



CONTEMPORARY PATHWAYS OF EUROPEAN LOCAL AND REGIONAL DEVELOPMENT



Editors:

Simona Kukovič and Ivan Radevič



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- Editors:** Simona Kukovič, Ph.D., Associate Professor (School of Advanced Social Studies; University of Ljubljana, Faculty of Social Sciences), Ivan Radevič, Ph.D., Assistant Professor (University of Montenegro, Faculty of Economics)
- Reviewers:** Boštjan Brezovnik, Ph.D., Associate Professor (New University, European Faculty of Law; Maria Curie-Skłodowska University, Faculty of Law and Administration), Miro Haček, Ph.D., Professor (University of Ljubljana, Faculty of Social Sciences)

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Jean Monnet Chair
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Ivan Radević

Maribor, 2024

Contemporary Pathways of European Local and Regional Development

SIMONA KUKOVIČ & IVAN RADEVIČ

Abstract The concept of local (in a broader sense also regional) development should be deliberately conceived in a rather flexible interpretation that allows for a wide scope of overlap with other related disciplines. Local development generally refers to the transformation and change of a locality, usually with a view to improving one or all of the following areas: material and social prosperity, economic performance, well-being and opportunities for residents, knowledge and circulation of ideas, availability of technologies, resilience to shocks and adverse events, external relations, internal stability and co-operation, or social and environmental sustainability. Local development is therefore not only directly related to the way societies, economies and institutions interact with each other at the local level, but also with the rest of the world, i.e. with other localities and countries. This book is the result of the joint effort of researchers who are united in this project by their interest in local development, although they work in their own scientific field. Therefore, the book contains ten chapters on social, institutional and political as well as economic factors focussing on diverse aspects of local development. The book is organised according to the selected major social science disciplines of the contributions as follows.

- Sociological framework. The added value of the chapters lies predominantly in their contribution to the understanding of local development through the changes emerging in society.
- Institutional and political framework. The chapters describe innovative combinations of policy areas, mechanisms and instruments that have been implemented in real local development.

CORRESPONDENCE ADDRESS: Simona Kukovič, Ph.D., Associate Professor, School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia; University of Ljubljana, Faculty of Social Sciences, Kardeljeva ploščad 5, 1000 Ljubljana, Slovenia, e-mail: simona.kukovic@fuds.si; simona.kukovic@fdv.uni-lj.si. Ivan Radevič, Ph.D., Assistant Professor, University of Montenegro, Faculty of Economics, Jovana Tomaševića br. 37, 81000 Podgorica, Montenegro, e-mail: radevic@ucg.ac.me.

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- Economic framework. The contributions highlight the instruments and tools for processes and development patterns from an economic perspective.

The multi-author book was written as part of the Jean Monnet Chair entitled Leadership for European Local Development 2040 (LELD2040), which puts an emphasis on the European Commission's sixth priority, a new push for European democracy that focuses on the development of European Union Long-Term Vision for Rural Areas 2040, addressing pressing challenges and identifying new opportunities for localities across Europe.

Keywords: • local development • localities • regions • mechanisms and instruments • sustainability • changes in society • policy areas • economic development patterns

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European Local and Regional Development: The Context and the Role of Leadership

SIMONA KUKOVIČ

Abstract As a relatively new applied scientific discipline, local development allows for a flexible interpretation that permits overlaps with related disciplines. It involves the transformation of localities to improve material and social well-being, economic performance, welfare, knowledge exchange, and sustainability. Political leaders and local authorities play a crucial role in driving local and regional development in EU Member States. The chapter underscores the importance of local leaders adapting to a dynamic environment. It explores the roles of political leaders, the future challenges for leadership and the competences required. It emphasises the significance of local development in Europe and highlights the role of local and regional authorities in EU cohesion and regional policies. The chapter concludes with a comprehensive overview that summarises the multi-layered understanding of local and regional development in Europe.

Keywords: • local and regional development • local leadership • locality • context • EU

CORRESPONDENCE ADDRESS: Simona Kukovič, Ph.D., Associate Professor, School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia; University of Ljubljana, Faculty of Social Sciences, Kardeljeva ploščad 5, 1000 Ljubljana, Slovenia, e-mail: simona.kukovic@fuds.si; simona.kukovic@fdv.uni-lj.si.

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1 Introduction

While local¹ development as a phenomenon has been present throughout human history, local development as an applied scientific discipline is relatively new. From this perspective, the concept of local development should be deliberately conceived in a rather flexible interpretation that enables a wide scope for overlap with other related, already existing established disciplines. Futó (2019: 4) argues that the lack of a precise definition is due to the fact that academics have actively chosen to include contributions from several relevant and related scientific disciplines and from a variety of policy areas where the relevant insights can be applied.

However, local (in a broader sense also regional) development generally refers to the transformation and change of a locality, usually in terms of improving one or all of the following: its level of material and social welfare, economic performance, well-being and opportunities for residents, knowledge and circulation of ideas, availability of technologies, resilience to shocks and adverse events, external relations, internal stability and cooperation, or social and environmental sustainability. Therefore, the study of local development is a way of interpreting performance and change at a meso-level, using localities as the unit of investigation rather than focusing more narrowly on individual social actors and organisations. In this constellation, local development is directly related to how societies, economies, and institutions interact at the local level, as well as with the rest of the world, specifically with other localities and countries (Dallago, 2019).

Since the 1960s and 1970s, local development has become an increasingly important task for national, regional and local governments around the world. At the same time, the framework conditions for local development have changed dramatically due to profound changes in the economic structure and have become significantly more demanding. Firstly, there has been an alleged qualitative shift towards a more "reflexive" capitalism, characterised by increased complexity, uncertainty, risk and speed of economic, social, political and cultural change. The economic system has become more internationalised, even 'globalised', knowledge-intensive and competitive. The inclusive and sustainable nature of territorial growth and development is increasingly being questioned; fundamental questions are being asked about what constitutes 'success' and 'development' in localities and regions.

Secondly, and closely related to this, government and governance structures are evolving into multi-level, often decentralised systems operating at local, regional, sub-national, national and supranational levels. Existing institutions have been reorganised, new institutions have emerged and new relationships, often based on "partnership", have determined the governance of local and regional development.

Thirdly, the reshaped terrain of local development has stimulated new interventions through instruments and public policies aimed at harnessing both internal and external

forms of growth and development. Different localities have been able to exert varying degrees of influence in reshaping existing and developing new approaches and experiments in local and regional development.

Fourth, debates about local development have shifted from a focus on the quantity of development to a focus on the quality of development. Originally this was about the impact of economic development on the natural environment and the constraints it places on development, but now it is about quality-of-life issues. This new interest in sustainable development is now ubiquitous, but the term and its implications are highly controversial. There are many definitions of sustainable development, but perhaps the best known is that of the World Commission on Environment and Development, which calls for development that ‘meets the needs of the present without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development, 1987: 8; Pike et al., 2006: 3-4).

One of the most controversial questions in the analysis of local development is why and how distinct and separate localities continued to exist and why some flourished, and others withered away. One should never overlook the fact that there are important and powerful obstacles to development. Some of these obstacles are external to the locality, such as an unfriendly or centralising national government, the existence of distributive coalitions between other localities, and tensions and conflicts with other localities. However, most obstacles are likely to be internal and include entrenched local policy styles, political instability, a lack of cooperative and innovative attitudes among local actors, extreme poverty, underdeveloped infrastructure, and more (OECD, 2003).

The question of uneven development of localities leads to the question of whether each locality should be self-sufficient in its own way or whether each locality should specialise and interact and exchange with other places on the basis of its potential. This question concerns the static and dynamic role of the cohesive force of proximity (Balland et al., 2015; Boschma, 2005) – the essence of a locality in its economic, geographical, political, and social sense – versus remoteness, advantages, and threats from the rest of the world. Being larger and more powerful, we can consider remoteness (the rest of the world) as a constraint on proximity (local development) and a source of opportunity. It follows that local development can be open to the rest of the world or closed and self-sufficient. Both positions have a rationale that depends on the nature and setting of each component (proximity and remoteness), from which the potential advantages and disadvantages of interaction emerge (Dallago, 2019). In contemporary economies, local development must be located within the perspective of globalisation (Scott & Storper, 2003). Following Rodrik (2007), local development should strive for the best possible fit with local conditions and their use while respecting common issues and rules. It is about finding the best possible place in the world and doing what one knows and does best (i.e., knowing what to do and how to do it). In short, one must be pragmatic, in tune with one’s reality and aware of external conditions and possibilities.

Moreover, local development also depends on the capacity of local leaders and actors to improve the social and material potential of their own localities, to foster cooperation, and to inspire the participation of local people and institutions. For this reason, it is extremely important to consider the more than one million elected politicians at local and regional levels in European countries, who, as key political actors, need to be highly adaptable and develop the skills that the increasingly dynamic working environment demands of them. At the same time, they must maintain an authentic connection with citizens and be responsive to their needs and desires (Kukovič, 2023).

In its first part, this chapter explains the role of leadership in the realm of local development and highlights characteristics that future local leaders should possess. In the second part, a broad understanding of local development is presented and further developed in the following chapters that depart from this multi-disciplinary framework.

2 Political leadership for local and regional development

When considering local development, we cannot neglect to emphasise political leaders who work within local authorities and are a crucial driving force at local and regional levels in all EU Member States. Moreover, empirical research shows that local and regional authorities enjoy greater trust than national governments in all Member States (OECD, 2022) and greater trust than the EU in most countries. It turns out that municipalities and regions are a means of regaining trust in politics, not only in the EU but also at the national level. More than 120,000 municipalities and regions in EU Member States are led by progressive mayors and presidents.

Although organisational roles and tasks are more or less clearly defined within formal norms and rules, it is true that the higher the position is, the less precise formal rules are. Leaders, particularly those who hold the highest political positions, face tasks that are often defined very loosely (Larsen, 2000: 6). Leach et al. (2005) explained that political leadership offers plenty of room for the interpretation of roles where political leaders can develop their skills and abilities. In some cases, these impact their actions, as well as the operation and leadership. Local leaders therefore develop (regardless of their operating environment) a variety of skills and abilities in order to create effective coalitions in the local council and the broader local environment (Lowdnes & Leach, 2004). This emphasises understanding the ways of leadership and the leaders' labour orientation (Gains, 2007: 298). Therefore, it is not surprising that local leaders occupy different roles in their positions and consequently prefer some tasks to others.

2.1 Roles of local leaders

Due to different perceptions of the roles and tasks of local political leaders, Ivanišević (1987: 87-82; 113-129) developed a theoretical framework for the comparative analysis

of mayors. He defined six mayoral tasks or roles: administrative coordination, political integration, the transmission of political decisions, the separation between politics and administration, the vertical integration of the whole political system of a country, and the representation of local interest before central bodies.

Based on extensive empirical studies of political leadership, Elcock (2010) designed a matrix of local political leaders' (i.e., elected mayors') roles. The horizontal axis presents three sets of leadership attributes: (1) the *formal powers and duties*; (2) *informal relations*, which the mayor needs to develop with the director of municipal administration (CEO) and local councillors, as well as with political parties, trade unions, voluntary organisations, and other partners; and (3) *personal characteristics*, including charisma, integrity, and the ability to develop good relationships with other local leaders. On the vertical axis Elcock (2010) ranked three of the most important sets of mayoral roles: (1) *governmental* – policy formulation and coordination of the municipal council, composition and supervision of the budget, and convening and leading municipal council meetings; (2) *governance* – cooperation with complex networks of stakeholders, negotiations with service providers, contractors, traders, voluntary organisations, and other actors in a fragmented local system; and (3) *allegiance* – maintaining contacts with municipal councillors, political parties, citizens, and voters, with the specific intention of maintaining and ensuring a strong electorate at the following election.

