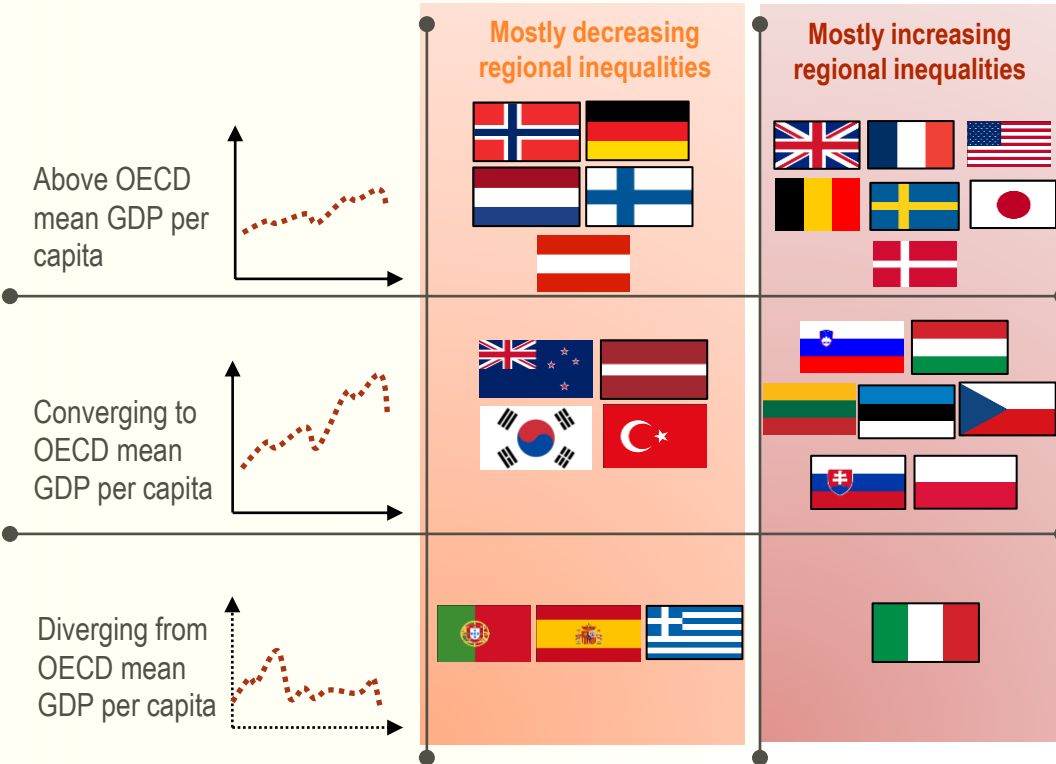
Source: OECD Cities and Regions at a Glance (2022)

- > Overall income convergence **between OECD countries**
- > Income inequalities within countries (TL3) **persist over time**
- > Today, **70% of the OECD population** live in a country with regional divergence across TL3 regions.
- > **"Dominant" regions pulling ahead**





Economic shocks created different income inequality trends across OECD countries



- > There is **no single story** of how regional inequalities have evolved across the OECD, but **different trajectories**.
- > Countries like **France, the UK, and the US** have high GDP pc levels but saw **regional inequalities increased**.
- > Other countries like **Portugal, Spain** and **Greece** saw their regional inequalities decrease in a context of **slow growth performance**.

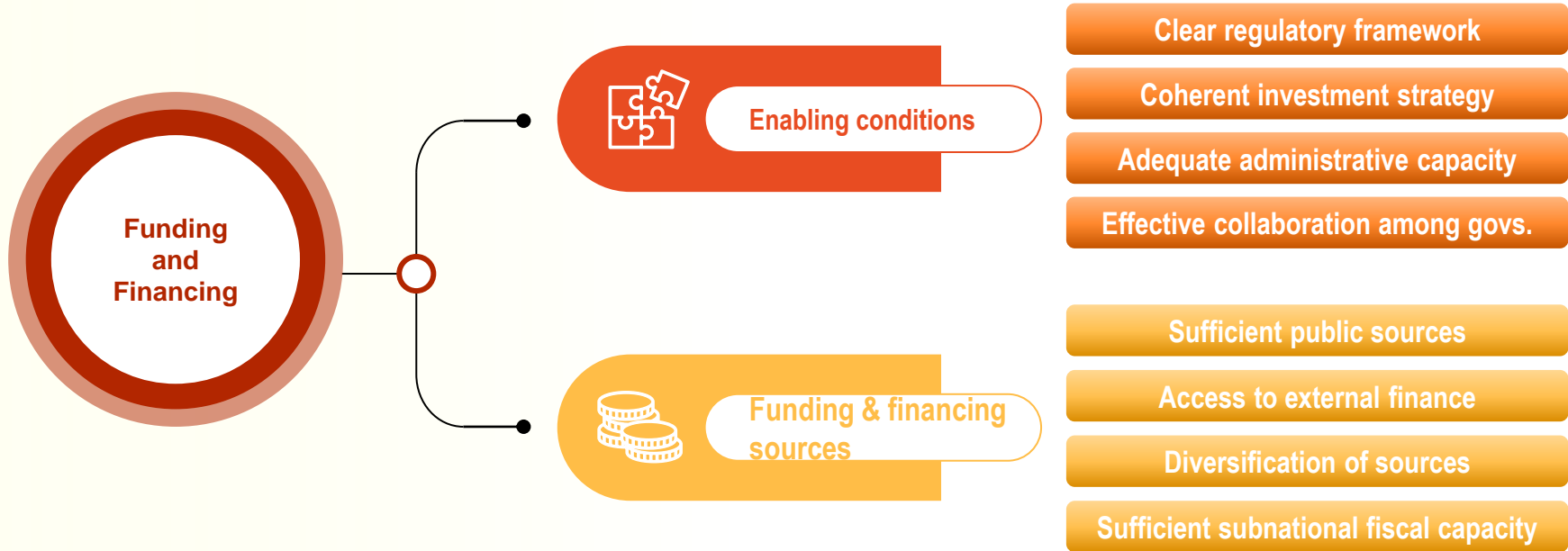


Effective regional development policy must follow the ten OECD pillars





Mobilising funding and financing for regional development





Several enabling conditions must be in place for financing regional development



Clear regulatory frameworks

Challenges

- Time-consuming processes
- Lack of clarity
- Legal barriers



Coherent investment strategy

Challenges

- Overlap and duplication of investments
- Inability to identify priorities



Adequate administrative capacity

Challenges

- Shortage of adequate skills
- Failure to attract and retain skilled staff



Effective collaboration among levels of government

Challenges

- Lack of information sharing channels
- Absence of platforms for dialogue



Funding and financing sources must be sufficient, adequate and diversified

Sufficient public sources

Challenges

- Competing priorities
- Budgetary constraints
- Economic downturns



Access to external financing

Challenges

- Higher perceived risks
- Lower market potential
- Uncertain regulatory environment



Diversification of resources

Challenges

- Vulnerability to shocks due to over-reliance on one single source



Sufficient subnational fiscal capacity

Challenges

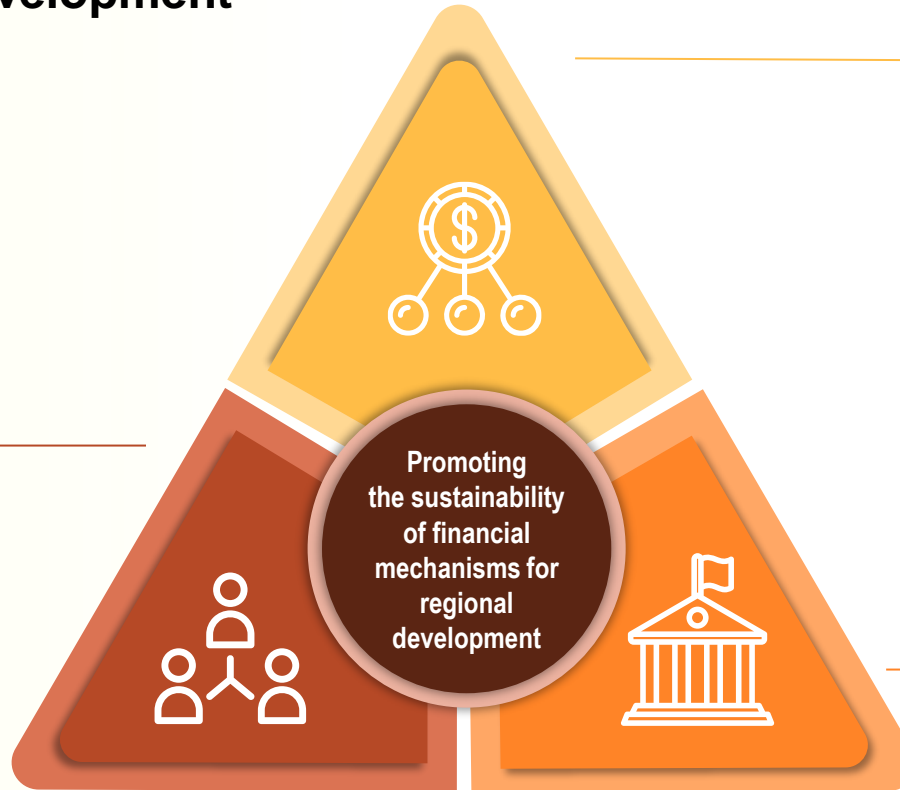
- Insufficient room for own-source revenue mobilisation





Three main elements to promote the sustainability of financial mechanisms for regional development

Enhancing inter-regional co-operation mechanisms



Ensuring a mix of funding and financing sources

Establishing robust institutional structures for RDAs to avoid un- or under-funded mandates



“Productivity isn't everything, but in the long run it is almost everything”

– Paul Krugman

“Innovation has nothing to do with how many R&D dollars you have”

– Steve Jobs

“It is not the strongest of the species that survives, nor the most intelligent;
it is the one most adaptable to change”

– Charles Darwin

Thank you for your attention!



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PANEL 1

TOWARDS BETTER FINANCING FOR REGIONAL DEVELOPMENT IN CROATIA

Miquel Vidal-Bover, Policy Analyst, Decentralisation, Subnational Finance and Infrastructure, CFE, OECD

16 June, 2023

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There are diverse sources of funding and financing for regional development

EU funds



Examples: Cohesion Funds, Recovery and Resilience and Facility funds.

Benefits: larger size, balanced development, technical assistance.

Challenges: access co-financing, overreliance, capacity to manage & absorb.

Central government grants



Examples: Earmarked grants for regional development, equalisation mechanisms, National Funds for Regional Development.

Benefits: risk-sharing, co-operation among levels of government, promote national policy goals at SNG level, etc.

Challenges: stability, overreliance.

Tax instruments



Examples: tax incentives, Special Economic Zones.

Benefits: attraction of new and sustainable investment if done properly.

Challenges: striking a balance so that new investment compensates tax revenues lost.

External financing



Examples: International and national financial institutions

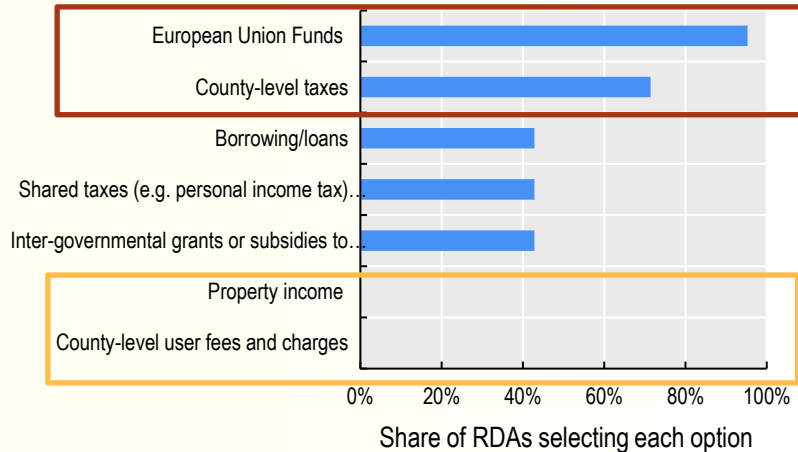
Benefits: loans at lower interest rates and longer repayment periods, technical assistance.