Table 1: Analytical grid for local political leaders

Influences	Institutional/ Formal	Informal	Individual
	(Manifest/Structure) Legislation; Standing orders; Council constitution	(Latent/agents) Relations with council, political parties, CEO, officers	(Charisma/agent) Experience; Background
Roles			
Governmental	Policy, budget, vetoes, appointments, personnel	Relations with political parties, backbenchers, CEO, chief officers	Articulate, ability to dominate, negotiate; competencies/experience
Governance	Representation, outside memberships, decentralised structures	Relations with lobbies, interests, other levels of government	Reticulist abilities/skills, established contacts/networks; ruthless
Allegiance	Term of office, formal relation to council; power of recall/dismissal; abolition of office	Relations with outside parties, lobbies, electorate; Power	Approachable, assessable; risk of corruption; clientelism; power

Source: Author based on Elcock (2010: 7).

An empirical study of the relationship between personality traits and successful leadership performance has revealed that mayors outlined as their key priorities: (1) personal success – cooperation with others and managing relations; (2) strategic direction and integrated oversight; (3) political intelligence – understanding and action in the political arena; and (4) organisational mobility – organisational and cultural changes (Leach & Wilson, 2002). Building on this, Leach and Wilson (2002) divided the work orientation and mayoral roles into four categories: (1) preservation of political association (construction of a multi-party coalition in the municipal council or maintaining alliances within the majority), (2) providing strategic direction and policy development, (3) representation of the municipality to the outside world, and (4) ensuring the effective implementation of adopted decisions. This distribution coincides with the distinction between mayoral roles developed by Koprić (2009). Koprić (2009: 84) argues that a minimum of four roles can be distinguished: political, administrative/managerial, internally oriented leadership, and externally oriented leadership.

However, empirical research (see Kukovič, 2015) has shown that mayors (regardless of the size of the municipality they lead) recognise as the most important of their local management tasks those that are as much related to local development as ‘raising funds from various external sources’, ‘providing quality local services’, ‘promoting new projects in the municipality’, and ‘creating a vision for the municipality’. The fact that mayors recognised these four tasks as the most important was also evident in the test question, in which respondents listed what they considered to be the three most important tasks for mayors: 61% of mayors responded, ‘raising funds from various external sources’ 61% ‘promoting new projects in the municipality’, 54% ‘providing high-quality local services’ and 47% ‘creating a vision for the municipality’. More than 90% of the participating mayors rated all tasks listed as ‘very important’ or ‘best’. Furthermore, for the majority (84%) of mayors, the most important objective of the mayoralty is ‘attracting economic activity to the municipality’. Mayors rated the second most important issue they would like to shape during their term of office as mayor as ‘improving the ‘infrastructure in the municipality and transport services’ (84%). It is therefore not surprising that according to the mayoral network typology (Magnier et al., 2006), the majority of mayors gravitate towards the development network, which is characterised by attracting economic activity to the municipality, developing areas that require highly skilled labour silos, attracting new residents to the municipality, attracting more affluent residents, improving the (external) image of the municipality, changing the external image of the municipality and developing the important position of the municipality in the wider environment/region. Such development-oriented mayors aim to promote innovation and growth in the local environment and to achieve a wide range of possible local development goals (Kukovič, 2015: 145-147).

2.2 Future local leaders

Local leaders must not only focus on the present; they must also turn their gaze, particularly to the future, and thus adapt to the dynamics of the challenges and changes to come, especially if they want to perform successful local development and investments in such a demanding environment. A responsive, successful, and responsible local political leadership requires strong and creative leaders who give directions in forming local policies, coordinate individuals and organisations and participate in the renewal of the local identity. Traditional mayors with their formal political authority and power, therefore, no longer meet the changing conditions of the fragmented local community with different values and conflicting interests at the concurrent need to ensure the mutual interdependence of the various stakeholders; local leaders must, therefore, become more professional, strategic, responsive, and networked (Gains, 2007). Due to functioning in dynamic and unstable environments, mayors must develop a sense of detecting threats and upcoming (especially negative) changes and take as many opportunities as possible to improve the position of the local community, even in unpleasant situations. Mayors of the future cannot and must not be active only in the present; they must also focus on the future, whereby they must adjust their leadership style to the context, situations, and challenges.

However, local and regional leaders alone are not enough. In all EU Member States, active citizens who are willing to participate in decision-making processes and, in particular, to contribute to the common goals of a better quality of life are needed. Local and regional authorities are in close contact with local businesses, social partners, civil society, and citizens and have valuable first-hand experience of the needs and aspirations that arise in society. Listening to the concerns of citizens, stakeholders, and local and regional authorities and meeting their expectations is crucial to strengthening the democratic legitimacy of the EU and bringing Europe closer to its citizens. Active citizens and their democratic participation are fundamental for both the European Union and the regions and municipalities to shape their common future.

If we add interactions with citizens and the specifics of local leadership to these properties, we may speak of a so-called cosmopolitan leader. Quist (2008: 50) describes the cosmopolitan leader as someone who can easily cooperate and interact with different people, as he values diversity and is creative in all respects. Such leaders take positive advantage of diversity, especially during changes and in fragile situations, when they act flexibly (both with regard to situations and people) in adapting to new needs. Theoretically, a cosmopolitan leader emerges from a group of people whose main motivation is to help others (Marquardt & Berger, 2000: 22). From this point of view, the local level is a suitable environment for cosmopolitan leaders, especially if we take into account the fact that the impacts that are changing the operating conditions of leaders in the concept of local leadership are becoming more intense over time.

The normative framework of the given competence places the mayor at the centre of a local authority. Here, we need to know that the *de facto* functioning of the mayor is both much more extensive and full of challenges. The mayor must therefore be especially attentive to the triggers of change and in order to successfully face the emerging changes, the mayor must develop special competencies.

One such trigger is *globalisation*, persistently making its way into local communities. The mayor must therefore be able to see the functioning of the local community from the micro point of view (i.e., individuals) and also look at the municipality from the macroglobal perspective. The second trigger that changes the *awareness and knowledge* requires continuous learning, experiences, and new findings from the mayor on the needs of citizens, other local stakeholders, the local community, and even employees in the municipal administration. *Constant changes in the working environment* require a mayor who can arrange and ensure a safe environment, which transitions to greater cooperation. The cosmopolitan mayor is aware that the municipality is not his property and that managing a municipality is not just a project spanning a couple of years, but rather an investment into the future of the people who live in a certain area. Due to the *rapid changes in the organisational structure*, the mayor must be able to think systematically and carry out several projects simultaneously. The cosmopolitan mayor is qualified to discover and resolve the real reasons for problems and not just eliminate symptoms.

The next trigger is *environmental needs and the ever-increasing awareness of our responsibility*, which requires the mayor to elevate the function by dealing with issues in the life of the community, reflecting core values and personal and social responsibilities. Cosmopolitan leaders strive to increase the ethics in their operations, and even in citizens and in the local community. Much progress can be seen in *technology*, and mayors are expected to follow new trends and use them well. Cosmopolitan leaders know the positive and negative impacts and understand the borders brought forward by new technology. In line with the *rapid changes in market needs*, mayors must think about the future, seek new projects and services, and face uncertainty confidently. Cosmopolitan mayors are creative and opportunistic and know how to use the intelligence, know-how and experiences of various stakeholders.

Lastly, it must be noted that the *rapidity of changes is increasing*, which is why mayors must have formed ideas and a vision. Thus, the cosmopolitan mayor does not only think about everyday tasks, but he must also assess and plan the future development of the community and look for a way to motivate and inspire the local population to accept his vision (Kukovič, 2021: 220).

In their relation to citizens, cosmopolitan mayors have the following four competencies:

- *appreciates the citizens*: a cosmopolitan mayor lives and works under the principles and values of the community and serves as their caretaker. He appreciates individuals with unique and diverse properties;

- *prepares the citizens*: a cosmopolitan mayor informs the citizens about the current challenges and prepares them for future challenges. Thus, he initially listens to the needs of citizens and then empowers them with information and trains them for future plans;
- *motivates the citizens*: a cosmopolitan mayor directs citizens with the vision of the future of the local community and strives to achieve common goals, such as a higher quality of life in the community, a higher level of services, an all-around local development, and the fulfilment of other needs of the community;
- *activates the citizens*: a cosmopolitan mayor encourages citizens to take action by preserving the environment that enables learning and development and taking advantage of the available resources. The mayor activates the citizens with persuasion and empathy, proving his responsibility and motivation.

Modern society always has new demands which are often formed due to the needs of the citizens and then demand the changed functioning of society. Special challenges are related to the conceptualisation of local leadership in the future, that is with the ‘art’ of leading people in the ‘post-leadership’ environment. These are challenges in the predominant paradigm of leadership which is meant to solve the problems of control and efficiency (Brezovšek & Kukovič, 2014). In the future, local leadership should serve the goal of increasing people’s sophistication in a world of ever-increasing uncertainty, major changes, and increasing complexity (Kukovič, 2021: 222). From this point of view, empowered cosmopolitan mayors with their enhanced feel for the triggers of changes in the environment and in society and their developed competencies for adjusting to the unpredictable environment are an alternative to future local leadership and local development.

3 Evidence of European local and regional development

Local development moves around a common thread, which is a difference: local development makes sense and is important because there are differences within countries and internationally among different localities. This situation goes well beyond the statement that geography matters, and that resources tend to agglomerate in particular spaces, although this is certainly true and important (Krugman, 1995). What is fundamental is that space and distance matter for human activity in different ways, both material and immaterial. The latter range from spillovers and agglomeration economies in economic activity to a sense of belonging, the circulation of ideas, transaction costs, common culture, interpersonal relations, trust, and many more. These aspects stress that local development has its *raison d’être*, both in its own right and as an organisational principle of more complex societies (Dallago, 2019: 470). This is the perspective that the European Union takes in building European integration and pursuing convergence within it among different countries and NUTS localities. The main goal of EU regional policy design is to reduce the development gap among NUTS localities and Member States to promote economic, social, and territorial cohesion.

Local and regional authorities have always been the backbone of European democracy. They are the building blocks not only of each Member State but also of the EU itself, as they are responsible for managing hundreds of thousands of projects funded (at least in part) by EU programmes. According to official figures, two thirds of the 550 programmes funded under EU cohesion policy are managed at the regional level. Every day, new projects are adopted under these programmes, which aim to make regions and municipalities better places to live and work. By creating links between them, regions forge social, economic, and cultural bonds that connect Europeans. There is no doubt that municipalities and regions make an important contribution to the development of the European Union. Local development policies have become increasingly important in recent years as governments around the world seek to address the persistent problems of disadvantaged and underdeveloped areas by supporting local, bottom-up approaches that complement mainstream national programmes. The increasing globalisation of the economy and accelerating technological change have opened new markets and competition to which local development policies should respond. The EU has also become active in the field of local development by including the concept of local development in the new long-term EU budget (2021–2027), for which the European Commission has proposed a more modern, simple, and flexible cohesion policy as the main investment policy and at the same time as a tangible expression of EU solidarity aimed at the sustainable development of urban, rural, and coastal areas and local initiatives. Moreover, the EU's regional and cohesion policies are often considered core policies that impact the EU (Kukovič, 2023).

All these highlight how difficult and yet fundamental it is to take a comparative systemic approach to local development. It is difficult to understand precisely what local development is, why it is important, why it is complex, why it is in inadequate supply, and why the comparative approach is necessary. Because local development is an applied science, it relies heavily on the concepts, models, and empirical strategies of other disciplines, such as economic geography, sociology, political science, and regional science. The analysis of local development begins with the selection of the proper terms, hypotheses and theories, and this book in the following chapters offers various contributions to all these different cases and considers them extensively.

The first set of chapters is dedicated to the sociological perspective and brings the understanding of local development through the changes emerging in society. *Tamara Besednjak Valič*, *Miljana Čosić* and *Clémentine Roth* analyse the interplay between cultural and creative industries (CCIs) and regional development in the Danube region. This chapter analyses the complex relationship between the cultural and creative industries and regional development. In doing so, the authors have referred to the concepts of local and regional development, where the term refers to the efforts and policies to promote the social and economic progress of different territorial units, which involves the mobilisation of local resources, the promotion of innovation and the empowerment of

communities to shape their development aspirations. Furthermore, *Erika Džajić Uršič* explores the intricate relationship between women's leadership, the circular economy, and the broader landscape of sustainable development. This author has frequently encountered the term 'local/regional development', which is pivotal in this discourse. In this case, local/regional development refers to deliberate efforts and policies designed to stimulate economic progress, social cohesion, and environmental sustainability within distinct geographic regions. *Janja Mikulan* and *Martina Malinovič* shed light on the vulnerability and resilience to radicalisation and extremism at the local level. They argue that in the context of radicalisation and violent extremism, social, economic, and cultural local/regional development that ensures all community members thrive is crucial. Such development recognises the importance of being aware of diverse risks and challenges and understanding that disconnection, marginalisation, and socioeconomic disparities can fuel extremist ideologies. Local authorities play a pivotal role, as their knowledge of community nuances ensures tailored solutions. Strengthening social bridging and linking fosters a sense of belonging, reduces vulnerabilities to radical influences, and enhances resilience. Moreover, prevention initiatives by local stakeholders, leveraging these social bonds, serve as frontline defences against potential threats.

The next set of chapters describes innovative combinations of policy areas, mechanisms and instruments that have been implemented in real local development. The chapters cover the institutional and political framework of local development. *Alenka Pandiloska Jurak*'s chapter reviews the longitudinal data on GDP per capita within the EU macro-regional strategies and compares the macro-regions with each other. The definition of regional development in this chapter is a term strictly adhered to the understanding defined by the European Commission and used in the Cohesion Policy. That policy distinguishes between 'Less developed regions', 'Transnational regions', and 'More developed regions'. Less developed regions are those that have a GDP per capita that is less than 75% of the EU average, the transition regions between 75% and 100% of the EU average, and more developed regions that have a GDP per capita above 100% of the EU average. *Tine Šteger* explores the challenges in measuring local development in line with the idea of sustainable development and quality of life. This author defines local development as follows: if economic development can be viewed as improving economic activity, environmental development as achieving a better quality of the environment, and social development as achieving social characteristics that are desirable in a particular society, then local development can be viewed as a set or combination of these actions at the local level, that together contribute to the overall quality of life or happiness. Moving on, *István Hoffman*'s chapter analyses this impact by examining legal regulations, policy documents and policy practices, particularly the analysis of the Hungarian case. This author explains local/regional development as the conscious plans to influence the economic, social, and environmental characteristics of local and regional units (municipalities, regions) with different endowments and development levels by public (supranational, national, regional, and municipal) bodies to achieve a system of criteria reflecting a specific choice of values. *Pavel Maškarinec*'s chapter conducts a cross-

sectional examination of regional development in the Visegrad Four countries to identify any associations between regional development and selected indicators of the quality of democracy. This author recognises the need for a broader definition of regional development and the possible role of various factors; however, he stays limited by the scope of the chapter and thus understands regional development as socioeconomic development and applies the traditional definition of regional development in terms of gross domestic product (GDP).

The last set of chapters highlights the instruments and tools for processes and development patterns from an economic perspective. *Andreja Mihailović* and *Bojan Božović* critically examine the role of public-private partnerships (PPPs) in promoting cybersecurity in the Western Balkans and emphasise their growing importance in the digital economy. The authors agreed that the process of local and regional development might be compared to the intricate creation of a mosaic within the larger setting of geopolitical landscapes. Every individual component is deliberately positioned to complement the socio-economic and natural landscape of a certain area. This approach, which is firmly grounded in methods that are specific to a particular location, not only utilises internal capabilities but also navigates complex geopolitical dynamics. Recognising the always-changing geopolitical dynamics emphasises the necessity for flexible, knowledgeable, and cooperative endeavours to guide regions towards sustainable development and resilience. Finally, *Jelena Jovović*'s chapter analyses green financing mechanisms in the context of local development through an extensive review of existing green policies and their impact on enhancing the local development process. The author explains that local development, as a whole, can be regarded as a multifaceted network of political, social, economic, and environmental efforts that bring well-being to the inhabitants while simultaneously establishing infrastructure that provides conditions for sustainable and long-term economic growth.

Given this background, this book explores and analyses the (growing) importance of local and regional development and offers a diversity of valuable analyses and case studies of important issues and situations, with a strong focus on EU regional policies and their impact(s) on local and regional development in Europe, European strategic visions for local/regional development as well as key challenges, and mechanisms. All this makes a book focusing on the various aspects of local and regional development in Europe particularly appropriate and timely.

Notes:

¹ A local is usually meant as a territory, i.e., any social and geographical component situated below the national level, so that the latter includes the interaction among various localities.

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Fostering Regional Development Through Cultural and Creative Solutions in the Danube Region

TAMARA BESEDNJAK VALIČ, MILJANA ČOSIĆ & CLÉMENTINE ROTH

Abstract This chapter examines the interplay between cultural and creative industries (CCIs) and regional development in the Danube Region. Employing a regional perspective, it identifies policy intervention areas to enhance the conditions for CCIs, presenting a set of non-geographically specific measures derived from best practices. These measures, informed by research conducted during the RESTART_4Danube project, funded by the Interreg Danube Transnational Programme, offer a foundation for regional authorities seeking to promote economic growth within the cultural and creative sectors. The paper acknowledges potential limitations, including generalisation and implementation challenges, and underscores their importance. It calls for future academic exploration in areas such as impact assessment, comparative studies, sustainability, digital transformation, cultural heritage preservation, and more to advance our comprehension of cultural and creative industries' role in regional development, not only within the Danube Region but also in broader contexts.

Keywords: • creative and cultural industries • regional development • strategy • good practices • Danube Region

CORRESPONDENCE ADDRESS: Tamara Besednjak Valič, Ph.D., Associate Professor, Rudolfovo Science and Technology Centre Novo mesto, Podbreznik 15, 8000 Novo mesto, Slovenia; Faculty of Information Studies, Ljubljanska cesta 31A, 8000 Novo mesto, Slovenia; School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia, e-mail: tamara.valic@rudolfovo.eu. Miljana Čosić, Project manager, Steinbeis Europa Zentrum, Steinhäuserstraße 12, 76135 Karlsruhe, Baden-Württemberg, Germany, e-mail: miljana.cosic@steinbeis-europa.de. Clémentine Roth, Ph.D., Project manager, Steinbeis Europa Zentrum, Steinhäuserstraße 12, 76135 Karlsruhe, Baden-Württemberg, Germany, e-mail: clementine.roth@steinbeis-europa.de.

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1 Introduction

In our rapidly changing world, regional development driven by creativity is an issue at the centre of numerous researchers' and practitioners' attention. The EU has adopted and developed several policies to support this, among the most prominent the Green Deal and New European Bauhaus, which understand beauty as an enriching experience inspired by art and culture. The cultural and creative industries (CCIs) sector, frequently seen as a key to contributing greatly to the aforementioned aspirations, is inevitably connected to economic growth, contributing to a turnover of EUR 643 billion in the EU in 2019. Despite the issues the sector suffered during the COVID-19 measures, creative industries are gaining importance in local economies as they increasingly contribute to economic growth (Hauge et al., 2018; Silva & Santos, 2022). The potential for economic growth is why the European Commission is increasingly interested in integrating CCIs into local and regional development processes (Roth & Čosić, 2022).

This paper will address the question of regional disparities regarding the issue of CCIs and their role in regional development. We have adopted the regional approach to analyse and define policy intervention areas to improve CCIs' framework conditions for regional development. The discussion will go in the direction of proposing a set of several measures that regional authorities can adopt to stimulate the economic development of cultural and creative industries in the countries of the Danube Region. The proposed measures are not place-based, meaning that they do not relate to any particular country but are instead seen as a collection of best practices that can be utilised by governing authorities to promote and support the sectors in play. We collected data during two years of work on the project RESTART_4Danube, funded by the Interreg Danube Transnational Programme.

The methodology included fieldwork in ten countries of the Danube Region: Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Germany, Hungary, Moldova, Romania, Serbia, Slovenia, and Ukraine. The fieldwork involved collecting primary and secondary data involving SWOT analyses and joint workshops with local stakeholders and experts in CCIs, regional development, and research. All activities considered the quadruple helix.¹ The approach enabled us to identify the bottlenecks and build on the existing assets and opportunities to strengthen the local CCIs and increase their contribution to regional development processes. We identified five areas of intervention: access to finance, capacity building, cooperation, infrastructure, and framework conditions.

This paper has a threefold aim: (1) highlight the relevance of each intervention area for the improvement of a strengthened creative ecosystem; (2) recommend actions to address the weaknesses of the Danube Region (Roth & Čosić, 2022); and 3) present good practices from the Danube Region along with the steps towards a strengthened creative ecosystem (Zametter & Stainer-Hämmerle, 2022).

2 Cultural and creative industries as a tool of regional development

Scholars have been occupied with how regions diversify into new industries (Boschma et al., 2017; Neffke et al., 2011). Additionally, much has been written on how regions diversify in new technologies (Rigby, 2015) and how regions diversify new growth paths (Hassink, 2005; Isaken & Trippel, 2016; 2017), but also on why they differ in their abilities to do so (Boschma & Frenken, 2006; Boschma & Capone, 2015).

Following previous research, numerous examples confirm the existing regional capabilities condition in which new activities are more likely to develop (Boschma et al., 2015; Van Den Berge & Weterings, 2014). In recent times, cultural and creative industries seem to be a convenient way to further think about economic progress (Besednjak Valič, 2022a; Dellisanti, 2023; Hauge et al., 2018; Power & Scott, 2004; Pratt, 2004), exploiting local cultural heritage (Jelen et al., 2022) and creative potentials of individuals and creators. Furthermore, CCIs are seen as drivers of economic development and local innovative capacity, mainly through facilitating the processes of cross-fertilisation of ideas (Cicerone et al., 2021). In the context of territorial innovation systems, CCIs can occupy the role of territorial actors (Fric et al., 2023), holding particular strategic competencies.

However, without a suitable regulatory framework, cultural and creative skills as a developmental driver for local economies can result in problems (Cerisola, 2018; Sacco & Crociata, 2013). Additionally, the variety of a local system's workforce is expressed at the human level. Such conditions increase the regional potential to absorb new ideas and exploit them as new entrepreneurial opportunities (Piergiovanni et al., 2012). The mechanisms by which CCIs may affect regional diversity rely on creativity, skills, and talent that characterise these sectors and can be employed innovatively as inputs in the production processes of other sectors (Bakshi et al., 2008; Lazzeretti et al., 2017).

Overall, there is growing evidence that CCIs play an essential role in enhancing economic growth and regional development because of their ability to foster cross-fertilisation processes and transversal innovations in the local economy (Bakshi et al., 2008; Lazzeretti et al., 2017; Piergiovanni et al., 2012; Stam et al., 2008). More precisely, the high variety of CCIs is critical to connecting with other sectors and efficiently increasing local innovation and economic growth (Higgs et al., 2008). This position can help the recovery process since, during the COVID-19 lockdowns, the sector experienced a severe setback (Comunian & England, 2020; Luonila et al., 2021). The sector is agile, as the post-COVID-19 era shows positive trends. However, much work is required to support the sector in delivering the desired outcomes in terms of significantly impacting regional development. The statement particularly holds for the countries of the Danube Region.

3 Overcoming regional disparities – the EUSDR as a case of a top-down approach

The European Union Strategy for the Danube Region (EUSDR) is a macro-regional strategy adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. The strategy, developed by the Commission, Danube Region governments, and stakeholders, addresses common concerns. The strategy aims to foster synergies and coordination among existing policies and initiatives in the Danube Region (EUSDR, 2022). In 2009, the European Council formally asked the European Commission to prepare an EU Strategy for the Danube Region (EUSDR):

‘The importance of the Danube Basin for the EU cannot be underestimated. Our policies and the investments we are making in the Basin through the EU’s cohesion policy, in particular, impact the livelihoods of 20 million citizens. The Danube needs a specific strategy comparable to our developing strategy for the Baltic Sea Region. A one-size-fits-all approach does not work in an EU of 27 Member States and 271 regions. We need a targeted policy for the Danube that meets its ecological, transport and socio-economic needs,’ said Commissioner Hübner on the open day in October 2008 (EUSDR, 2022).