Challenges: constraining regulations,

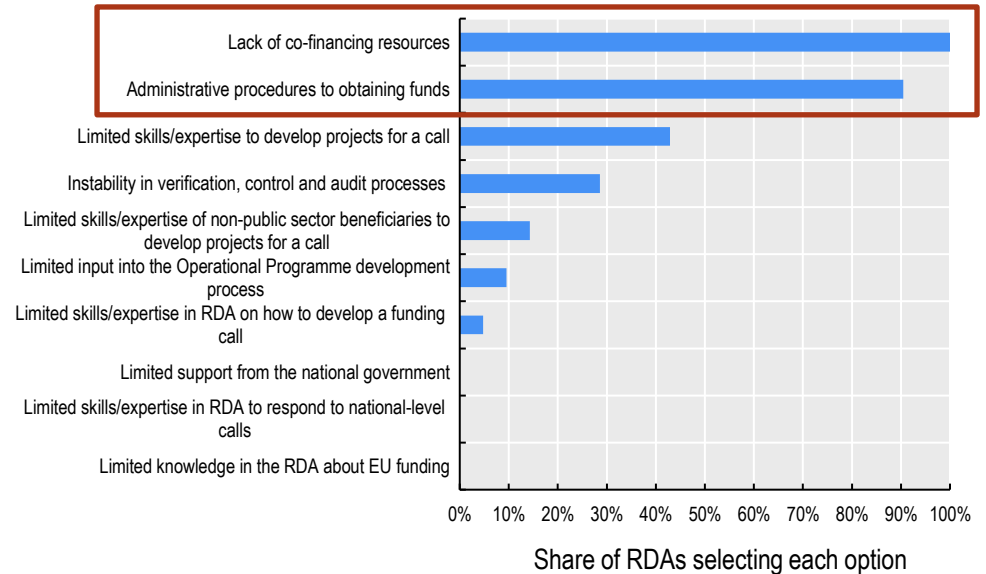


The main financing source of regional development in Croatia is EU funds, but it comes with challenges

Main financing sources for regional development



Main challenges in accessing and managing EU funds





Key questions for the panel discussion



1

What different **financial mechanisms for regional development** are available in Croatia, including to the regional development agencies?

2

What are some **good practices, as well as key challenges in securing and using finance for regional development efficiently?**

3

What is the **role of regional and local actors in financing/co-financing regional development?**



PROACTIVELY SUPPORTING DEVELOPMENT FOR 30 YEARS

HBOR (CBRD)

- Croatian bank for reconstruction and development -

A public bank supporting growth and balanced regional development

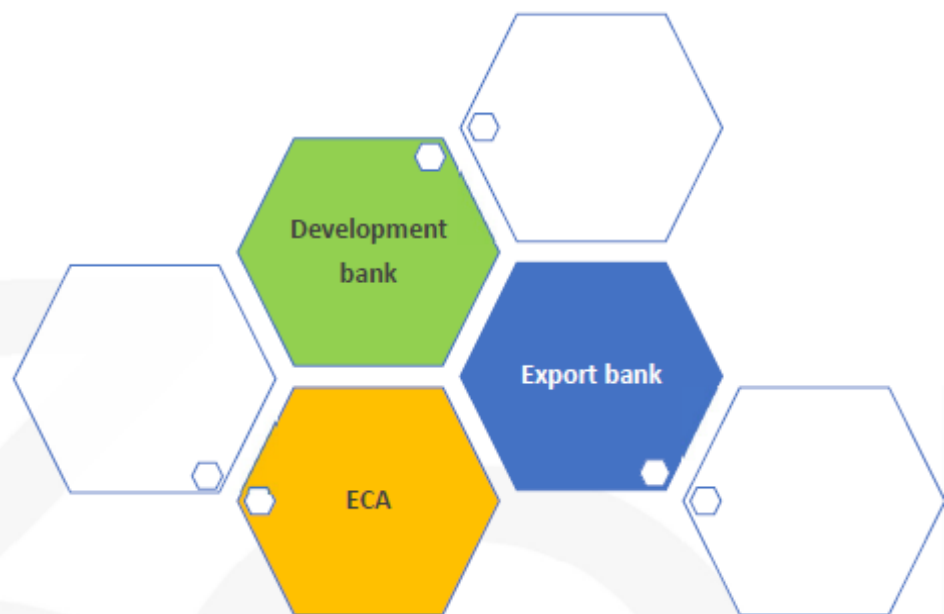
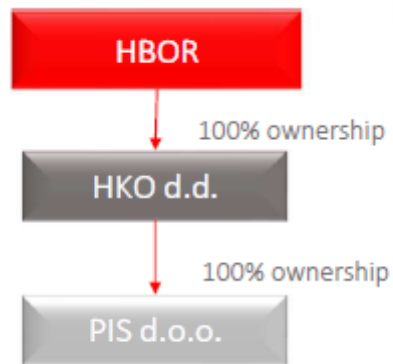
Trakošćan, 2023

www.hbor.hr

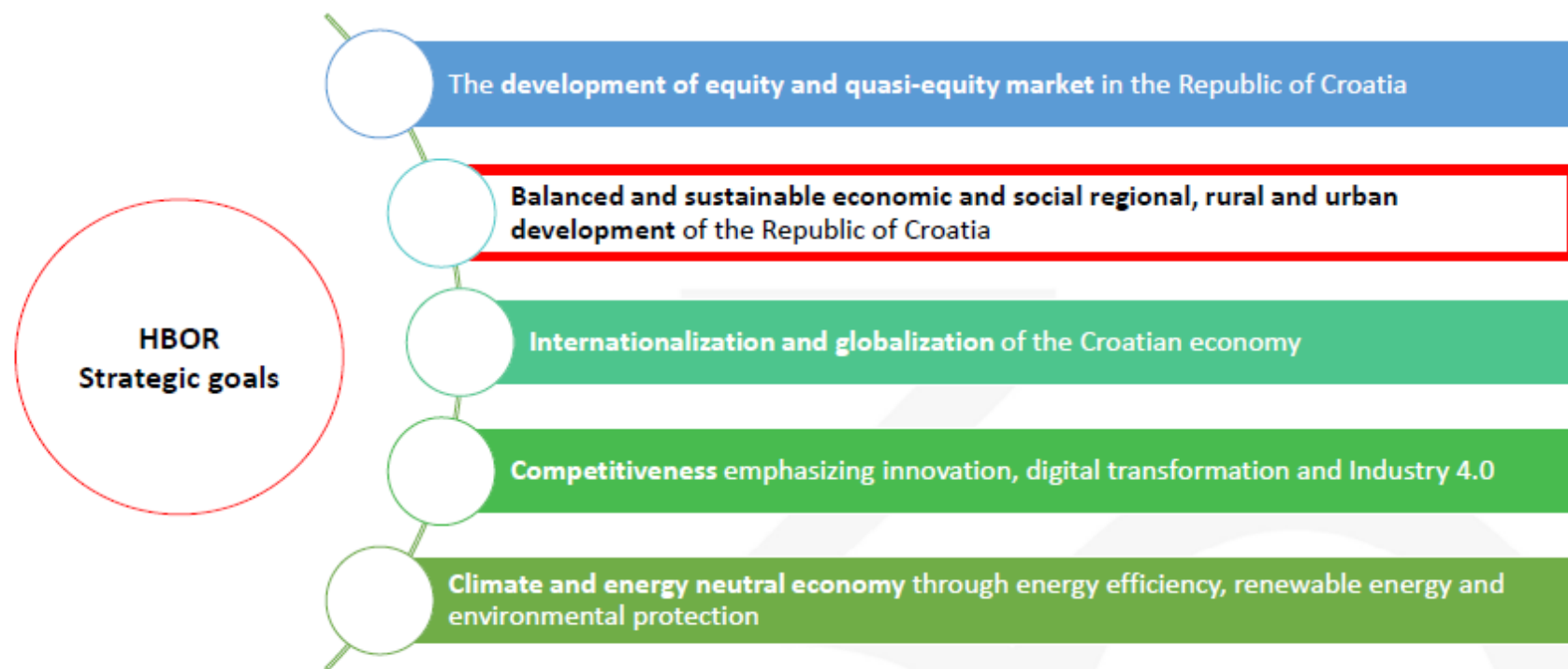
About us

- **100% owned by the Republic of Croatia** - the Republic of Croatia guarantees for the obligations of HBOR
- **HBOR operates in accordance with the State aid laws and regulations**
- Our Export activities are compliant to OECD Arrangement on Officially Supported Export Credits

HBOR Group



Business Strategy of HBOR for the period 2020-2024.



Loans and Guarantees

- **Investment loans**
- Working capital loans
- Export credit products
- Performance related bank guarantees

Export Credit Insurance

- Insurance of export receivables
- Credit insurance
- Insurance of performance-related export guarantees

Equity

- Investments in VC & PE funds
- Promote development of equity and quasi-equity market in the Republic of Croatia

Mandate and other activities

- **EU financial instruments**
- Consultation
- Other activities

- **ESIF Financial instrument;**
- **RRF/NRRP financial Instruments**
- ELENA, Invest EU etc.

HBOR lending programs

Lending Programs

- Youth, Female and Start-up Entrepreneurship
- Private Sector Investment
- Pre-Export Finance
- **Public Sector Investment**
- **EU Projects**
- Working Capital
- Financial Restructuring
- Buyer Credit
- Supplier Credit

Loans for Public Sector Investment

BORROWERS Public sector business entities

PURPOSE OF LOANS Capital investments social and business infrastructure, environment protection, EE & RES

REPAYMENT PERIOD Up to 15 years, with up to 5-year grace period included

INTEREST RATE 3,1-4% p.a. (fixed)

Subject to RRF/NRRP interest rates subsidies

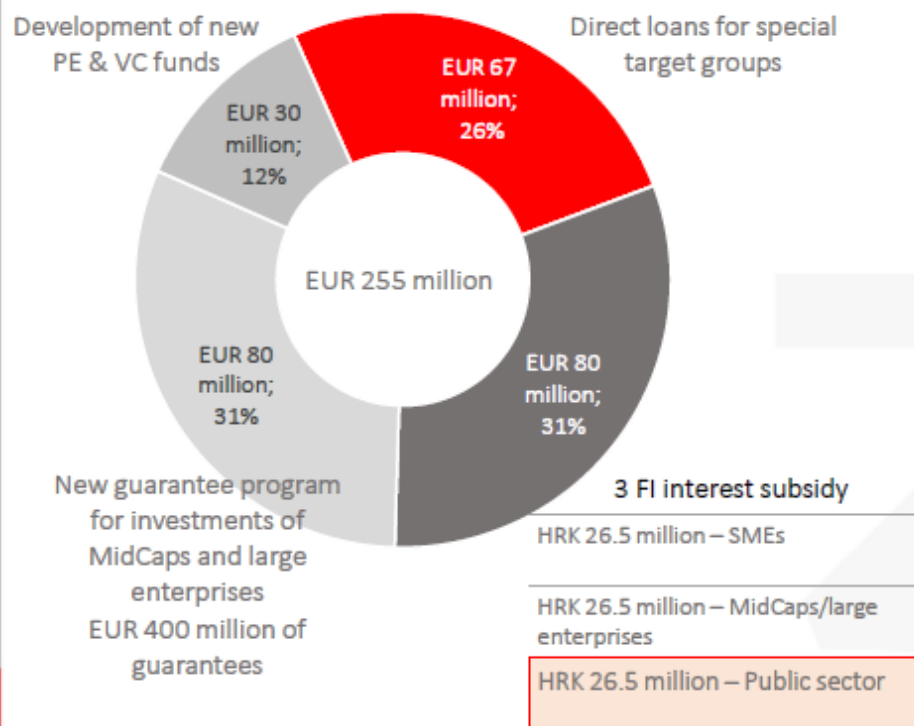


Asterisks indicate non-active instruments.

ESIF Loans for Public Sector Lighting

BORROWERS	Public sector business entities
PURPOSE OF LOANS	Capital investments - EE i public lighting
REPAYMENT PERIOD	Up to 10 years
INTEREST RATE	0,1%, 0,25% and 0,5% p.a. (fixed)

HBOR RRF/NRRP Financial Instruments



RRF/NRRP interest rate subsidies for public sector

GREEN & DIGITAL PROJECTS

Interest rate reduction of **up to 75%** of the regular interest rate, but to a maximum of 3.00 percentage points and EUR 1 mil

LACKING REGION PROJECTS

Interest rate reduction of **up to 65%** of the regular interest rate, but to a maximum of 3.00 percentage points and EUR 1 mil

OTHER PROJECTS

Interest rate reduction of **up to 50%** of the regular interest rate, but to a maximum of 3.00 percentage points and EUR 1 mil

Note !

All project have to be in line with DNSH (Do No Significant Harm) principle



PROACTIVELY SUPPORTING DEVELOPMENT FOR 30 YEARS

Thank you!