The EUSDR includes a comprehensive framework with 12 distinct priority areas, each overseen by dedicated coordinators and working groups, ensuring the effective implementation and steering of activities to achieve specific objectives within these areas. In line with this, the strategy employs policy proposals and tangible initiatives to address various priority areas. To begin, efforts within Priority Area 3, Culture & Tourism, aim to develop and grow cultural activities and creative sectors (Action 5) and preserve cultural heritage in the Danube Region (Action 6). Second, in Priority Area 7, Knowledge Society, the strategy aims to strengthen collaboration among universities, research organisations, and small and medium-sized enterprises (SMEs) in the Danube Region (Action 3) while also increasing awareness and visibility of science and innovation in the region (Action 4). Third, in Priority Area 8, SMEs, the creative industry, academia, the public sector, and civil society are encouraged to compete, collaborate, and exchange knowledge in areas of expertise within the Danube Region (Action 1).

Furthermore, the strategy aims to improve framework conditions, support programmes, and stakeholder capacity building to foster collaboration between cluster initiatives and regional innovation strategies, with a particular focus on rural areas (Action 3), and to strengthen business support for strengthening the innovative and digital capacities of female-led SMEs. Priority Area 9, People & Skills, emphasises the development of relevant and high-quality knowledge, skills, and competencies. Finally, within Priority Area 10, Institutional Capacity & Cooperation, the strategy seeks to strengthen civil society and local actors’ involvement in the Danube Region (Action 7) and strengthen cities’ and municipalities’ capacities to facilitate local and regional development (Action 8). These focused policy proposals and activities demonstrate the EUSDR’s diverse and

integrated approach to tackling crucial issues and advancing Danube Region goals. The RESTART_4Danube project idea addressed all of the above-listed priority areas, and the close collaboration of stakeholders enabled the project implementation in each intervention area.

4 Methodology

The current chapter thoroughly examines primary and secondary sources gathered and assessed as part of the RESTART_4Danube project. This method includes desk research and collecting primary data and information, all supported by interactions with stakeholders and specialists of cultural and creative industries (CCIs) and urban regeneration. All project partners were involved in these collaborative initiatives, combining the outputs of various exchange formats that engage stakeholders at regional and international levels.

To facilitate the formulation of the policy intervention areas outlined below to support CCIs and foster regional development, the project partners initiated an extensive consultation process that included diverse stakeholders from business, government administration, policy-making, and academia. These stakeholders substantially impact the CCI sector's aspirations and possibilities. We collected stakeholders' contributions through a variety of mechanisms, including local group discussions (held during the landscape screening process from September to December 2020), local dialogue events structured as 'Policivil workshops' held between February and June 2021, 'Study visits' held from September 2021 to June 2022, and 'City-study tours' held in June and July 2022.

Furthermore, transnational (policy) dialogue workshops held in April 2021, April 2022, June 2022, and July 2022, along with a concluding conference in November 2022, played a pivotal role in shaping and nourishing the list of policy intervention areas and suggestions for interventions. These collaborative engagements complemented the desk research activities conducted by the RESTART_4Danube project partners.

5 Results

First, we assessed the current situation in the Danube Region with a detailed analysis per country. Each of the project partners analysed their respective countries. For project purposes, we produced a total of 10 country reports based on the information we received. To make an adequate assessment of the CCI sector ecosystem of the Danube Region (in selected 11 countries, being project partners in the RESTART_4Danube project), we employed the social fields approach. The approach was developed by researchers of the School of Advanced Social Studies, in Nova Gorica, Slovenia (Rončević et al., 2022) and adopted on several occasions since (Besednjak Valič, 2022b; Modic & Rončević, 2018). The approach focuses on assessing the innovation potential, the CCI ecosystem, attitudes

towards cooperation and collaboration, values and perceptions towards creativity and entrepreneurship, and impacts of the COVID-19 pandemic. The focus group respondents are to evaluate each aspect of the innovation ecosystem in the following manner: 1-totally unsatisfactory; 2-unsatisfactory; 3-satisfactory; and 4-fully satisfactory. The focus group respondents need to agree upon one joint evaluation and provide justification for it.

The results showed the best scores on innovation profile in the region of Carinthia in Austria and modest assessments in Bosnia and Herzegovina and Slovenia, with other countries ranging in between. Regarding the CCI ecosystem, the authors detected the most favourable conditions in Bulgaria and the least favourable conditions in Moldova. Values for other countries ranged from 2.1 to 2.7, showing potential to improve the existing ecosystems increasingly. Regarding collaboration and cooperation, the best results came from Bulgaria and Hungary, with overall values higher than those evaluating the CCI ecosystem. The lowest scores on collaboration and cooperation came from Ukraine, Bosnia and Herzegovina, Romania, and Germany. When discussing values and attitudes towards creativity and entrepreneurship, as well as towards learning and competition, the scores showed the most favourable attitudes in Austria, Bulgaria, Moldova, Croatia, and Slovenia. The lowest scores came from Ukraine, Romania, and Germany.

Lastly, the authors assessed the impacts of the COVID-19 pandemic, with the scores ranging from lowest in Ukraine and Bosnia and Herzegovina to highest noted in Austria, Slovenia, Moldova, and Croatia. In all countries, the main conclusion was that COVID-19 significantly impacted the further separation of cultural and creative sectors. Creative sectors with high access to digital technologies experienced major growth.

5.1 Defined weaknesses and fields of intervention

Through 14 focus groups and interviews, we defined the following weaknesses and fields of intervention for the Danube Region. First, respondents acknowledged the lack of connection and cooperation between stakeholders. This weakness is addressed through the elaborated intervention area ‘cooperation among the quadruple helix actors of the CCIs ecosystem’. The second weakness detected was the abandoned industrial or historic sites/spaces; the intervention area of infrastructure addresses this weakness. Third, the CCI sector is often not involved in urban planning and processes, and measures defined to overcome this weakness fit under both improving infrastructure for CCIs and improving framework conditions for CCIs. Fourth, we noted how CCIs were affected by unstable financial situations. Therefore, we elaborated a set of measures to improve access to finance. The weakness detected behind this set of measures is the lack of financial stability, notably due to strong grant dependency, the small size of companies (micro-SMEs), the lack of assets and capital, and higher business risks that render CCI less attractive for financial institutions and investors. The measures addressing capacity building intertwine with measures supporting the enhancement of entrepreneurial skills.

Additionally, several measures further address the weakness of migration of young people from poorer parts of the Danube Region. In this context, we also discuss the weakness of smaller cities' inability to attract high-value creative activities.

5.2 Fields of interventions and proposed measures

5.2.1 Intervention area 1: access to finance

Regarding financial intervention, micro, small and medium companies dominate the CCI sector. Moreover, the nature of the work subjects many actors to precarious work. To mitigate the situation, some recommendations are put forward, among others: informing the CCI sector about funding opportunities, increasing the investment readiness of CCI SMEs, and addressing the fact that CCI SMEs or self-employed are not eligible for funding.

The measures taken into consideration should contribute to the improvement of information flow and visibility about funding/investment opportunities (local, regional, national, and European). The CCI sector is seen as peculiar in terms of being perceived as artistic and stereotypically regularly facing financial challenges. However, with the stereotypes successfully challenged, CCIs can act as entrepreneurs who are well aware of funding potentials and investment opportunities. Secondly, there should be more support and more private capital/private funding programmes for CCI companies, especially in the early stage. The Danube Region countries are developing entrepreneurial start-ups and scale-up ecosystems. In those activities, the organisers should also include the CCI sector to increase the possibility of support for private funds and other investment possibilities. Notably, early stages, similar to start-up stages, are essential and require assistance. Thirdly, crowdfunding should be a known and accessible financial source for CCI SMEs. Crowdfunding has become a successful mechanism in start-up ecosystems. Technological advancements enable the spreading of the potential of crowdfunding to the CCI sector. This sector must become the recipient of information on the potential of crowdfunding as an accessible financial source. Fourthly, access for CCIs to public funding programmes (especially outside capital/major cities) should be developed and improved. Outside major cities, the CCI sector is deemed more negligible in scale, and all the above-mentioned sectorial issues become more evident. Smaller cities, therefore, should pay even more attention to the sector's potential. Public-funded programmes should be made equally available. Lastly, synergies between EU funding and regional support to CCIs should be created. Proper and balanced synergies are favourable, as the CCI sector can develop more evenly if in line with regional support. Also, regions can benefit from CCIs supported by EU funds.

5.2.2 Intervention area 2: capacity-building

The RESTART_4Danube activities have demonstrated severe gaps in skills; to nurture and grow the CCI sector, we recommend further activities, including, among others, developing innovation capacities of CCI SMEs, increasing entrepreneurial knowledge/skills of CCI actors, better connecting creativity, innovation and entrepreneurship to reduce misfit between theoretical knowledge and market needs/dynamics, increasing the competence of existing support organisations to provide training and education.

The measures taken into consideration should contribute to the development of support programmes to strengthen the capacities and skills of CCI SMEs. Although CCI sector actors exhibit critical levels of knowledge and skills requested to operate in the developing open markets of the Danube Region (and globally), some business and management skills are missing, marketing skills are absent, and some sector actors exhibit poor digital skills and low levels of IP management. Secondly, there is a need to strengthen the entrepreneurial spirit/competencies and digital skills of young people/students in the curricula of educational institutions. If the creative ecosystem for CCIs is to be nurtured, the missing entrepreneurial competencies (and, at times, entrepreneurial spirit) must be addressed. Developing curricula in this regard, also through official humanities and art study programmes, seems (as in art academies) a vital recommendation. Lastly, there should be support for assessing the innovation capacities of CCI companies. These companies are creative, but to innovate, we need to assess their innovation potential. Not all CCI companies are capable of innovating, and it is essential to develop mechanisms to be able to assess the innovation capacity of those who do innovate.

5.2.3 Intervention area 3: cooperation

This sector, at times, seems scattered and not well connected. However, the desire is to contribute towards networking and creating a community which can exchange information, best practices, and skills when necessary. Strengthening local and regional ecosystems for CCIs, supporting co-creation processes, and creating a sense of ownership between involved stakeholders are proper paths to the community that will reduce fragmentation and strive for cooperation on all levels. Particular emphasis is also on triple helix cooperation, focusing on academia-industry spillovers.

The measures considered should contribute to developing cooperation (projects) involving different institutions, actors, and stakeholders. Joint projects can support cooperation in all directions of the triple helix actors: between higher education institutions and cultural institutions, between industry and CCIs, between municipalities and universities, between municipalities and CCIs, between R&D/HER/students and CCIs, and between CCI companies. Secondly, interdepartmental and cross-sectoral

coordination for urban regeneration processes should be developed. Urban regeneration processes deserve special attention, and while engaging CCIs, the urban regeneration should be undertaken strategically, coordinated, and with the inclusion of all stakeholders of the quintuple helix.² Lastly, networks and clusters of CCI stakeholders (local, national, and European levels) should be created or strengthened. The CCI sector is deeply fragmented and dominated by micro-enterprises and self-employed persons. In addition, CCI actors (enterprises, universities/HER/R&D, public authorities) are not very well connected. We recommend all actions striving for more inclusion and networking.

5.2.4 Intervention area 4: infrastructure

Physical infrastructure is extremely important for the integration of CCIs in processes of urban regeneration. Many cities and localities can take advantage and re-purpose old industrial buildings, where innovative ecosystems can be located (start-up communities). The development of technological infrastructure in this regard is in place so that provided spaces and places can be put to their creative use.

The measures taken into consideration should develop (sustainable) placemaking projects in a co-creation process with citizens and different stakeholders. Developing joint projects, in co-creation with civil society, is one excellent way to initiate the integration process and stimulate social innovation in the areas. Examples of the European Capital of Culture initiative have already had positive results in many Danubian cities. Secondly, creative centres (creative incubator and accelerator programmes/co-working and co-sharing spaces) should be developed. Alongside physical infrastructure, policymakers should strive to develop communities and centres that evolve around communities. This way, a creative ecosystem, similar to the entrepreneurial ecosystem, can flourish, with sector stakeholders enjoying the knowledge transfer and other networking spillover effects. Such programmes include creative incubators, accelerator programmes, and co-working or co-sharing spaces.

5.2.5 Intervention area 5: framework conditions

The overall objective of the intervention area is to improve framework conditions for the inclusion of CCIs in urban regeneration processes. Alongside the intent of the intervention, the area is to contribute towards the encouragement of cultural planning, strengthening support and involvement from local authorities to CCIs, stimulating competition(s) both among and for CCI SMEs, using the industrial legacy (for cross-sectoral and spillover effects), and overcome budget limitations and pressures via decentralised/co-creation/bottom-up projects.

The measures taken into consideration should develop holistic regional strategies for CCIs (covering industrial, cultural and innovation aspects). This way, they will contribute towards the development of firms and long-term policies for strengthening the sector and

including it in the community's overall developmental strategies. The state-of-the-art reveals an overly sporadic inclusion of CCIs in cultural aspects of the development strategies but lacks the industrial and innovation aspects.

Secondly, public support programmes for CCIs/start-ups should be developed. Creative business incubators provide their beneficiaries with physical space and equipment, expertise and know-how, and personal connections/networking opportunities (at local and international levels). Such support programmes can result in, e.g. creative incubation programmes, co-working spaces, R&D opportunities, and competitions.

Thirdly, they strengthen organisations and infrastructures supporting creatives/CCI SMEs. The stakeholders working with CCIs need to upgrade skills where CCIs require the most support. CCIs require support in the administrative field, so the featured recommendation refers to recommendation No. 17, but mostly, they need support in developing entrepreneurial skills. Infrastructure enabling gaining those skills along with physical infrastructure for work is appreciated.

Lastly, bureaucracy should be reduced, or the flexibility of local and regional authorities should be increased. The issue with much bureaucracy has become evident since the start of the project RESTART_4Danube. Young entrepreneurs from the fields within CCIs experienced many issues with local/regional/national authorities due to much bureaucracy. However, the mindset of local and regional authorities, sometimes detected as inflexible, did not contribute towards problem-solving – it has only increased it.

5.2.6 Intervention area 6: miscellaneous

The objective of the last group of policy recommendations targets all those recommendations that do not relate to any of those mentioned earlier and defined intervention areas. In this manner, we propose the following recommendations dedicated to increased awareness and visibility of the sector in public space on the one hand and contribute towards better information and data availability about good practices and stakeholders of the sector on the other.

The measures considered should create a sound database regarding the CCI sector (for example, the number, type of actors, location, and clusters). The main reason for this recommendation is the detected need to obtain the number and scope of the sector. Such infrastructure is needed for networking and elaboration of the ecosystem, as the exchange of knowledge can happen once the system's actors are aware of one another's existence. Secondly, the profile and visibility of CCIs in the public space should be raised. In the cultural domain and cognitive frames of the population, youngsters, and other stakeholders, CCIs need to increase their profiles. Only in this manner will the sector become valued and respected, and the creativity will be related to work and entrepreneurship and not only to leisure activities. Lastly, a system should be in place to

create and feed a single repository of good practices. A repository of good practices is always convenient for reference and as a source of new activities. Especially nowadays, municipalities and local governments seek ideas on integrating and including CCIs in urban regeneration processes. Such a database can serve as an inspiration and reference for future projects.

6 Concluding remarks

The presented work has looked into the critical topic of regional disparities within the field of cultural and creative industries (CCIs) in the Danube Region, addressing its vital role in supporting regional development. Using a regional approach, we have rigorously analysed and defined policy intervention areas to improve the framework conditions for CCIs, focusing on the Danube Region. As a result of the work, we have offered a complete set of policy measures that regional authorities around the Danube Region can consider adopting to catalyse the economic growth of CCIs. It is critical to emphasise that the recommended initiatives are not geographically limited but rather constitute a collection of best practices that may be easily adapted and applied by governing bodies to strengthen and nurture the cultural and creative industries.

We based the findings of this article on a thorough study and data gathered over two years as part of the RESTART_4Danube project, financed by the Interreg Danube Transnational Programme. The Danube area can exploit the enormous potential of CCIs to create sustainable regional development and cultural enrichment by encouraging collaboration, exchanging expertise, and implementing these initiatives. As a result, we are paving the road for a fairer and culturally vibrant future for everyone.

Limitations of the current work arise from the Danube Region's different realities; the reader can understand the recommendations as a collection of best practices that need geographical adjustments to a particular country. Additionally, the recommendations can become outdated and challenging to implement as the CCI sector evolves. Lastly, the recommendations do not deliver the information about the requested resources for their implementation, making it harder to assess the potential impacts. Future research areas can focus on the impact assessment of particular measures in particular geographical and cultural settings. Such an approach would enable the comparative study of different countries. Secondly, since we conducted the activities described in the context of the COVID-19 measures, further research on the sustainability and resilience of the CCI sector to external shocks and crises offers potentially fruitful results. Similarly, the question of digital transformation of the sector, including the adoption of AI, can shed light on future opportunities in the sector.

Notes:

- ¹ The quadruple helix is a concept that emphasises the importance of collaboration between academia, industry, government, and society in order to foster innovation and economic development.'
- ² The quintuple helix is a framework that describes the interactions between five sectors in a knowledge economy: university, industry, government, public, and environment.

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The Influence and Role of Women in Shaping the Circular Economy: An Emerging Paradigm

ERIKA DŽAJIĆ URŠIČ

Abstract This chapter embarks on a comprehensive investigation into the significance and role of women in the circular economy context. Guided by the research questions, ‘How do women influence the development and implementation of the circular economy, and what unique contributions do they make?’, we aim to shed light on how gender-specific perspectives contribute to this paradigm. First, the chapter briefly outlines the circular economy concept, emphasising the existing gender gap and compelling case for increased women’s participation. Second, it examines the challenges women leaders face in this domain and recommends strategies for overcoming these obstacles. By addressing challenges faced by women in this domain, we aim to encourage greater diversity in this field, asserting that increased female participation can hasten the transition towards the circular economy while simultaneously promoting gender equality. This research provides crucial insights into the untapped power of women in shaping our sustainable future.

Keywords: • circular economy • women • sustainable future • local/regional development • gender equality

CORRESPONDENCE ADDRESS: Erika Džajić Uršič, Ph.D., Scientific Associate, Rudolfovo – Science and Technology Centre Novo mesto, Podbreznik 15, 8000 Novo mesto, Slovenia; Assistant Professor, Faculty of Information Studies, Ljubljanska cesta 31A, 8000 Novo mesto, Slovenia; School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia, e-mail: erika.ursic@fuds.si.

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1 Introduction

The circular economy (CE) is a robust response from the European Union (EU) to address the escalating strain of growing economies and the consumption of finite resources and environmental capacities. As defined by the Ellen MacArthur Foundation (Ellen MacArthur Foundation, 2015; 2017), this concept embodies a transformation grounded in reusing, adapting, and processing existing materials and products. This paradigm shift aims to limit waste generation by leveraging renewable energy sources, eliminating hazardous chemicals, minimising raw materials, and redesigning products for enhanced recyclability while retaining their value (Ellen MacArthur Foundation, 2017).

It embodies a vision of economic progress that is compatible with environmental protection. This transition involves creative solutions and inclusive, egalitarian behaviours that empower all parts of society. Here, we find the intersecting points of *sustainable development – CE – women and gender equality*.

A defining characteristic of CE is the extension of a product's environmental existence even after its initial lifecycle. This multifaceted concept encapsulates a global model for sustainable economic development. The approach advocates for judicious resource utilisation, distinguishing between biological and technical materials, and maximising their applicable lifespan (Ellen MacArthur Foundation, 2015; 2017).

CE necessitates careful planning in the pre-manufacturing phase to facilitate a seamless circular flow of products. It advocates innovation across a product's lifecycle spectrum, presenting a blueprint for a new sustainable system with economic prospects. CE encapsulates a holistic approach to balancing economic growth with resource conservation, forging a more sustainable future (Ellen MacArthur Foundation, 2017).

In 2019, the European Commission (EC) introduced a comprehensive overview of its endeavours through the *Circular Economy Action Plan* (European Commission, 2019a). As stated by the EC, out of the 54 actions outlined in the plan since its initiation in 2015, a significant number have already been executed or are currently in progress (European Commission, 2019a; 2019b).

The Circular Economy Action Plan is a strategic programme to modernise economies, create jobs, and protect the environment. However, while we strive for a more sustainable future, we must take a moment to consider another essential aspect: women's role and gender equality.

Undeniably, women's role as catalysts for change spans diverse domains, and one notable arena where women have excelled is CE. By embracing the principles of reusability and recycling, CE advocates resource optimisation. However, its implementation poses significant challenges. The staggering annual production of 2.01 billion tonnes of solid

waste globally, a substantial portion of which is managed unsustainably, accentuates the urgency of adopting CE practices, as the World Bank emphasises (The World Bank Group, 2023).

Women emerge as key players in driving the CE narrative in this landscape. Their innate collaborative approach and long-term vision align remarkably well with the CE's principles. As transformative agents, women are reshaping business models and contributing to the larger goal of sustainable development. Every year, we celebrate International Women's Day, and in 2022, the theme was 'Gender equality today for a sustainable tomorrow', which underscores the vital role of women in shaping a more sustainable world. In particular, 2022's focus on achieving gender equality within the context of climate change, the environment, and disaster risk reduction highlights the intersectionality of these critical issues.

As we reflect on the potential of women to lead us towards a greener future, it is essential to recognise and support their efforts in reshaping economic and environmental paradigms through initiatives like CE (Khan, 2022).

Kalujji (2020) emphasises the critical role of women's and economic empowerment in driving a sustainable local/regional CE. The fact that only 9% of the world's economy is circular underscores the need for immediate attention. The evident gender disparity in positions worldwide, where only 29% of women hold senior management roles, is a significant bottleneck. Kalujji stresses the urgent call for enhanced women and inclusion in driving CE to create a more sustainable and fair future.

Undoubtedly, CE acts as a gateway to inspire fresh ethical paradigms into business operations, recalibrating the equilibrium between profit and social responsibility. Across diverse industries, women lead the charge in exemplifying their readiness to venture beyond conventions, steering enterprises towards sustainable practices that yield positive social outcomes (Kalujji, 2020).

Women support activities that unite responsible planning and management of resources and social benefits. In this landscape, numerous inspirational instances spotlight women and girls at the helm of innovative, socially conscious, and climate-smart enterprises. At the same time, CE is a fertile ground for such transformation. An illustrative case is Otro Tempo in Spain, a pioneering endeavour that ingeniously converts discarded cooking oil into biodiesel. Simultaneously, this enterprise empowers women of gender-based violence, enlisting them into the workforce, thereby fostering empowerment and sustainability hand in hand. Likewise, BeeUrban in Sweden emerges as a catalyst for environmental preservation through services like pollination-enhancing beehives, biodiversity gardens, and rooftop farms. These endeavours shape tangible responses to multifaceted challenges led by proactive women. Not only do they address climate change, but they also tackle economic and gender disparities head-on. Women (also as

leaders or decision-makers), with their innovative business models intertwined with social responsibility, are moving towards a more sustainable, just and greener future (UN Women, 2019).

For instance, Kaluiji (2020) stated that considering the combination of almost 29% of women in executive roles with the existing 9% CE rate, the world could have achieved a 38% CE by now. This underscores the remarkable impact that women can have on advancing sustainable economic models. These numbers paint a vivid picture of the transformative potential of women's leading.

This chapter comprehensively explores women's pivotal role and significance within the context of CE. Guided by the research questions, 'How do women influence the development and implementation of CE, and what unique contributions do they make?' our primary aim is to illuminate the intricate interplay of gender-specific perspectives in the transformative shift from linear to CE models.

By coupling women's expertise with CE principles, local/regional development is stimulated with sustainability and well-kept with a more reasonable and inclusive vision. This comprises a transformative crescendo resonating across communities and economies.

As explained by Kukovič (2023a), local/regional development hinges on the management and capacity of local actors to harness their region's potential, fostering collaboration and kindling community participation. The pivotal role of over a million elected politicians across European regional and local echelons cannot be overlooked; their adaptability and responsiveness are crucial. These leaders must navigate the dynamic landscape, anchoring an authentic bond with citizens while envisioning and steering towards the future, which must be equal for all fields.

Local/regional sustainable development, CE, and women in leading positions emerge as an ideal of transformation in this context. With their distinctive traits and foresight, women become torchbearers of CE models.

The chapter starts with an overview of the short EU CE institutional agenda and concept, underlining its vital role in fostering sustainable development. It continues with the main points of establishing gender equality and acknowledges the prevailing gap in CE. The research advocates for greater involvement of women in this field.