EIB Support for Regional Development

16 June 2023



European
Investment Bank

The EIB: the European Union Bank

Promoting **cohesion** and a balanced development in the EU



The world's largest multilateral lender



Leading provider of climate finance



Governed by the EU Member States



Cities and regions, a partner of choice for EIB for over 60 years

EIB Cohesion Orientation 2021-2027



20% of EU-27 lending for **less developed regions**, to increase to **23% by 2025**



40% of EU-27 lending for **cohesion regions** (transition & less developed), to reach **45% by 2025**



Increase the share of **climate action and environmental lending** across cohesion regions



Finance directly the deployment of proven **technologies by mid-caps** in less developed regions



Facilitate access to finance through **direct lending to mid-caps** in cohesion regions



Targeted **advisory support** to cohesion regions



"EIB Cohesion Priority regions" = Less developed + Transition regions

2014-2020

39% of
population
22% of GDP



2021-2027

53% of
population
34% of GDP



EIB operations to support cohesion in the EU



LENDING

Loans: support national co-financing of EU-funded cohesion projects

Also:

Guarantees + Equity participation



BLENDING

Combining EU grants with EIB loans and financial instruments

Focus on **leveraging** EU and MS budget resources



ADVISING

Technical assistance to prepare & implement projects: JASPERS, ELENA, PASSA

Over **1,000 projects** supported through EIB advisory in 15 years



Examples of EIB cohesion investments

- **Croatia: €600 million structural programme loan** to co-finance EU-funded projects in 2014-2020 (transport water & sanitation, environment, urban development, social infrastructure in education and healthcare)
- **Poland: €34 million loan** for affordable & social housing in Poznan for construction of 1,300 housing units
- **Romania: €450 million loan** to co-finance rural development projects supported by EU funds totalling €5.4 billion => modernisation of 3,000 farms and 750 schemes to improve services for the rural population

EIB project cycle in practice

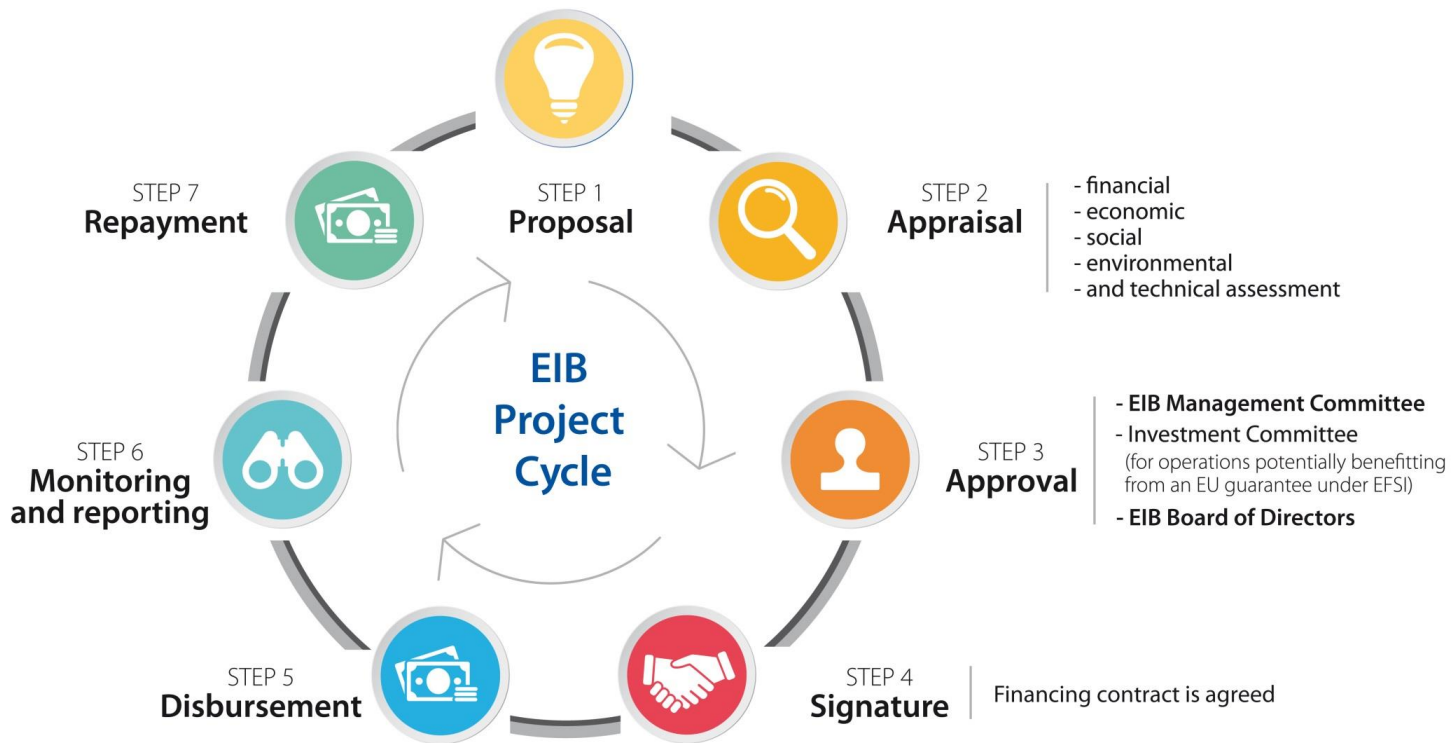
- How to apply for EIB loan?
- What EIB needs to know



EIB Products for Regions & Cities - Types

- **Standard investment loans** for large individual projects (for ex. Infrastructure for water, waste, energy)
- **Framework Loans:** Target multi-annual investment programmes carried out by national governments and sub-sovereign public authorities; they can also provide co-financing to EU Funds
- **Multi-beneficiary intermediated loans (MBILs):** Used to support companies or municipalities with small/medium sized-projects through banks and national promotional institutions
- **Structural Programme Loans (SPLs):** Aim at co-financing multi-project investments managed by public authorities included within their Operational Programmes to meet EU economic and social cohesion objectives and supported by grants from the EU Funds
- **Equity/Quasi-equity/Hybrid bonds/guarantees**
- **Decentralized financial instruments (DFIs):** whereby EU grants are managed by EIB on behalf of managing authorities and transformed into revolving funds (offering loans, guarantees and equity)
- **Advisory services** for project preparation, financial structuring, implementation and quality support

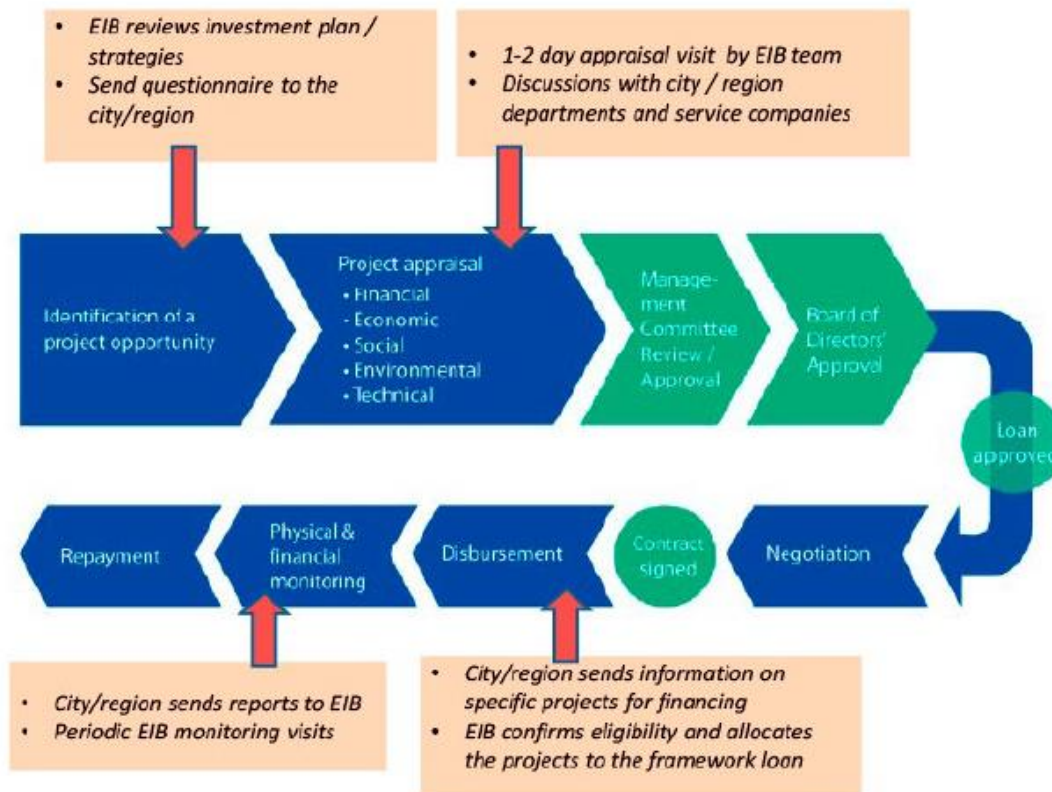
How to cooperate with EIB – Main steps





How to cooperate with EIB – Main steps (cont.)

EIB project cycle – how specific framework loan aspects fit in

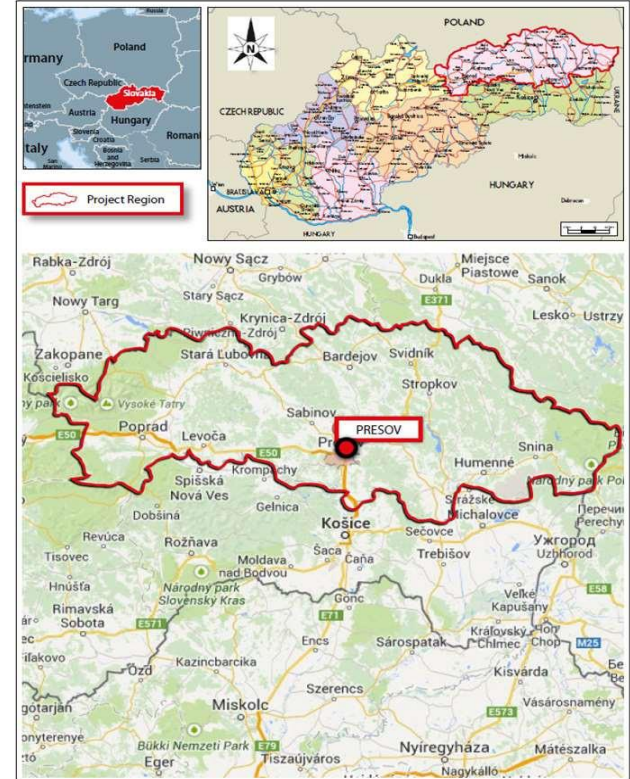


PRESOV REGIONAL INFRASTRUCTURE III (SLOVAKIA)

- **Project description:** 109 small schemes implemented under the investment programme of the Region of Prešov that will improve the regional infrastructure, particularly in the sectors of transport, education, culture, social care, public administration and environmental protection.
- **EIB financing type:** Framework Loan.
- **Total investment cost:** EUR 70 m
- **Loan amount:** up to EUR 30m
- **Implementation period :** 2021-2024
- **Borrower/Promoter:** Prešovský samosprávny kraj / Prešov self-governing Region, one of Slovakia's eight self-governing region.

DRAFT

Project: PRESOV REGIONAL INFRASTRUCTURE III - Slovakia



Advisory support through JASPERS

- JASPERS is the largest advisory initiative of the EU Cohesion Policy
- EC / EIB partnership with an annual budget EUR 40 m, co-financed EC (REGIO & MOVE) & EIB

Key assets:



Long term relation

ongoing advisory initiative since 2006

Close relation and collaboration with Managing Authorities and Beneficiaries in MS



Local presence & knowledge

5 external offices (Bucharest, Brussels, Vienna, Sofia) + Luxembourg

Deep country knowledge and understanding



Sector specialisation

Engineers, economists, sector experts..

Sectors: circular economy, digital, energy, environment, social, mobility, RDI, innovation, urban...

Horizontal topics: environment, climate, state aid ...