Delving deeper, we investigate the challenges women encounter within the CE sphere. Through this examination, we intend to address gender-specific obstacles and endorse diversity.

We assert that elevated women catalyse the transition towards a sustainable local/regional economy and concurrently foster gender parity. In essence, this research endeavours to offer invaluable insights into the latent potential of women in shaping a sustainable future.

1.1 Bridging sustainable development and gender equality: A circular economy perspective

Since 1970, EU countries have radically transformed their approach to environmental concerns. This period has witnessed the adoption of an extensive array of environmental legislation, collectively forming what can be considered the most comprehensive and contemporary compilation of standards on a global scale.

In 2015, the Sustainable Development Goals (SDGs), introduced by the United Nations, solidified the commitment to global sustainability by endorsing the *Agenda 2030 for Sustainable Development*. This transformative framework encompasses 17 distinct SDGs spanning the economic, social, and environmental dimensions.

SDGs, gender equality, and CE form the remainder of our chapter and are interrelated concepts that hold significant importance in the global effort to create a more sustainable and conscious future (Fric et al., 2023).

Speaking about gender equality, Goal 5 of the SDGs focuses explicitly on empowering women and girls. This goal recognises that gender equality is a fundamental human right and a cornerstone for a prosperous and sustainable future. It seeks to dismantle discrimination, violence, and gender disparities across all aspects of society (United Nations, 2023).

The concept of gender equality has its roots in the EU's foundational documents, most notably in the Treaty of Lisbon (Irigoién, 2021). It represents not just a legal obligation but a moral imperative.

Through this research, we realise that gender inequities continue in the landscape of sustainable development, notably in areas critical to achieving CE. At the same time, the lack of women in executive positions in industries supporting circularity is a potent reminder that the path to a circular and sustainable economy must be inclusive. It is not limited to an organisation's corporate boards but reaches the public level, including many views and opinions.

Murray et al. (2017) state that while the concept of CE shows promise in terms of environmental sustainability, its direct impact on broader gender equality remains relatively unclear. Key aspects like inter- and intra-generational equity, gender equality, racial and religious equality, financial parity, and social opportunity equality are complex and multifaceted dimensions that deserve careful consideration within the construct of

CE. Incorporating these moral and ethical considerations into the CE discourse is essential for fostering a sustainable future that prioritises environmental well-being and upholds social justice and equality.

2 Gender equality and sustainability

The Treaty of Lisbon represents a pivotal moment in the EU's commitment to gender equality, building upon the foundation of the Treaty of Amsterdam in 1999. Through its provisions, the Treaty of Lisbon solidified the EU's dedication to promoting and achieving gender equality across its member states (Koukoulis-Spiliotopoulos, 2008). However, adopting the Treaty of Lisbon uncovers broader democratic apprehensions pertaining to participation, consultation, and transparency within the EU framework. Notably, this examination reveals that the voices of civil society organisations, which prominently emphasised the concept of 'social Europe' and incorporated concerns regarding gender equality, were marginalised during the negotiation process. Instead, the negotiations and the eventual treaty appeared to prioritise neoliberal and market-driven positions (Kantola, 2010; Lombardo, 2007; Irigoien, 2021).

In the context of *The 2030 Development Agenda*, Goal 5 stands out for its focus on achieving gender equality by dismantling discrimination, violence, and harmful practices against women and girls across public and private domains. The recognition of gender equality extends to various international platforms, including the United Nations. A significant initiative is the *Commission on the Status of Women*, a dedicated forum that concentrates on gender equality and the empowerment of women and girls. This commission aligns with the *Beijing Declaration and Platform for Action*, an agenda that propels gender equality forward (European Commission, 2023a; 2023b).

Collectively, these efforts signify a global push to advance gender equality as an integral element of sustainable development and societal progress. Embedding gender considerations throughout policy frameworks and international dialogues reflects a concerted drive to create a world where gender disparities are eliminated, and women's rights are upheld across all spheres of life. Ultimately, the *EU Gender Equality Strategy 2020-2025* sets the course for a transformative journey towards a society where gender equality is not just a principle but a lived reality for all, fostering a more inclusive, fair, and progressive EU. A pivotal focus of this strategy lies in rectifying the gender imbalance prevalent in decision-making processes and equal opportunities for growth participation within society, encompassing women and men, girls and boys (European Commission, 2020).

However, Warth and Koparanova's study (in Odrowaz-Coates, 2021) underscores that the absence of women's active participation in policy and decision-making can potentially lead to a disconnection between the policy and the community, inadvertently attributing sustainability responsibilities predominantly to men (Warth & Koparanova,

2012). Moreover, research highlights women's heightened sensitivity to certain forms of pollution, which can pose health risks and even elevate infant mortality rates. Despite this vulnerability, women remain significantly underrepresented in decision-making bodies dealing with pollution control. The importance of women's inclusion in environmental management and development, as highlighted in the *Rio Declaration (1992)*, is highlighted by Warth and Koparanova's study, resounding the response that women's full participation is imperative for achieving Sustainable Development Goals (SDGs).

The gender gap is especially evident in sectors crucial for the transition to CE, such as the power and utilities industry. The strikingly low percentages of women in executive positions within this sector indicate a prevailing gender disparity. This extends to sectors that underpin circularity, accentuating the need for a comprehensive involvement of women across the CE spectrum rather than being confined to the informal sector or activities with limited technology use.

In essence, these insights emphasise the vital role of women in advancing sustainability agendas in CE. They underscore the urgency of breaking down gender barriers in decision-making roles across various sectors to ensure a more inclusive, equitable, and successful transition to circularity (Joshi, 2022).

The historic election of Ursula von der Leyen as the President of the EC in 2019 marked a significant milestone, as she became the first woman to hold this esteemed position. In her inaugural speech to the European Parliament, von der Leyen expressed her vision for revitalising European democracy, indicating the beginning of a 'new push' towards gender equality and women in decision-making roles (European Commission, 2019c).

3 Empowering women in decision-making roles in the circular economy

The circular economy, a concept that has gained significant traction in the most recent decade, represents a transformative economic model that seeks to reshape prevailing production and consumption patterns profoundly. Notably, scrutinising CE through a gender lens becomes imperative to unveil its capacity to foster equity.

For CE to emerge as an enduring, equitable, and holistic framework, it necessitates a societal, economic, and political structure rooted in gender equality. The incorporation of a gender perspective into the public policies that steer and fuse this transition stands as crucial. This awareness is grounded in understanding structural dynamics and their capacity to influence and, to some extent, shape the eventual outcomes of this transition (Joshi, 2022).

Public policies and programmes, if they overlook a gender perspective and evade gender mainstreaming, maintain existing injustices. For instance, such oversights might exacerbate women's vulnerability to risks linked to waste disposal and unsafe work

environments. The consequence is twofold: the continuation of inequalities and the missed potential for comprehensive resolutions. Therefore, the true efficacy of the CE initiatives hinges on their capacity to integrate a gender-sensitive approach into their framework, defending gender equality and ensuring that the positive impact extends across the entire societal spectrum (Joshi, 2022).

As argued by Kukovič (2023b), when it comes to making decisions, men and women differ; we might say they balance each other out (Kathlene, 2001). Reingold (2008 in Kukovič, 2023b) stated that women provide fresh aspects to the decision-making process by involving citizens as much as possible, encouraging greater democratic openness. Unlike their male counterparts, they spend more time recognising people's needs and listening to the electoral body, which is how they attain the shared goals of the local community. Beck (1991 in Kukovič, 2023b) said that males frequently describe women as being too emotionally interested in the problems of their local community, which hinders them from being analytical enough. This aspect of gender differences in decision-making underscores the importance of diverse and inclusive leadership, particularly in European democracy and the European response to crises (e.g., the COVID-19 pandemic). Embracing a variety of perspectives and approaches can lead to more comprehensive and practical solutions that consider the needs and concerns of all citizens. As Ursula von der Leyen embarks on her mission to push European democracy forward, these gender-related insights can inform the development of policies and strategies that prioritise consultation, inclusivity, and constructive dialogue, ultimately enhancing the democratic foundations of the EU.

The underrepresentation of women in key decision-making positions within policy areas linked to climate change and the environment is a concerning reality. This gender disparity reflects an imbalance and potentially leads to overseeing critical issues disproportionately affecting women, notably highlighting gaps within policies aligned with the *Green Deal* initiative.

A simple statistic emerges in the context of EU Member State governments: a mere 27% of government ministers responsible for environmental and climate change policies are women (European Institute for Gender Equality, 2023). This data underscores a significant gender gap in roles in areas that hold the potential to shape the future of our planet.

Amongst this scenario, it is urgent to recognise that the transition to environmentally sustainable practices presents an opportunity for substantial job creation, potentially yielding up to one million new jobs by 2030. In pursuing gender equality, fostering avenues for skill development accessible to all is pivotal. By ensuring that relevant skills are encouraged and made accessible across gender lines, we lay the foundation for a future that is not just ecologically sustainable but also promotes gender parity and inclusivity. This convergence of environmental sustainability and gender equality signifies a path

towards a more reasonable and prosperous world (European Institute for Gender Equality, 2023).

Furthermore, gender equality and women's empowerment are universal values underpinning the SDG. Consequently, gender equality emerges as an inherent component in steering us towards inclusive and sustainable development (Albaladejo et al., 2021).

Here, CE, as a transformative model, proposes a radical shift in economic paradigms, radically transforming prevailing production and consumption patterns. Positioned as a potential paradigm shift, CE offers a promising avenue for addressing systemic challenges. In this light, it can be seen as a catalyst and instrument for achieving multiple SDGs (Schroeder et al., 2019).

As mentioned, a comprehensive understanding of how CE can contribute to greater equality becomes crucial to much more profound analysis in the future.

This exploration could discover the potential of CE to overlay the way for gender-reasonable development, encapsulating environmental sustainability and social progress (Albaladejo et al., 2022).

Existing research (Chavatzia, 2017) reveals a concerning pattern: women are disproportionately represented in low value-added, informal, and end-of-pipe activities within CE, which include tasks like recycling, reuse, and waste management. However, women's participation diminishes when the focus shifts to higher value-added circular activities, such as industrial eco-design and developing circular products involving advanced technologies. This discrepancy is partly a consequence of women's limited engagement in science, technology, engineering, and mathematics (STEM), primarily influenced by gender-based societal norms and the division of labour.

From the survey distributed to female students enrolled in higher education by field of study, the world average, and research made by UNESCO in 2017, for instance, on a global scale, both revealed an interesting fact: only around 30% of higher education students enrolled in STEM-related disciplines are women. This disparity is also evident in key sectors like power and utilities, which are pivotal in transitioning to circular practices. In these sectors, men overwhelmingly dominate positions, with women accounting for 5% of executive board members, 21% of non-executive board members, and 15% of senior management roles (Albaladejo et al., 2022; UNESCO, 2017).

This portrayal underscores the persistence of gender disparities within CE and its foundational sectors. Consequently, achieving a just and inclusive transition towards circularity necessitates the involvement of women in informal or low-productivity roles and robust participation across the entire spectrum. Bridging the gender gap within CE demands broader and more equitable access to opportunities in both informal and formal

sectors and dismantling barriers that impede women's engagement in roles within the STEM fields (UNESCO, 2017).

A study conducted in 2020 demonstrates a compelling correlation: companies that witnessed an improvement in gender diversity on their boards between 2013 and 2018 showed heightened environmental management. These companies were 60% more likely to reduce energy consumption intensity, 39% more likely to cut greenhouse gas emissions, and 46% more likely to curtail water usage (FB Analytics, 2020). This insight underscores that the underrepresentation of women could impede progress in achieving and decelerate the much-needed transition towards sustainable practices (Albaladejo et al., 2022).

This revelation is indicative of a profound interplay between gender diversity, environmental conscientiousness, and objectives. It suggests that achieving gender equality within local/regional CE roles is a matter of fairness and a strategic imperative for CE's success.

Considering these findings, the formulation of policies that proactively foster the recruitment, advancement, and retention of women in management positions assumes critical importance. This proactive stance not only enriches organisational diversity but also fuels the momentum towards a more sustainable and circular future, harmonising the agendas of gender equality and environmental responsibility.