Large pool of experts

123 EIB specialized staff



Direct support through project experts

Direct Support through EIB staff

Multi country expertise
Project experience

THANK YOU



European
Investment Bank

FINANCIJSKI INSTRUMENT za zelena ulaganja jedinica lokalne samouprave



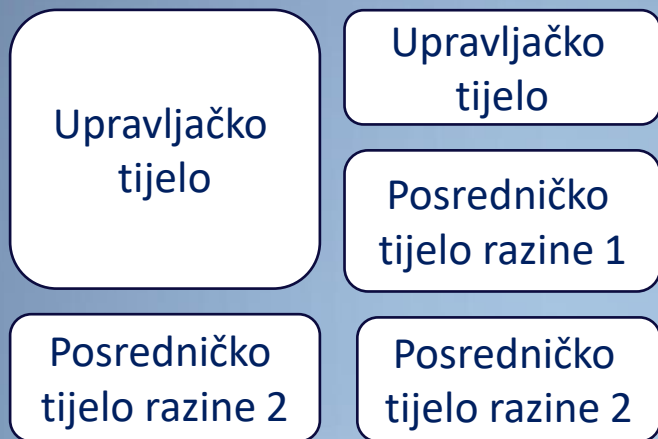
ESIF FINANCIJSKI INSTRUMENTI - prednosti

- ✓ Iznimno popularan oblik pružanja potpore, jednostavniji i brži pristup EU sredstvima
- ✓ Kružni učinak: financijska sredstva se otplatom vraćaju u sustav i mogu se ponovno koristiti za davanje potpore drugim primateljima
- ✓ Dostupni čitavo vrijeme trajanja kreditnog programa
- ✓ Niske kamatne stope uz fleksibilne rokove otplate i minimalne zahtjeve za instrumentima osiguranja te oslobođenje od plaćanja bankarskih naknada
- ✓ Zaduženja po ESIF financijskim instrumentima neće se ubrajati u ukupne godišnje obveze JLP(R)S koje se uzimaju u obzir pri utvrđivanju limita od 20% prihoda

ESIF FINANCIJSKI INSTRUMENTI - prednosti

- ✓ Sredstva se dobivaju unaprijed, za razliku od bespovratnih sredstava koja se refundiraju tek kad se vlastita potroše
- ✓ Na krajnje primatelje ne primjenjuju se zahtjevi vezani uz javnu nabavu
- ✓ PDV na razini ulaganja krajnjih primatelja je prihvatljiv trošak
- ✓ Nije dozvoljena revizija na razini krajnjih primatelja
- ✓ Smanjenje financiranja za operacije koje stvaraju neto prihod ne primjenjuje se na financijske instrumente
- ✓ Povrat doprinosa za kršenje odredbi o trajnosti operacija ne primjenjuje se na financijske instrumente

RH: Sustav bespovratna sredstva vs. FI



- ✓ U idućem razdoblju će biti moguće u sklopu FI uvesti *'capital rebate'* odnosno otpis glavnice za postignute ciljeve javnih politika čime se do 50% kredita može pretvoriti u BS
- ✓ BS dio mora biti manji od FI dijela da bi se provelo po jednostavnijim FI pravilima odnosno unutar jedne FI operacije
- ✓ primjerice od 100.000 EUR kredita se otpiše 40.000 EUR glavnice ukoliko se ostvari energetska ušteda od 60%, ili po 10% za svaki oblik OIE koji se uvede, te krajnji primatelj nastavi otplaćivati 60.000 EUR kredita po minimalnoj kamati, a 40.000 EUR se pretvori u BS koja se ne moraju vraćati, ali se provodi po FI proceduri (što znači da nema kontrole ZNS-ova i javne nabave od strane PT2, niti nepravilnosti)

OTPIS GLAVNICE

Combination in one FI operation - Article 52(5)

FI rules apply to the grant!

Grant is directly linked & necessary

Grant is part of the funding agreement & is provided by the body implementing the FI

Grant has a lower value than the investment supported by the FI product

Examples: capital rebates, investment grants, interest rate & guarantee fees subsidies, etc.



REZULTATI 2017.-2021.

Operativni program „Konkurentnost i kohezija 2014.-2020.“

- ✓ 10 financijskih instrumenata od čega **2 za javni sektor (ESIF Krediti za energetske učinkovitost u zgradama javnog sektora i ESIF Krediti za javnu rasvjetu)**
- ✓ Zbog potpune apsorpcije u 7 navrata povećana alokacija
- ✓ Potpisano 40 Sporazuma o financiranju sa svim financijskim institucijama koje djeluju u RH (komercijalne banke, leasing kuće, institucionalni investitori)
- ✓ Sa javnih 650 mEUR privučeno preko 725 mEUR privatnog kapitala ⇒ udvostručena dostupna sredstva kojima se financiraju javne politike koje bi inače država morala financirati sama na teret poreznih obveznika
- ✓ **11.500 korisnika investiralo 1,4 milijarde eura = 9.000 radnih mjesta**
- ✓ *EK refundirala 620 mEUR u državni proračun = 95% EU alokacije*

NAJAVA ITP 2021.-2027. URBANI RAZVOJNI FOND

Fond za razvoj urbanih područja
za poticanje ulaganja u javnu i poslovnu infrastrukturu za komercijalne namjene

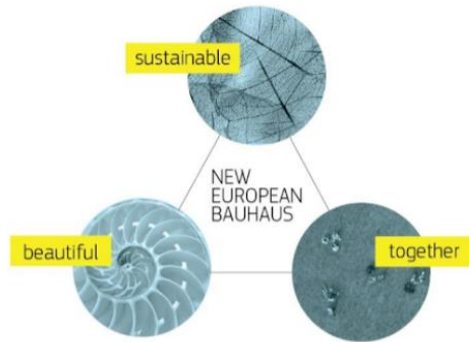
- **Besplatna tehnička pomoć** za izradu projektne i financijske dokumentacije
- Investicijski dugoročni krediti s minimalnom kamatom, uz mogućnost **otpisa dijela glavnice**
- Primjeri prihvatljivih ulaganja
 - ✓ Projekti urbanog razvoja, urbane regeneracije, sigurnosti javnih prostora i zelene infrastrukture
 - ✓ Ulaganja u sustave javnog prijevoza
 - ✓ Ulaganja u energetska učinkovitost i obnovljive izvore energije
 - ✓ Ulaganja u sportsku, društvenu i kulturnu infrastrukturu
 - ✓ Razvoj turizma i ekonomska valorizacija kulturne i prirodne baštine
 - ✓ Poticana stanogradnja

Kako sa manje postići više i generirati samoodržive projekte

- Potencijal financijskih instrumenata sadržan je u samoj prirodi projekata **koji se sami otplaćuju** i pokrivaju vlastite operativne troškove tijekom cijelog razdoblja korištenja
- Moguće ih je primijeniti u skoro svim područjima, od prometne, kulturne, prirodne, društvene, sportske do stambene infrastrukture ili bilo koje druge javne infrastrukture **koja ostvaruje prihode** od naplate usluga korištenja od strane građana i turista
(poput javnih garaža, parkirališta, kolodvora, bazena, sportskih dvorana, skijališta, klizališta, žičara, vučnica, vidikovaca, toplica, lječilišta, muzeja, kazališta, koncertnih dvorana, dvoraca, tvrđava, zabavnih parkova, parkova prirode, arheoloških parkova i raznih drugih turističkih atrakcija, do studentskih i učeničkih domova kao i poticane stanogradnje)
- Financijski instrumenti omogućuju da se razvojni projekti javne infrastrukture obogate sa brojnim **komercijalnim sadržajima** (trgovački, uslužni, ugostiteljski, smještajni kapaciteti kao i reklamni prostori) koji se mogu dati u najam ili koncesiju čime se privlači poduzetnička aktivnost, a ujedno povećava neto prihod neophodan za povrat investicije i podmirivanje redovnih režijskih troškova i troškova održavanja (veća fiskalna odgovornost)

BAUHAUS!

Core values



Sustainability

- Circular economy
- Energy efficiency
- Use of sustainable materials and construction techniques
 - Re-use of materials and spaces
- Green mobility
- Restoring biodiversity (re-naturing landscapes)

Aesthetics

- Places in harmony with nature
- Rediscovery of history and architectural heritage
- Places or forms that appeal to people's creativity and imagination

Inclusivity

- Attention to the needs of marginalised groups
- Wider participation in decision-making
- Expanding access and affordability

Hvala na pozornosti!

financijski.instrumenti@mrrfeu.hr

Ministarstvo regionalnoga razvoja i fondova Europske unije

www.mrrfeu.hr

www.strukturnifondovi.hr



Europska unija
Zajedno do fondova EU



REPUBLIKA HRVATSKA
Ministarstvo regionalnoga razvoja
i fondova Europske unije



EUROPSKI STRUKTURNI
I INVESTICIJSKI FONDovi



Operativni program
KONKURENTNOST
I KOHEZIJA



Key questions for the panel discussion



1

What different **financial mechanisms for regional development** are available in Croatia, including to the regional development agencies?

2

What are some **good practices, as well as key challenges in securing and using finance for regional development efficiently?**

3

What is the **role of regional and local actors in financing/co-financing regional development?**



INTERACTIVE DISCUSSION 1

IDENTIFYING AND SECURING SOURCES OF FINANCE FOR REGIONAL DEVELOPMENT

Miquel Vidal-Bover, Policy Analyst, Regional Development and Multi-Level Governance Division, OECD

16 June, 2023

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Workshop 1

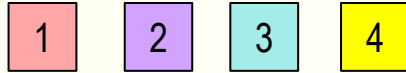


Objective: identify how different sources to finance regional development projects are used, related challenges for subnational governments, and potential areas for improvement.



Dynamic

1. Discussion in 4 breakout groups (25 min)



2. Reporting back

3. Plenary discussion



Questions

- 1 What is **your experience** with applying for/obtaining/managing financing from the source your group is assigned?
- 2 What **challenges** have you experienced or identify to obtaining or managing financing from the source your group is assigned?
- 3 What **opportunities** do you identify to improve the access to or management of financing from the source your group is assigned?



Workshop 1



Questions

- 1** What is your experience with applying for/obtaining/managing funding or financing from the source your group is assigned. If resources were secured, what were they used for?
- 2** What challenges have you experienced or identify to obtaining or managing financing from the source your group is assigned (e.g. lack of clear guidelines, restrictive criteria, red tape)?
- 3** What opportunities do you identify to improve the access to or management of financing from the source your group is assigned (e.g. changes to legislation, funding criteria, communication on funding opportunities, training)?

Sources of funding/financing

EU funding 1
(e.g. EU Cohesion Funds, Recovery funds)

Central government grants 2
(e.g. earmarked or general, equalisation, NFRDs)

National and international development banks 3
(e.g. EIB, HBOR)

Private sector borrowing 4
(e.g. bonds, commercial banks, pooled finance)



TOWARDS SUSTAINABLE FINANCIAL MECHANISMS FOR REGIONAL DEVELOPMENT IN CROATIA

“Enhanced Strategic Planning at Regional and Local Levels in Croatia” project

DAY 1

15-16 June, 2023

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TOWARDS SUSTAINABLE FINANCIAL MECHANISMS FOR REGIONAL DEVELOPMENT IN CROATIA

“Enhanced Strategic Planning at Regional and Local Levels in Croatia” project

DAY 2

15-16 June, 2023

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PANEL 2

TOWARDS THE SUSTAINABILITY OF REGIONAL DEVELOPMENT AGENCIES

Antti Moisio, Senior Economist, Decentralisation, Subnational Finance and Infrastructure, CFE, OECD

16 June, 2023

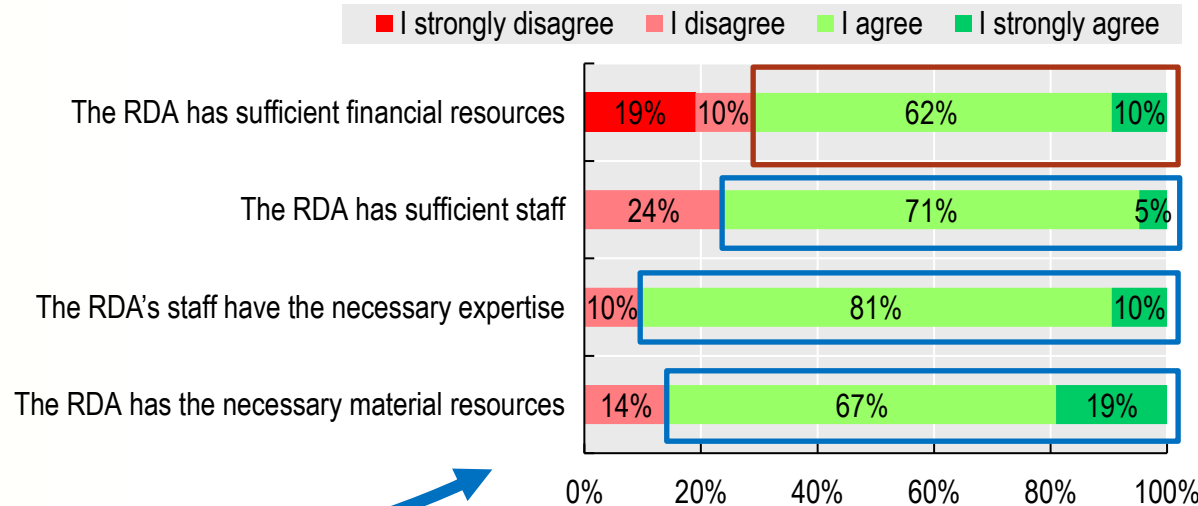


In 2022, a large majority of RDAs considered they had sufficient resources to execute their mandate

In 2022, **72%** of RDAs considered they had **sufficient financial resources to execute its responsibilities.**

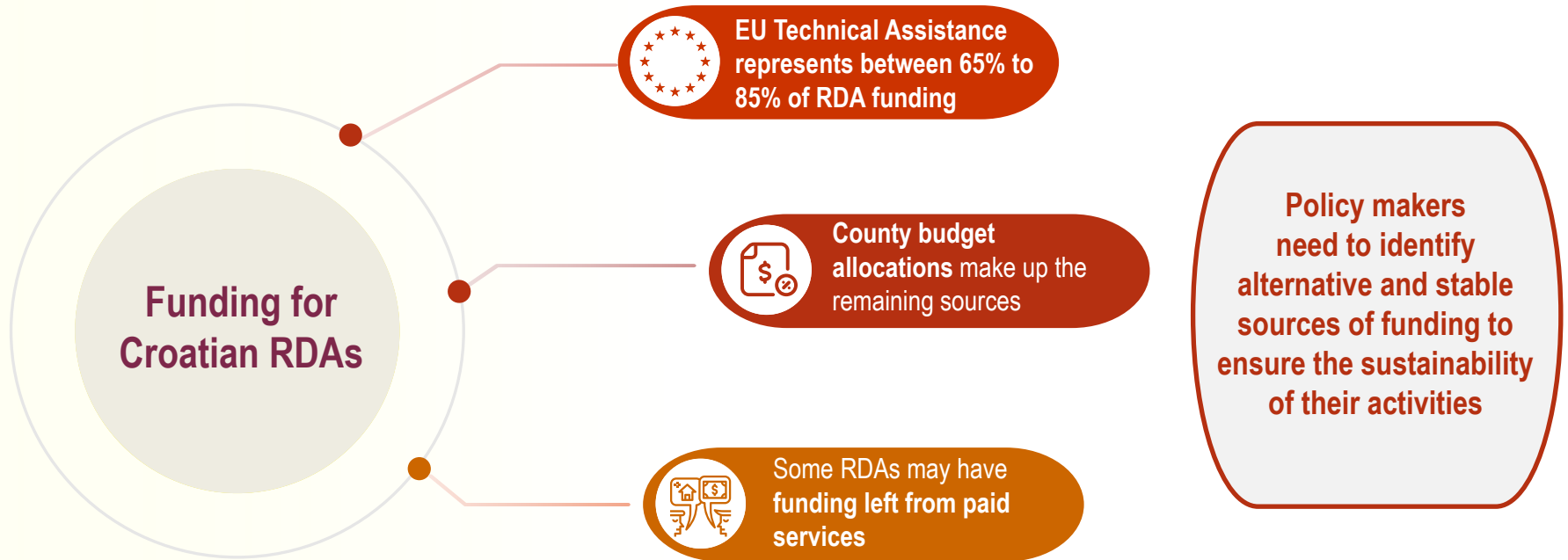
Supported by EU and county level funding, **a large majority of the RDAs reported having the necessary resources to support their operations:**

- **71%:** sufficient staff
- **90%:** necessary expertise
- **86%:** sufficient material resources





The reduction in EU technical assistance in 2023 creates uncertainty on how the RDAs can fund their operations





EURADA

European Association of Development Agencies

Event:

2nd OECD Knowledge-Sharing Forum

Towards sustainable financial mechanisms for regional development in Croatia

Date & place:

16 June 2023 – Trakošćan, Croatia

**Roberta Dall'Olio EURADA
Director**

TOPICS

- **EURADA**
- **RATIONALE**
- **MAIN FUNDING RESOURCES**
- **CASE STUDIES**
- **CONCLUSIONS**

1

EURADA
European Association of
Development Agencies

EURADA Network at the European level

EURADA
Secretariat
in Brussels

70
member
s

20
countries

160 MI
persons



Analysing and anticipating Policy trends

Positioning RDAs and their territories on important issues and consultations



Monitoring, mentoring and facilitating Processes within RDAs and in their territories



Enhancing the Performance of RDAs through the exchange of tools for policy implementation



Support Project development

Creating solid Partnerships between RDAs and other relevant actors at European level

The 6 Ps

Local/Regional Development Agency what's for?

- Place based development strategy
- Territorial customisation of development policies
- Knowledge
 - creation
 - diffusion
 - absorption
- Territorial ecosystem coordination
- Contribution to policies integration
- Resilience

Indicators

- Territorial Assets
- Population
- Employment rates
- Enterprises
- etc

Ecosystem Coordination and Enhancement

- **POLICY ADVISING**
- **CLUSTER AND HIGH TECHNOLOGY NETWORK COORDINATION**
- **INVESTMENT ATTRACTION**
- **EDUCATION TRAINING TALENT ATTRACTION**
- **SUPPORT TO INNOVATION POLICIES: S3 ELABORATION, MONITORING, EU FUNDS PLANING**
- **MONITORING MANAGEMENT**
- **STATE AID**
- **INDUSTRIAL AREAS MANAGEMENT**
- **INNOVATION**
- **INNOVATION IN PA**
- **DIGITALISATION (STEM, PA MODERNISATION, DIGITAL TWIN ...)**
- **INNOVATION FORESIGHT**
- **DATA MINING**
- **DATA ELEBORATION**
- **INTERNATIONALISATION**
- **TERRITORIAL COOPERATION INTRA-REGIONAL, INTERREGIONAL, INTERNATONAL CROSS BOARDER**

Territorial Attractiveness

**Investment
attraction and
Promotion**



**Talent
Attraction**



**Management of
Incubators/Science
Parks/Technopoles**



THEMATIC AREAS:

- **CLIMATE CHANGE**
- **ENERGY**
- **TECHNOLOGICAL INNOVATION**
- **TERRITORIAL LOCAL DEVELOPMENT**
- **INNER AREAS DEVELOPMENT**
- **DIGITAL TRANSFORMATION**

- **CCI**
- **PARTICIPATION**
- **URBAN REGENERATION**
- **SOCIAL INNOVATION**
- **SOCIAL ECONOMY**
- **IMMIGRATION**
- **IMPACT EVALUATION**

- **NATIONAL REGIONAL LEGAL FRAMEWORK**
Decentralisation/regionalisation of the country
- **GOVERNANCE SYSTEM**
REGIONAL
LOCAL
- **REGIONAL LOCAL PARTNERSHIP**
- **INSTITUTIONAL ASSETS**
Stable government
Financial means
Skilled HRs

- **Public support**
 - Management of public sector contracts
 - Implementation of EU funding (ERDF, ESF, European Projects, RRFs)
- **Management of infrastructures (real estate & property management)**
- **Provision of services**
 - Consultancy & support services
 - Training
 - Publications
- **Soft support**
 - Management fees (clusters, equity/loan funds, ...)
 - Success fees (business angel deals, ...)
- **Capital from direct investments**

IVACE Spain



The Valencian Institute of Business Competitiveness (IVACE) helps the companies of the Valencian Community providing them with innovation grants to promote Industry 4.0 and consolidate a competitive business fabric in the territory, promote energy efficiency to build a sustainable future.

Competences:

1. Support in terms of innovation, competitiveness and modernization of SMEs, business parks and industrial areas.
1. Entrepreneurship
2. Internationalization of SMEs through an external network and personalized services
3. Attraction of investment
4. Design and development of financing measures for the private sector
5. Promotion of savings, energy efficiency and renewable energy sources (RES), as well as the management of the energy policy of the region.

	VALENCIA	Spain- %
Surface (km ²)	23.255	4,6%
Population	4.953.482	10,7%
GDP (M€)		9,4%

Case studies: Funding Sources for RDAs (IVACE, Spain)

- **Own Activities:**

- Revenues from fees, services & miscellaneous activities
- Property income
- Financial assets

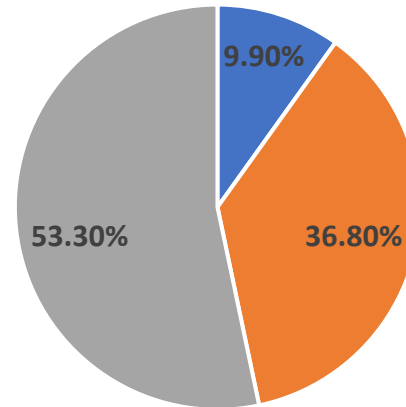
- **EU Transfers:**

- ERDF (96% of EU transfers)
- ESF
- European projects

- **Regional Funds:**

- Regional Ministry for Economic Dev.
- Own Activities ■ EU Transfers ■ Regional Funds

IVACE – Valencia, Spain (2021)

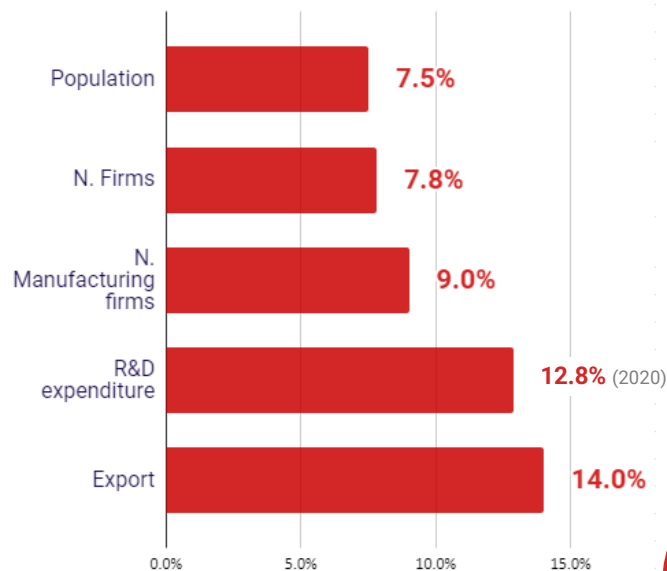


The Role of RDAs in Regional Development Planning (IVACE, Spain)

- **Management of 20% of ERDF in the 2014-2020 programming period**
- **Notable areas of investment:**
 - Technology transfer and cooperation between universities and enterprises, primarily for the benefit of SMEs
 - Research and innovation processes in SMEs
 - Advanced support services for SMEs and SME clusters
 - SME business development, entrepreneurship support and incubation
 - Energy efficiency and demonstration projects in SMEs and support measures
- **In general: Role of IVACE in *development* of mandated support programmes, but not in their design**

ART-ER Attractiveness Research and Territory

Emilia-Romagna: % on Italian total (2021)



POPULATION

4.5
MILLION
INHABITANTS

**1st Italian
region for
INNOVATION**
(RIS 2021, ITIF 2022)

**1st Italian
region for
EXPORT PER
CAPITA**
(ISTAT 2021)

Governance

1 REGION
1 METROPOLITAN CITY (BOLOGNA)
330 MUNICIPALITIES WITH 8 MAIN CITIES (FERRARA, FORLÌ-CESENA,
MODENA, PARMA, PIACENZA, RAVENNA, REGGIO EMILIA, RIMINI).

The Missions of RDAs in Regional Development (ART-ER, Italy)

Consortium among

- Emilia-Romagna Region
- 5 regional **Universities**
- **National Research Centres** located in the region (CNR, ENEA, INFN)
- The Regional **Union of Chambers of Commerce**
- Other local representatives

Fostering Emilia-Romagna region's **sustainable growth** through:

- **territorial development** and **attractiveness**
- **innovation** and **knowledge**
- **internationalisation**

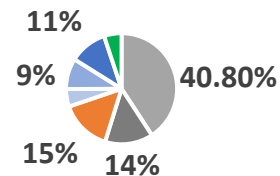
- **Own Activities:**
 - Energy certification
 - Engineering unit
 - Services to consortium members
- **EU Funds:**
 - European Projects, National Funding and Earthquake Ordinances
- **Regional Funds:**
 - Regional annual programme (PAR)
 - Annual consortium programme (PAC)

2022 Budget € 22.847.125

2021 Budget € 21.894.097

Funding Sources for RDAs (ART-ER, Italy)

ART-ER – Emilia-Romagna, Italy (2022)



- Programma annuale Emilia-Romagna (PAR)
- Programma annuale consortile (PAC)
- Progetti europei, finanziamenti nazionale e Ordinanze terremoto

**AGENCY FOR INNOVATION AND DEVELOPMENT OF ANDALUCIA
(IDEA) +**

ANDALUSIAN KNOWLEDGE AGENCY (AAC) +

ANDALUSIAN AGENCY FOR FOREIGN PROMOTION (EXTENDA) +

=

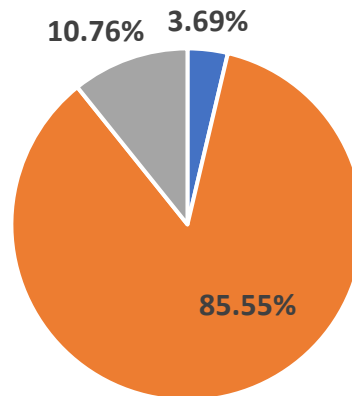
**TRADE Public Business Agency for Economic development of
Andalusia**

Funding Sources for RDAs (IDEA/TRADE, Spain)

- **Own Resources:**
 - Taxes
 - Capital income
 - Financial assets
- **EU Funds:**
 - **ERDF** (Intermediate body)
 - COSME (0,0032%)
- **Regional Funds:**
 - Direct transfers from the regional government