Indeed, Albaladejo et al. (2022) argue that the connection between CE and gender extends beyond the conventional boundaries of productive activities. This linkage is evident not only in the formal economic realm but also within the domestic sphere, as well as within alternative economies and spaces outside traditional paradigms. Recognising this broad spectrum is crucial to fully understanding the depth and diversity of women's involvement in local/regional circular and environmentally conscious practices (Albaladejo et al., 2022).

However, it is vital to move beyond the perspective that solely represents women's contributions within CE as a response to discrimination and weakness. While it is true that gender disparities have often led women to engage in certain circular practices, it is equally important to empower women to access opportunities that enable them to lead transformative change across all sectors and fields. This empowerment signifies rectifying a historical imbalance and harnessing the full potential of women in driving circularity across the entire socio-economic spectrum. Ultimately, equal access to executive roles in the context of CE should be an aspiration that transcends sectors, allowing women to emerge as change agents irrespective of the sphere in which they operate (Albaladejo et al., 2022).

4 Conclusion

While CE is viewed as a paradigm based on natural evolution, the result is that ‘people’ must be seen as the primary players since any change or evolutionary adoption constantly touches them (Tavera Romero et al., 2021). A prevailing notion is well captured by Kirchherr et al. (2017), according to whom CE notion is associated with ‘... end-of-life concept with reducing, alternatively reusing, recycling and recovering materials in production/distribution and consumption processes, thus operating at the micro level (products, companies, consumers), meso level (eco-industrial parks) and macro level (city, region, nation and beyond), to accomplish sustainable development, which implies creating environmental quality, economic prosperity, and social and gender equity, to the benefit of current and future generations’ (Kirchherr et al., 2020: 222-224; Corvellec et al., 2022).

EU (or other relevant) documents may mention the gender dimension. At present, however, these references often remain at a rhetorical level, lacking concrete strategies or action plans for achieving greater gender equality and women’s inclusion (European Commission, 2020; Irigoien, 2021; Koukoulis-Spiliotopoulos, 2008). Neglecting to integrate a gender perspective into policies related to CE risks spreading existing gender inequalities concerning women’s participation and access to the opportunities and benefits promised by CE. Gender equality is not just a peripheral concern – it is a foundational element for attaining sustainable development, which stands as the ultimate goal of CE. Disregarding the gender lens and not leveraging women’s full potential as catalysts of change within CE strategies might inadvertently reinforce historical discrimination and disadvantages women face.

The analysis undertaken in this research aligns closely with the research questions that guide our investigation. Our main findings of women’s impact on CE are nothing short of transformative. Through diverse perspectives, inclusive decision-making, and long-term vision, women enrich the CE landscape with fresh insights and innovative solutions. Their commitment to social responsibility ensures that CE thrives economically and promotes equity and societal well-being (Chavatzia, 2017; European Institute for Gender Equality, 2023; Unay-Gailhard & Bojnec, 2021; United Nations, 2023).

We found that women’s abilities in innovation and adaptability overlap with the path of CE evolution, driving the development of new technologies and sustainable business models. Their mentorship and empowerment initiatives foster a new generation of leaders, creating a robust talent pipeline for the CE community.

In the spirit of collaboration and networking, women amplify the global impact of CE, connecting stakeholders and advancing knowledge sharing. Their advocacy for sustainable practices drives industries towards circularity, reducing waste and conserving resources.

Furthermore, the resilience and determination of women make them indispensable in overcoming challenges and navigating the complexities of transitioning to a circular economy. Women exemplify the values of sustainability, equality, and responsible resource management (Gharbi et al., 2022; Leach et al., 1999; Leuenberger & Lutte, 2022; Vérias, 2015).

As we may note, women who are leaders can serve as role models, inspiring individuals from all backgrounds to engage in CE and contribute to a more inclusive future. Their journeys embody the transformative potential in shaping a world where environmental sustainability and social justice go hand in hand.

As we progress towards a circular and sustainable economy, their influence transcends industries and borders, forging a future where CE thrives, society additions, and opportunities thrive for all.

As evidenced through the brief discussion of local/regional EU policies on CE, it is evident that while the concept of CE has gained substantial traction, the gender dimension and women in leading position needs to be implemented more in practice (European Commission, 2015; 2023a; 2023b; Irigoien, 2021; United Nations, 2023).

There is a little disconnect between acknowledging the gender dimension and actual policy implementations that resonates with the observation made in the *EU Gender Equality Strategy 2020–2025* (European Commission, 2020).

The highlighted discrepancy between rhetoric and action underscores the need to bridge the gap and proactively embed women's considerations into the local/regional CE management framework. The insights provided in the discussions above mirror this critical gap in the current CE discourse, emphasising the potential risks associated with neglecting gender perspectives in policies related to sustainability and circularity.

Women's unique contributions to local/regional circular practices, be they through inclusive management, diverse decision-making approaches, or advocacy for gender equality, can potentially reshape the trajectory of CE policies in the EU. This underscores the need for a more comprehensive integration of gender perspectives and principles into CE strategies, thereby weaving gender equality into the evolution of circularity. This necessitates gender-responsive policymaking, which demands an understanding of gender roles, the embedded gender-based division of labour, and the inequalities that underpin our current local/regional EU system.

When joined effectively, such contributions can permeate the CE paradigm with equity, social justice, and inclusion principles, setting the foundation for a transformative and just transition. Therefore, investigating how women catalyse CE local/regional

development becomes even more important. And this small research may bust future research, raising awareness of women in the CE.

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Vulnerability and Resilience to Radicalisation and Violent Extremism(s) in Slovenia: Perceptions at the Local Level

JANJA MIKULAN & MARTINA MALINOVIC

Abstract In academia and among decision-makers, there remains a pronounced knowledge deficiency concerning the vulnerability and resilience to radicalisation and extremism at the local level. This chapter endeavours to bridge this knowledge gap by scrutinising the perspectives of relevant local stakeholders regarding radicalisation and extremism in Slovenia. Utilising a quantitative research design, specifically an online survey distributed to relevant local entities, 313 responses were garnered. Approximately 50% of the participants identified radicalisation as a medium-level threat. While most forms of extremism were deemed low-risk, ethnic and right-wing extremism emerged as notably pressing concerns in their locales. Notably, all identified risk factors were rated as highly concerning; however, traditional media, internet/social media, and identity crises were singled out as having a particularly significant impact on communities. The data revealed key challenges on the resilience front, notably perceptions of frail social bonds, inadequate inter-stakeholder collaboration, and a dearth of preventive initiatives by key community stakeholders.

Keywords: • radicalisation • violent extremism • risks • local stakeholders
• Slovenia

CORRESPONDENCE ADDRESS: Janja Mikulan, Ph.D., Assistant Professor, School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia, e-mail: janja.mikulan@fuds.si. Martina Malinović, Teaching Assistant, School of Advanced Social Studies, Gregorčičeva ulica 19, 5000 Nova Gorica, Slovenia, e-mail: martina.malinovic@fuds.si.

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1 Introduction

The burgeoning issues of social polarisation, radicalisation, and violent extremism have ascended as paramount challenges to security and the foundational democratic values, resonating at local, national, and EU levels. Following the 9/11 attacks and especially the bombings in Madrid (2004) and London (2005), the EU found itself compelled to adopt renewed strategies. Subsequent years witnessed escalating threats emanating from the Syrian civil war, ISIS's emergence, the proliferation of foreign fighters, a sequence of renewed terrorist atrocities, the 'lone wolf' phenomenon (Musolino, 2021), and advanced recruitment stratagems employed by terrorist factions (Kudlacek et al., 2018), all of which necessitate a recalibration of the EU's counter-terrorism postures (Musolino, 2021). Over the past two decades, the EU's strategic orientation has transitioned from the primarily security-focused Countering Violent Extremism (CVE) to the more encompassing Preventing Violent Extremism (PVE) paradigm. Instrumental steps such as the ratification of the EU Internal Security Strategy in Action (2010)¹ and the establishment of the EU's Radicalisation Awareness Network (RAN) in 2011 underscored the imperative of constructing a collaborative platform of first-line specialists across EU nations (Musolino, 2021). RAN can be considered the main actor able to provide follow-up to the EU's objectives and function as a network to exchange experiences, collect good practices and offer training to first-line responders (RAN, 2023a). While the field of PVE is now engaging more diverse actors (academia, experts from different fields, etc.), the EU's counterterrorism policies are tackling broader social problems (Coolsaet, 2019), and policy initiatives range from educational, youth and economic development initiatives to prisoner rehabilitation schemes (Halilovic Pastuovic et al., 2021), several challenges in effective PVE/CVE remain, including limited knowledge when it comes to vulnerability and resilience on the community level (Kudlacek et al., 2018) (Halilovic Pastuovic et al., 2021). This knowledge is essential for effective P/CVE initiatives. The EU developed several institutions, strategies, and programmes in the P/CVE field, but since the prevention of radicalisation is considered an area that belongs under the sovereign authority of member states (Musolino, 2021), it is important to look at the national and local levels to understand the vulnerability and resilience to radicalisation and extremism, and effectiveness of existing preventive measures due to several reasons.

Radicalisation is highly context-specific, influenced by local factors such as socioeconomic conditions, political climate, cultural norms, and community dynamics. By engaging with local stakeholders, we can obtain a more nuanced understanding of how these factors interact and contribute to radicalisation in a particular area. As stated by RAN, despite several reasons and different pathways of radicalisation, all at-risk individuals live locally and interact with extremist milieus embedded within some local communities (RAN, 2016). Further, local stakeholders often have intimate knowledge of the local communities and their vulnerabilities. They can help identify individuals or groups at risk of radicalisation before they become involved in extremist activities and are thus essential for developing effective prevention and intervention strategies. Local

stakeholders have a vested interest in preventing radicalisation and extremism in their midst. Involving them in the research process raises their awareness and empowers them to take ownership of countering these issues. Such a community-driven approach can lead to greater resilience against extremist ideologies.

Consequently, this chapter delves into the Slovenian case study. While globally recognised as a paragon of peace (Institute for Economics & Peace, 2023), Slovenia is not immune to certain risk trajectories that could potentiate radicalisation and extremism. Since 2018, the Slovenian Research and Innovation Agency (ARIS) funded two seminal projects focused on these phenomena. The ‘Radicalisation and Comprehensive Countermeasures in the Republic of Slovenia’ investigated indicators of (Islamist) radicalisation within Slovenia, institutional responses to radicalisation, explored radicalisation susceptibility among university students and suggested a radicalisation awareness network for Slovenia (Prezelj et al., 2021). Concurrently, another project dissected radicalisation and violent extremism’s philosophical, sociological, and educational dimensions (Pedagoški inštitut, 2021). We have also identified a few projects related to radicalisation and/or violent extremism that Slovenian NGOs and state institutions have implemented. For example, two projects (project HOPE² (Uprava Republike Slovenije za probacijo (UPRO) – Slovenian Probation Office) and project SERENY³ (Mirovni inštitut – The Peace Institute)) focused on prison and probation environments. Two other projects (Why so radical?⁴ (Socialna akademija – Social Academy) and De(Radical)⁵ (Zavod BOB – Institute BOB)) focused mainly on empowering youth workers to tackle the issues of radicalisation and extremism through different approaches and tools.

However, a gap remains in understanding the risks, vulnerability, and resilience to radicalisation and extremism. This chapter, therefore, endeavours to illuminate the perceptions of select local stakeholders concerning radicalisation and violent extremism vulnerability and resilience within their proximate settings. To this end, we assimilate perspectives across multiple dimensions. Initially, we assess stakeholders’ overarching radicalisation risk perceptions and pinpoint which extremist ideologies are deemed most menacing. Subsequently, we elucidate a Risk Assessment Matrix, cataloguing potential community hazards by their magnitude. Lastly, we expound on resilience mechanics, presenting insights on social connections, stakeholders’ proactive PVE measures, and their collaboration with local entities and the broader community.