2021 Budget € 246.567.159

IDEA/TRADE – Andalusia, Spain (2023)



■ Own Resources ■ EU Funds ■ Regional Funds

The Shifting Role of RDAs in Regional Development (IDEA/TRADE, Spain)

On 21 March 2023, the Agency for Innovation and Development of Andalusia (IDEA) merged with two other regional entities into the new **Public Business Agency for the Transformation and Economic Development of Andalusia** – Andalucía TRADE

- TRADE was established to link the public sector more efficiently with the business ecosystem and to:
 - bundle all support measures for the business sector
 - be a one-stop shop for the market, investors and businesses
 - increase public transparency, effectiveness, efficiency, Internationalisation, simplification, and agility of procedures

80.600 kmq

945 km of coastline

Population 8 mio465

621.857 enterprises



Romania North-East

geography

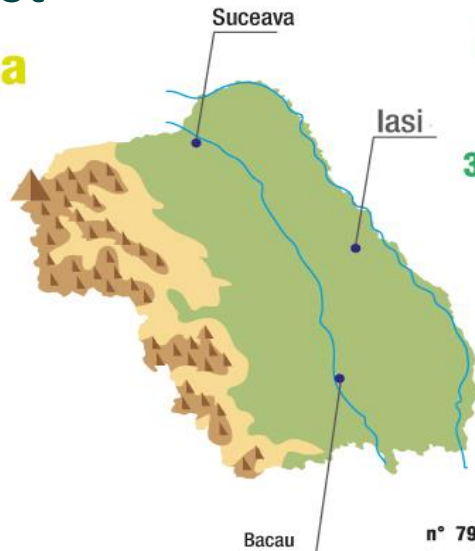
TOTAL AREA: 3.685.000 ha



Mountains
28%

Hills
12%

Flat area
60%



T.A.A (Total Agricultural Area): 3.518.306 ha ^{95%}

Woods area
1.231.943 ha
33%



Not used area
34.021 ha
1%



Fallowed land
127.567 ha
4%



Agriculture area (U.A.A.)
2.124.775 ha
57%



Area for pasture
491.639 ha



n° 790.901 Crop Farms
2,69 average ha
99% family managed

n° 496.507 Breeding Farms
31,39 head average
99% family managed

Construction area
102.449 ha



Artificial area
158.255 ha

Infrastructure
55.811 ha



Cereals
1.162.811 ha



Animal feed
582.850 ha



Industrial crops
142.967 ha

Fruits
12.752 ha



Vegetables
52.854 ha



Pigs
550.920



Beef
515.339

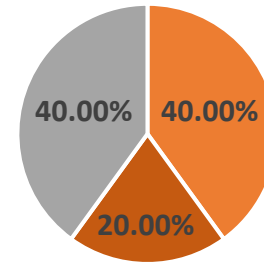


Poultry
12.867.214

Funding Sources for RDAs (ADR Nord-Est, Romania)

- **EU Funds:**
 - Technical assistance (**ERDF – MA**)
 - International & EU Projects
- **Regional Funds:**
 - Contributions from counties & cities

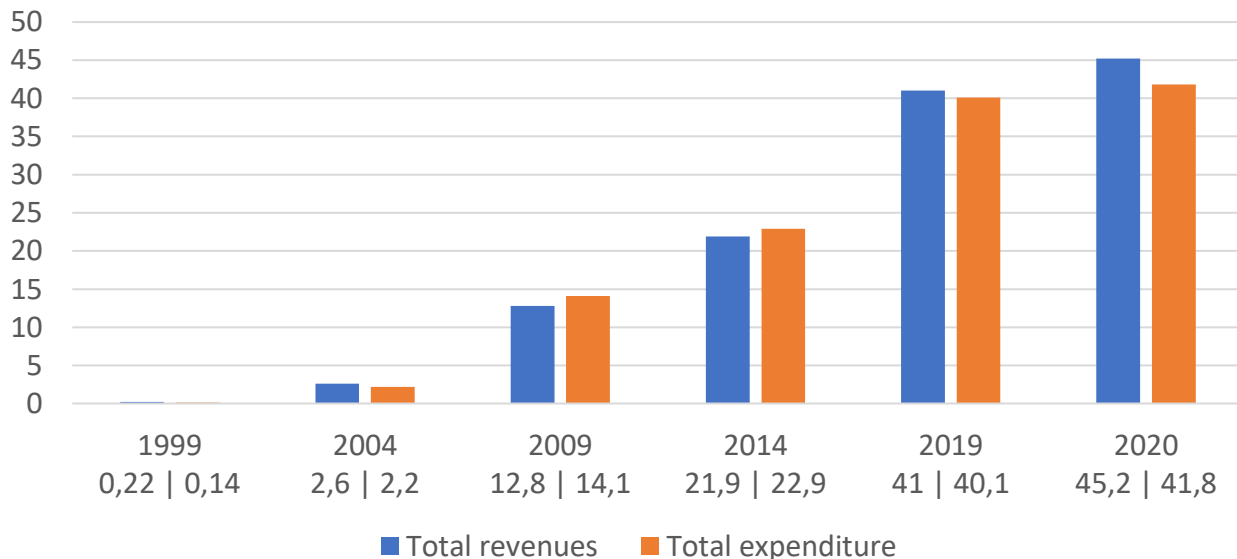
ADR Nord-Est – North-Est Romania (2023)



- Technical Assistance
- International & EU Projects
- Regional Funds

Funding Sources for RDAs (ADR Nord-Est, Romania)

Development of annual budget (in million RON)

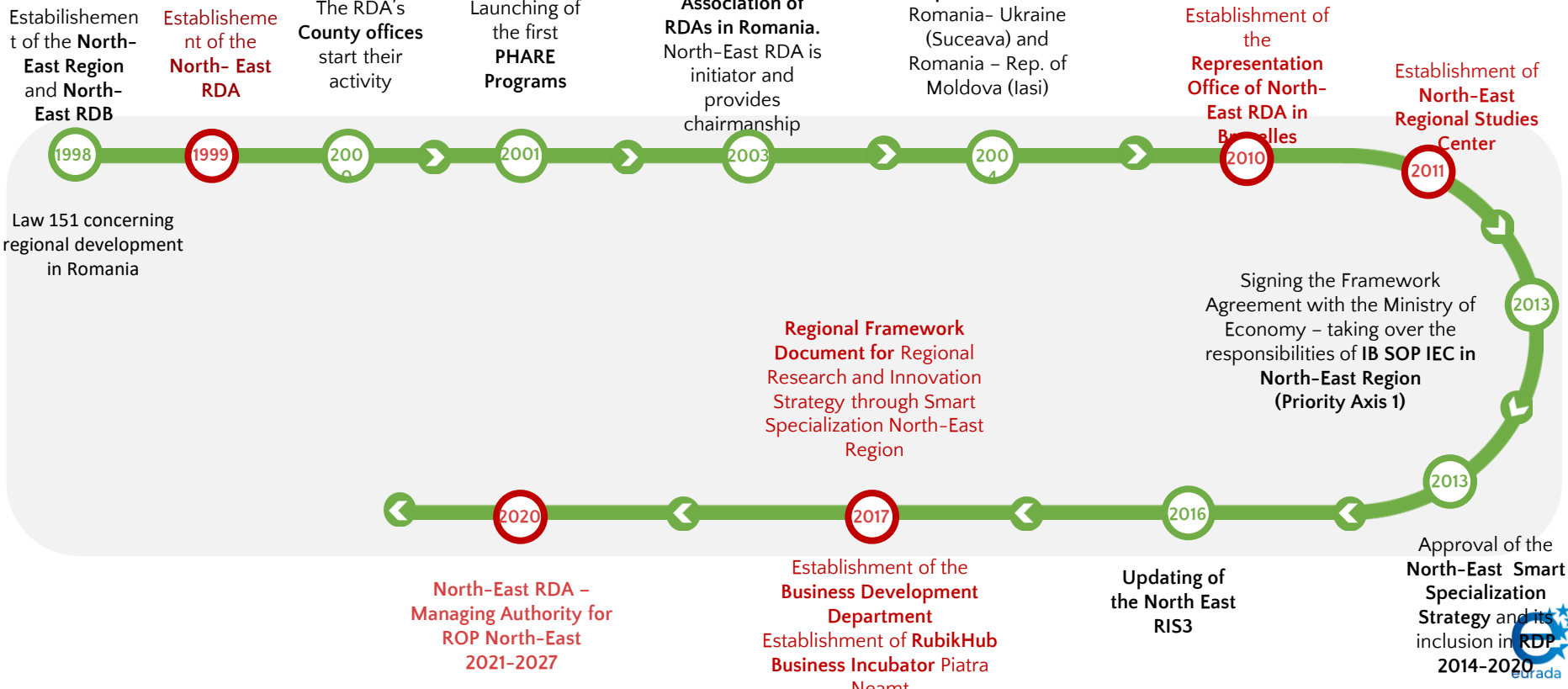


- Annual budget revenues 9.111.524,48 €
- Main reason for spike in annual budget between 2014 and 2019:
ADR Nord-Est became the Managing Authority for the Regional Operational Programme of North-Est Romania

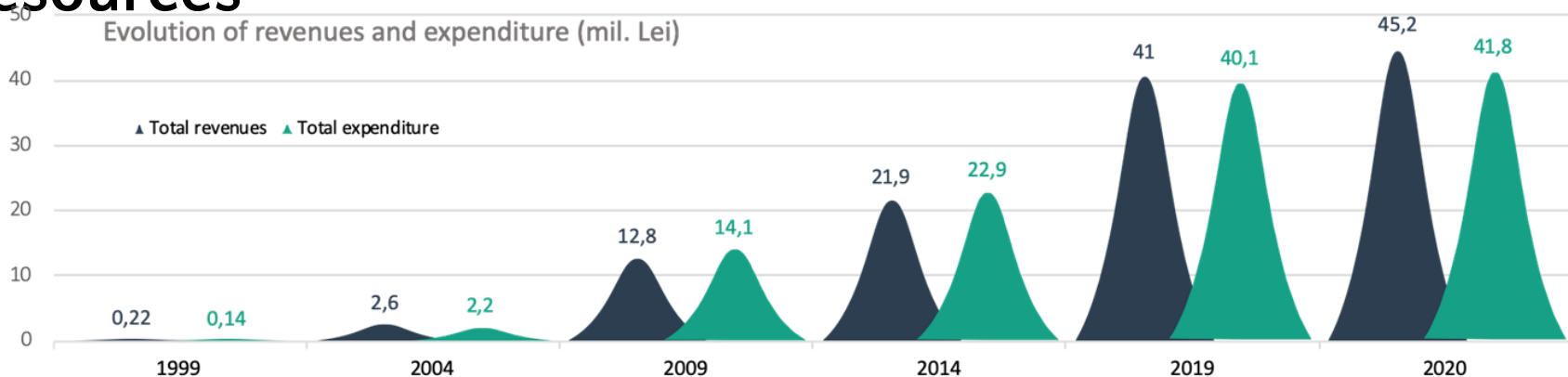


evolution

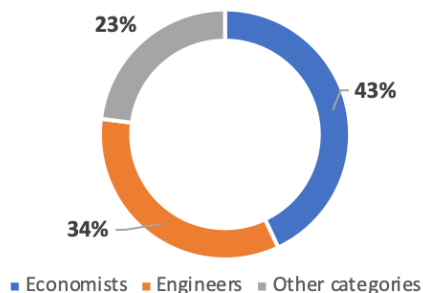
Chronologic



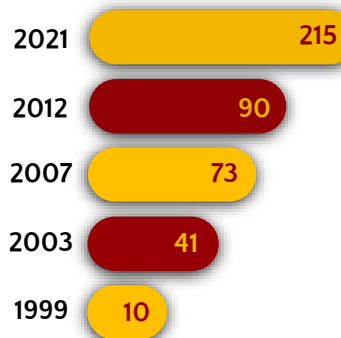
Financial results | Human resources



Structure of the staff



Staff evolution



The annual budget of the agency increased proportionally with the staff and complexity of the activities delivered, from approx. **RON 228,414** (31.12.1999), to **RON 45.2 million** (31.12.2020).

Sizing the staff costs considered also the commitments assumed by the agency in compliance with the Framework Agreements for delegating the tasks of Intermediate Body for implementation of ROP 2007-2013 & 2014-2020 / Axis 1 of SOP IEC 2007-2013 in the North-East Region.

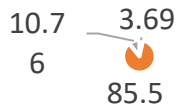
Funding Sources for Regional Development Agencies – Summary

IVACE – Spain (2021)



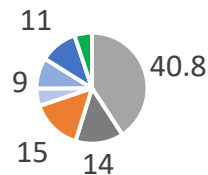
- Own Activities (9,9%)
- EU Transfers (36,8%)
- Regional Funds (53,3%)

IDEA/TRADE – Spain (2023)



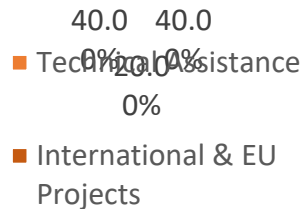
- Own Resources (3,69%)
- EU Funds (85,55%)
- Regional Funds (10,76%)

ART-ER – Emilia-Romagna, Italy (2022)



- Programma annuale Emilia-Romagna (PAR)
- Programma annuale consortile (PAC)
- Progetti europei, finanziamenti nazionale e Ordinanze terremoto

ADR Nord-Est, Romania (2023)



- Technical Assistance
- International & EU Projects

NO MODELS

STRONG MANDATE

STRATEGY

FUNDING MIX

PARTNERSHIP

among PAs, R&I ecosystem, business, financial institutions, Third Sector, citizens



Key issues for discussion



1

Benefits and challenges of alternative mechanisms to fund regional development agencies used in other countries

2

Changes to the funding of Croatia's regional development agencies **post-2023**

3

Implications of possible reduced funding for RDAs post-2023



INTERACTIVE DISCUSSION 2

FURTHER EXPLORING THE SUSTAINABILITY OF REGIONAL DEVELOPMENT AGENCIES

Miquel Vidal-Bover, Policy Analyst, Regional Development and Multi-Level Governance Division, OECD

16 June, 2023

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Workshop 2

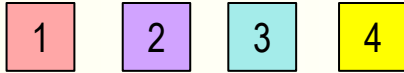


Objective: identify how the RDAs can increase their funding levels in order to ensure their continued capacity to effectively support regional development.



Dynamic

1. **Discussion in 4 breakout groups** (25 min)



2. **Reporting back**

3. **Plenary discussion**



Questions

- 1 **How** do you think the funding of Croatian RDAs can be increased and diversified?
- 2 **What steps** would have to be taken to increase and diversify RDA funding?
- 3 How would diversifying RDA funding **affect the work of the RDAs?**



Workshop 2



Questions

1

How do you think the funding of Croatian RDAs can be increased and diversified (e.g. from what sources)?

2

What steps would have to be taken to increase and diversify RDA funding (e.g. legislative change, changes in the constitution of the RDAs, skills development)?

3

How would diversifying RDA funding affect the work of the RDAs (e.g. in terms of workload, fields of activity, oversight)?

Possible sources of RDA funding

National government funding
(e.g. grants)

Membership fees
(e.g. from subnational governments, businesses)

Revenues from paid services
(e.g. to SMEs)

Other?



PANEL 3

FOSTERING INTER-REGIONAL CO-OPERATION AND JOINT PROJECTS FOR REGIONAL DEVELOPMENT

Stephan Visser, Policy Analyst, Regional Development and Multi-Level Governance Division, OECD

16 June, 2023

 @OECD_local

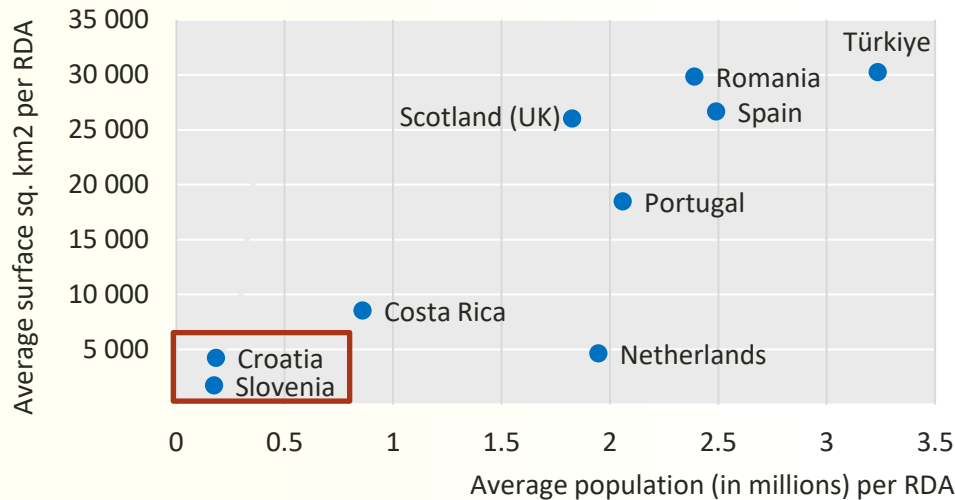
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Croatia's RDAs, on average, cover little territory and have few inhabitants, compared to peers

Average population and surface area in sq. km² by RDA (or similar entity)



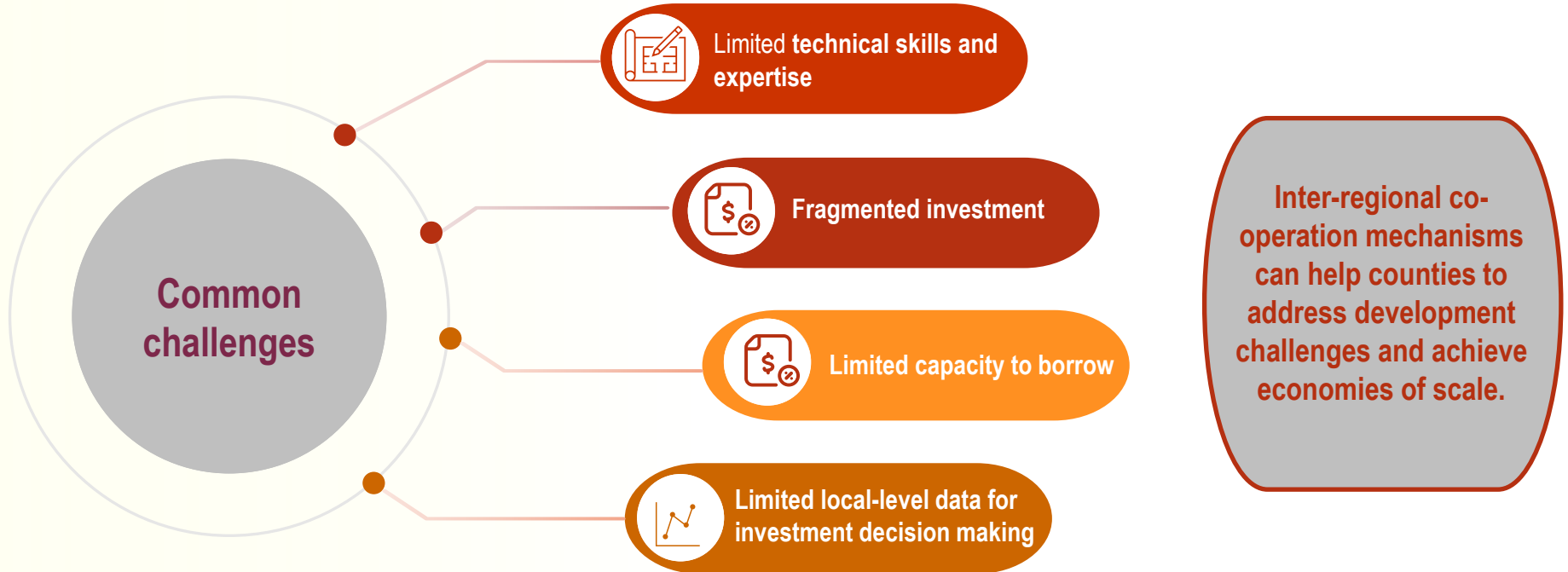
- In terms of **average population**, only Slovenian RDAs are comparable (less than 200 000 inhabitants per RDA)
- In terms of **average surface**, only Slovenian and Dutch RDAs are comparable.
- Only the Slovenian and Croatian RDAs all operate at the **NUTS 3 level**

Benefit: Proximity of Croatia's RDAs to local actors can help them design development plans and investment strategies that closely match local needs.

Note: *Lithuania's regional development councils are collegial bodies, composed of municipalities' mayors. **Finland's Centres for Economic Development, Transport and the Environment promote regional development by managing the central government's implementation and development tasks.



RDA operating at a smaller territorial scale can also pose challenges to regional development outcomes





In recent years, Croatia has set up different inter-regional co-operation mechanisms

Council for Slavonia, Baranja and Srijе

Northern Croatia Co-operation Agreement

Dalmatinska Zagora Development Programme

Gorski Kotar Development Programme

What other mechanisms can help Croatia strengthen inter-regional co-operation for better regional development outcomes?



Inter-regional co-operation mechanisms in OECD countries

1

Joint regional investment strategies

Example:

Atlantic Growth Strategy in Canada

- Groups 4 provinces
- Joint collaboration on infrastructure, innovation and skills training initiatives

2

Joint regional authorities

Example

West Midlands Combined Authority in the U.K.:

- Groups 17 local councils (+ 3 local enterprise partnerships)
- Responsible for strategic planning, economic dev. and investment co-ordination

3

Territorial reforms

Examples

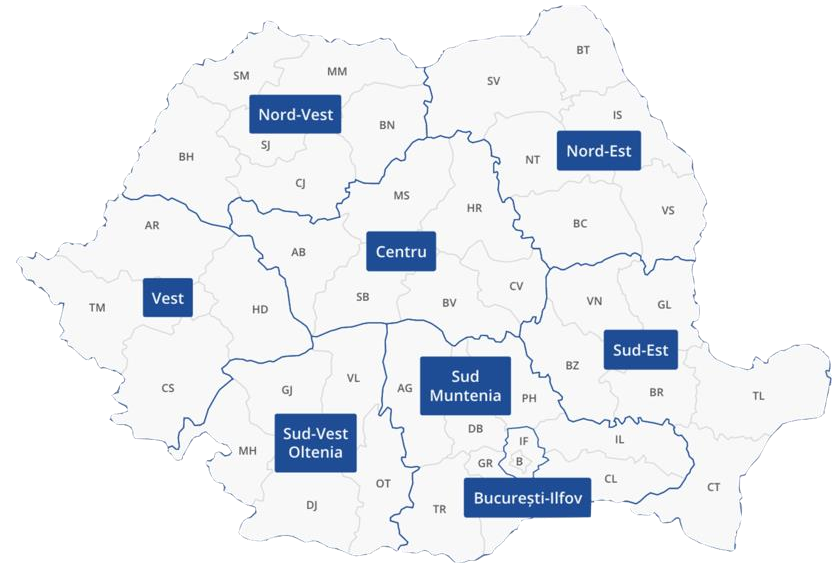
2015 territorial reform in France

- 27 regions reduced to 18
- Aimed to strengthen regions' strategic planning capabilities

2010-11 territorial reform in Greece

- New regional government level created, responsible for regional planning

25 years of regional development in Romania



SORIN MAXIM,

President of ROREG Association

General Director of West RDA

ROREG

Association of Regional
Development Agencies
from Romania

Content



- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

1. Regional Development Timeline

1996 – West Region – A pioneer

In the West part of Romania,
4 County Economic Development Agencies were created as pilot projects with the support of North-Rhine Westphalia Region - Germany

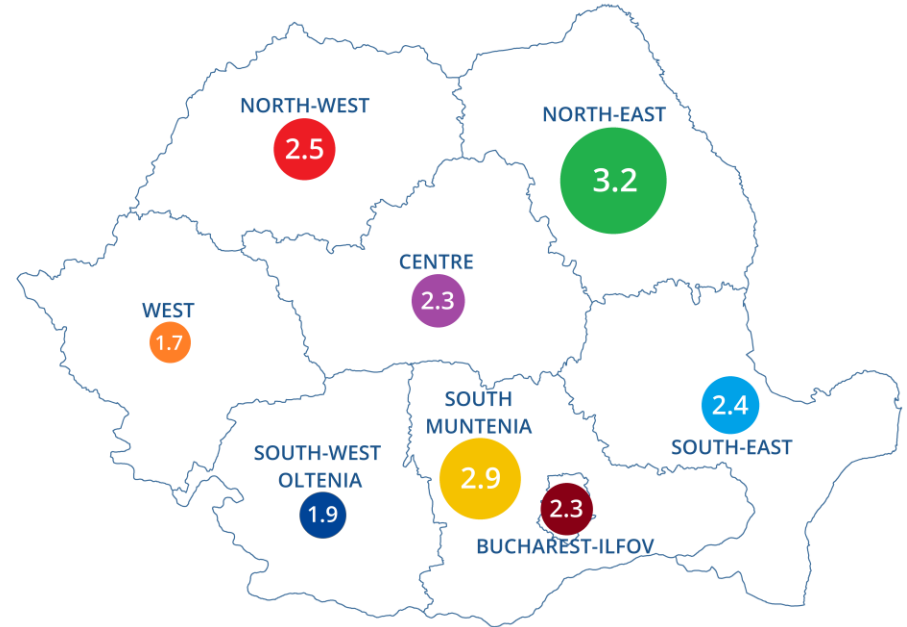
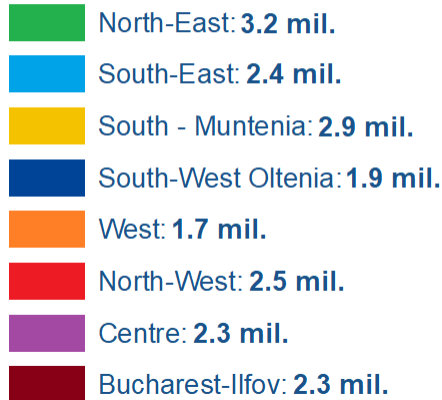
- **Strategic planning**
- **Project support**
- **Assistance for investors**



Romania- Territorial Regions

Development regions

Million inhabitants 2023



19,2 mil. inhabitants, **41** counties

1997 – The “Green Book”: A first step to the formation of regions

EC support the Romanian Government with a **team of international experts** to run **territorial and sociological studies** and develop the final document.

The document was debated locally and nationally, and finally adopted by the Romanian government as well as local authorities.

The studies suggested, that existing public institutions in Romania were not able to cope with the demands of regional development.

“ *The current administrative-territorial structure of the country (characterized by the existence of 42 counties) cannot provide an effective basis for regional development”.*

This led to the creation of a novel administrative system.

1998 - Regional Development Law 151



8 non-administrative **Development Regions established as NUTS II Territorial units**



Formed by **4 to 7 counties** with an avg. population of around **3M**



Overseen by the **Regional Development Board**



Managed by the **RDAs acting as public NGOs**

- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

2. Regional Development Board

Regional Development Board



Is a deliberative body which approves the RDAs budget, org-chart, and strategic planning



Operates based on **principles of partnership**



Coordinates regional development policy at regional level



Membership: 4 representatives from each county:

- **1 County Council** president
- **1 Municipal** mayor
- **1 City** mayor
- **1 Commune** mayor

- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

3. Regional Development Agencies

1999 - Regional Development Agencies



Regional and strategic **planning**



Management of **European Funds: PHARE, Cohesion**



Attracting foreign **investments**



Regional **innovation**, cluster & SMEs support

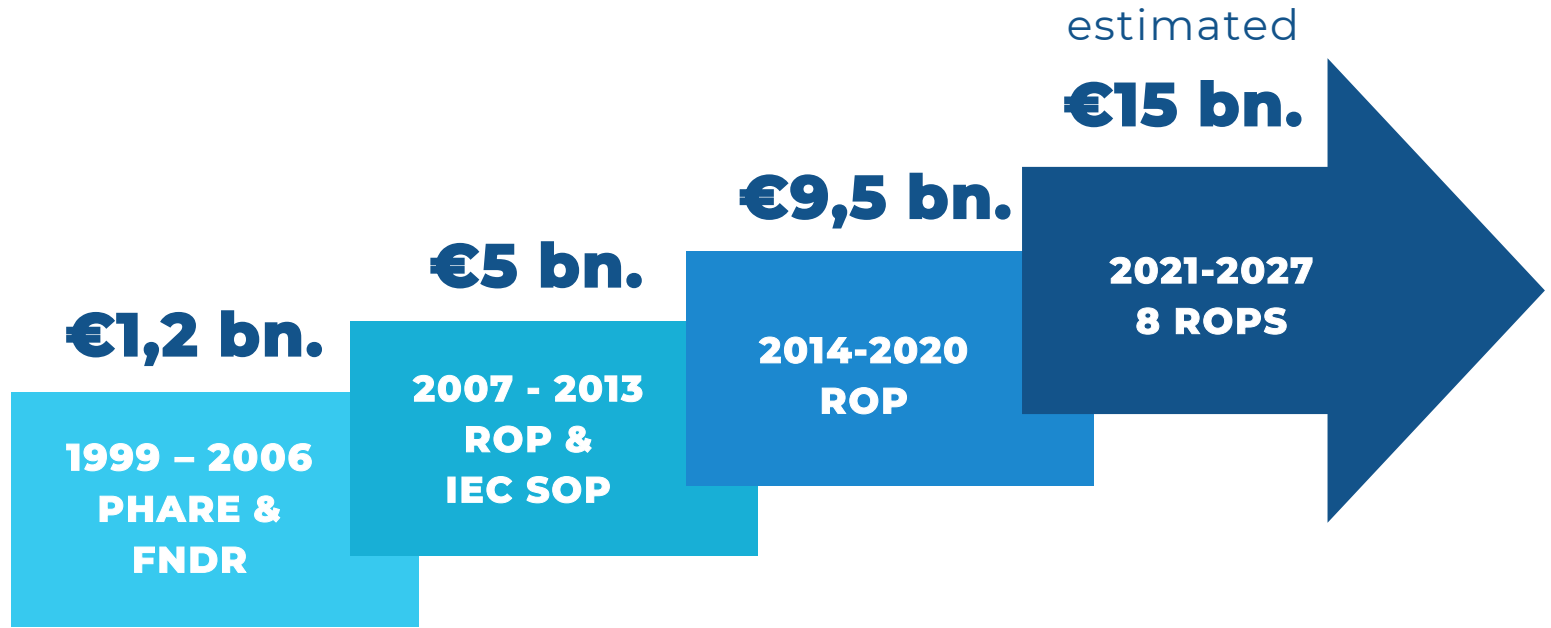


International relations and project

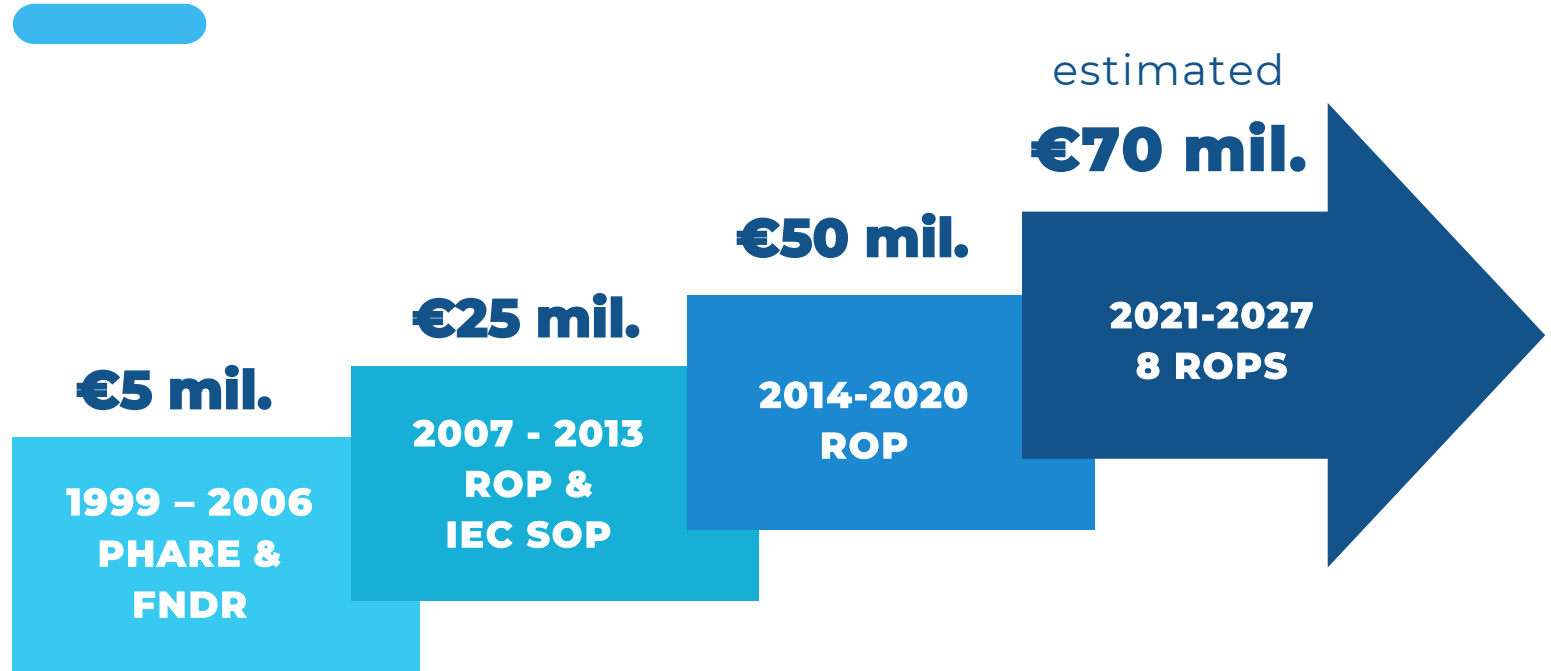
Programs managed by the RDAs



Contracted projects



Max. value of the projects



Areas of interventions



- **Road** infrastructure, urban **mobility** and urban development
- **Health, education** and social infrastructure
- **Energy efficiency**
- Green spaces
- Cultural **heritage** and tourism
- **SMEs** and technology transfer
- **Financial Instruments**

Types of beneficiaries

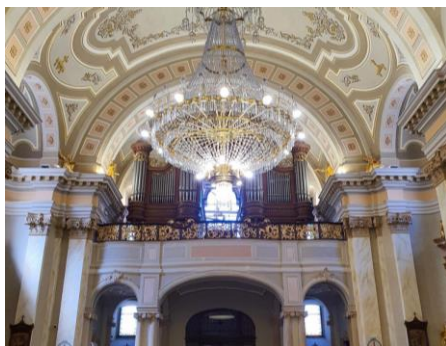


- Urban public entities and county authorities
- Clusters and entrepreneurial associations
- SME's
- Universities
- NGOs

Successful projects



Successful projects



Results



16.000

Projects implemented



€15,7 Bn

Funds invested



1.450

Experts deployed

- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

4. ROREG - Association of RDAs



Association of Regional
Development Agencies
from Romania

ROREG Association



- Is a non-profit, public interest **NGO**
- Created in **2005** by the association of all **8 RDAs**
- Headquartered in **Timisoara,**
European Capital of Culture in 2023

Goals of the ROREG Association



To coordinate **regional activities** between the RDAs



To strengthen the RDAs capacity to manage **EU funds**



To ensure representation in relationship with **European national, and international institutions**



To foster favorable attitudes towards **regional development** in Romania

ROREG Association Accomplishments

- **Coordinated the process** of **negotiation** and **preparation** of **RDA to become MA** with EC and the Romanian government
- **Mediated the negotiations** with the EU for the **preparation of the 8 ROPs**
- **Developed** and implemented support tools for increasing local administrative capacity
- **Represented** the RDAs in **national decision-making forums** which create or implement public policies

- **1. Regional Development Timeline**
- **2. Regional Development Board**
- **3. Regional Development Agencies**
- **4. ROREG - Association of RDAs**
- **5. Key Takeaways**

5. **Key Takeaways**

Key Takeaways



1. RDAs are **stable** entities and **not involved politically**.
2. Building capacity for regional development **is an incremental process** scaling from **3 to 180 employees**, as well as eventually assuming **MA attributes**.
3. A **good coordination** between regions is crucial and helps to create **efficiencies and synergies** within the system.
4. **Expressing clear and coordinated public-facing opinions** is **essential** to successfully **manage relationships with the EU and the national government**.
5. **Knowledge sharing is important, and professional resources should be** publicly available and accessible to all member organisations, regardless of size.

Thank you

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INTERACTIVE DISCUSSION 3

IDENTIFYING WAYS TO FOSTER INTER-REGIONAL CO-OPERATION FOR REGIONAL DEVELOPMENT

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16 June, 2023

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Workshop 3



Objective: to jointly identify ways to further strengthen inter-regional co-operation for regional development.



Dynamic

1. Discussion in 4 breakout groups (25 min)



2. Reporting back
3. Plenary discussion



Questions

- 1 Do you identify a need for enhanced inter-regional co-operation? **If so, what for?**
- 2 **What constraints** to increased inter-regional regional co-operation do you identify?
- 3 **What forms** of inter-regional co-operation could support regional development outcomes in Croatia?
- 4 **What elements** (e.g. legislation, financing) need to be in place for increased inter-regional co-operation to be effective?



Workshop 3



Questions

1

Do you identify a **need** for enhanced inter-regional co-operation? If so, what for?

2

What **constraints** (and disincentives) to increased inter-regional regional co-operation do you identify?

3

What **forms** of inter-regional co-operation could support regional development outcomes in Croatia?

4

What **elements** need to be in place for increased inter-regional co-operation to be effective?

Examples of inter-regional co-operation mechanisms

Soft co-ordination mechanism

e.g. inter-regional co-ordination bodies

State-region contracts

e.g. contracts between the national government and different counties

Joint authorities created by different counties

County mergers

Other



THANK YOU VERY MUCH
FOR JOINING US

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