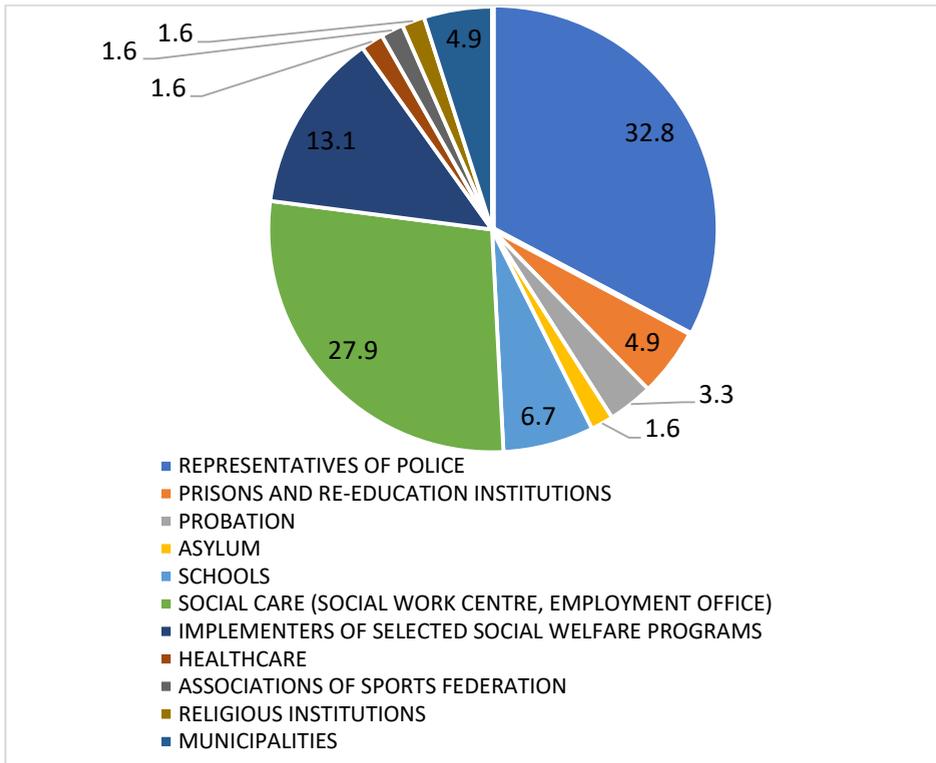
2 Methodological approach

In pursuit of the study’s objectives, this chapter employs a quantitative research methodology, particularly utilising a questionnaire distributed through an online survey platform, IKA. This methodological selection facilitates objective assessments and the subsequent quantitative analysis of the gathered data. Such a design is conducive to

extrapolating findings across distinct groups, providing insights into the vulnerability and resilience concerning radicalisation and violent extremism within the Slovenian context.

The survey instrument drew inspiration from and is rooted in the findings and toolkit that pertains to cross-regional vulnerability and resilience factors, established under the auspices of the PAVE project (Preventing and Addressing Violent Extremism through Community Resilience in the Balkans and MENA). Structurally, the questionnaire encompassed 42 items. Of these, 33 items were structured as closed-ended queries employing a Likert scale to gauge proportional responses. Another two items provided multiple answer choices, facilitating the quantification of response frequencies for each choice. Additionally, seven open-ended items granted respondents the liberty to articulate their perspectives. This instrument was disseminated to relevant stakeholders across twelve urban municipalities, listed as follows: Celje, Koper, Kranj, Krško, Ljubljana, Maribor, Murska Sobota, Nova Gorica, Novo mesto, Ptuj, Slovenj Gradec, and Velenje. The survey has targeted all stakeholders who have been previously recognised by academia and practitioners as crucial in preventing and countering violent extremism (Prezelj et al., 2021; RAN, 2023b). We have adopted purposive sampling, which refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that we need in the sample, in our case those recognised as relevant for P/CVE. Our sample included the 12 urban municipalities stated above, eight police administrations, six prisons and one re-education institution, five probation units, the Government Office for the Care and Integration of Migrants/Asylum, 138 primary and 108 secondary schools, 22 social security institutions (12 centres of social work and 10 employment agencies), 48 selected entities whose social security programmes were selected for state funding in 2022, 12 health centres, 12 association of sports federations (Olympic Committee of Slovenia) and 18 religious institutions related with the three biggest religious groups in Slovenia (Roman Catholics, Muslims and Orthodox). We offered the option that the questionnaire be responded to by multiple representatives per institution/organisation. Of the 313 responses, only 61 participants (19.5%) identified themselves and 252 (80.5%) remained anonymous. Among the 61 identified institutions, the most respondents were representatives of police and social care. As demonstrated in Figure 1, the responding entities comprised representatives from various sectors: police (22.5%), prisons and re-education institutions (3.4%), probation services (2.3%), the asylum centre (1.1%), educational institutions (4.5%), social welfare entities (encompassing both state-affiliated and civil society groups, amounting to 28.1%), health institutions (1.1%), sports organisations (1.1%), religious bodies (1.1%), and municipal representatives (3.4%). Of the 313 received responses, 191 were comprehensively completed, while 122 were only partially completed due to some omitted responses. The data collection phase spanned from September 4, 2023, to September 18, 2023.

Figure 1: Structure of respondents (in %)



Source: Authors.

3 Main concepts

A clear consensus in the research community is that there is no conceptual clarity when it comes to defining the terms of radicalisation and (violent) extremism (Coolsaet, 2019). What is relatively new is the connection between these two concepts (Halilovic Pastuovic et al., 2021).

This chapter adopts the conceptualisations of radicalisation and (violent) extremisms adopted by a consortium of organisations/experts working on the already-mentioned PAVE project and largely aligns with the EU’s definition of the terms. Thereby, we understand radicalisation as a complex process of changing beliefs, feelings and behaviour in a direction that increasingly justifies inter-group (political) violence and demands sacrifice in defence of the in-group. It is a process that can lead to extremism and extremist behaviour (Halilovic Pastuovic et al., 2021). We have decided on this

conceptualisation since it is inclusive and encompasses different dimensions of radicalisation, including emotional, cognitive, and behavioural.

Polarisation leads people to approach complex social issues in ‘black and white’ terms, and they contrast and clash sharply with those holding views different from their own. The ‘othering’ of groups that hold opposing views, a trend often seen in polarised settings, hinders meaningful debate in a democratic setting. Polarisation sows stark divisions within society that can (though not always) provide an enabling environment for the rise of extremist ideologies and movements (RAN, 2023c).

In general, extremism is a phenomenon that occurs at the margins in contrast to moderate cores; therefore, the definition is largely dependent on the context. However, since we are exploring the European context, we understand extremism as an ideology that opposes democratic values and institutions, pluralism, and human rights (Halilovic Pastuovic, 2021). Extremism feeds on polarisation because it seeks to propagate a system of beliefs based on superiority and a struggle between an identity-based ‘in-group’ over an ‘out-group’, framed as ‘us versus them’. In this struggle, the ‘other’ is frequently dehumanised; this is coupled with condescending and hate-filled views and actions. Many people subscribing to extremist ideologies do not endorse the use of violence; however, those who do pose an immediate threat to the security and safety of communities, while those who cannot contribute to the further fracturing of social cohesion (RAN, 2023c).

As posited by Berger (2017), extremist ideologies encapsulate three structural components: the substantive content comprising texts and values, the distribution mechanisms, and the overarching ideology itself. Such an ideology demarcates an in-group rooted in race, religion, or nationality whilst concurrently contriving an antithetical out-group. An extremist trajectory is realised when the in-group perceives its prosperity as inextricably linked to antagonism against the out-group (Berger, 2017).

While polarisation and (violent) extremism are separate phenomena, they are linked; therefore, addressing polarisation should be a priority for practitioners working to improve security and reaffirm respect for human rights and democratic values (RAN, 2023c).

Navigating the conceptual lacunae associated with both counteracting and forestalling violent extremism, the construct of ‘resilience’ has burgeoned as a seminal advancement within the security studies ambit (Halilovic Pastuovic et al., 2021). In consonance with PAVE’s stance, we delineate resilience as the adaptive capacity of political entities and both formal and informal governance mechanisms at the community echelon to acclimate evolving sociopolitical landscapes. It accentuates amplifying the constructive attributes intrinsic to societies, communities, or individuals (Halilovic Pastuovic et al., 2021). Given our research’s focus on the community stratum, our exploration predominantly traverses elements of community resilience and susceptibility. Community resilience is broadly

deemed pivotal for navigating adversities and perturbations (Quinn et al., 2021). Recognising the centrality of social connections as foundational to community resilience (Ellis & Abdi, 2017; Ryan et al., 2018), we also endeavour to elucidate perceptions pertaining to diverse social ties within local communities and the extent of collaborative endeavours among local stakeholders in the realm of radicalisation and violent extremism prevention.

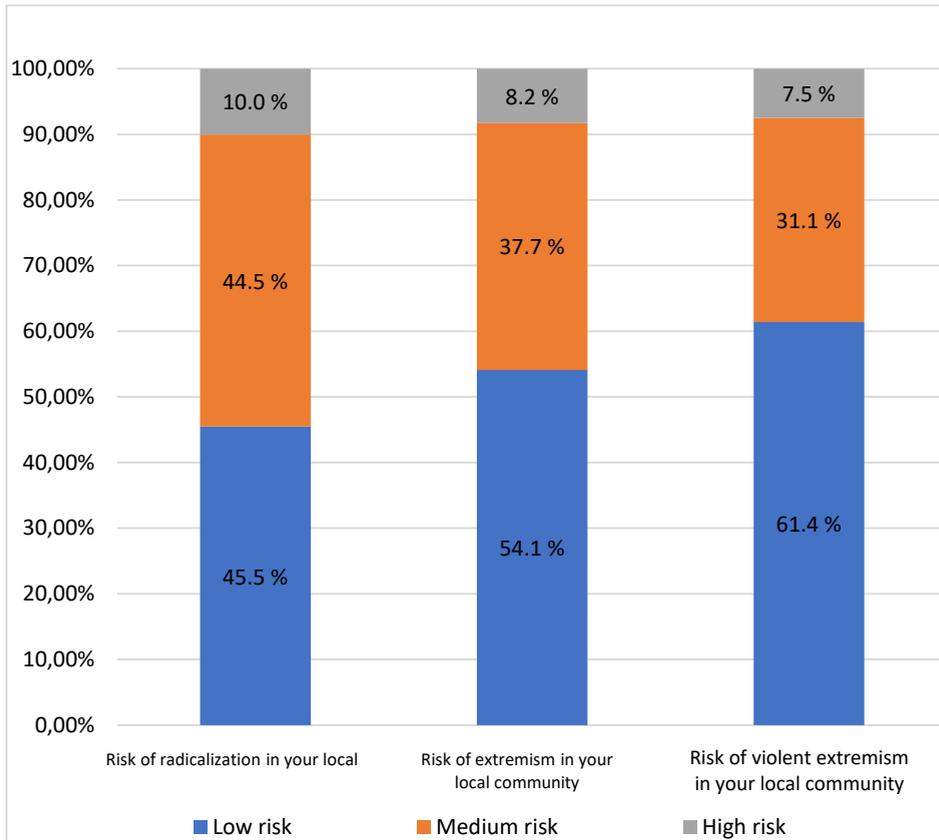
4 Perceived vulnerability and resilience in Slovenia

The rest of the chapter is structured into three principal segments. The initial segment delves into the perceptions of various stakeholders regarding the overarching risk of radicalisation and violent extremism, emphasising discerning which manifestations of extremism are viewed as most perilous. The intermediary segment introduces a Risk Assessment Matrix that delineates potential hazards impinging upon a community. Our examination encompasses two converging dimensions: (1) the probability of the occurrence of the risk event and (2) the consequential implications this risk may engender for the community. Risk is construed as the likelihood of a specific adverse event materialising due to exposure to a threat. While a threat is a requisite precursor for exposure to a hazard, it is not an exhaustive condition. Hence, risk evaluation is contingent upon gauging the probability of the threat in tandem with the scale of the prospective adverse event. The concluding segment offers a perspective into the mechanics of resilience by elucidating perceptions about social connections. It also delineates the proactive measures undertaken by local stakeholders in radicalisation prevention and Preventing Violent Extremism (PVE) and their collaborative endeavours with other community stakeholders.

4.1 Perceptions regarding radicalisation and violent extremism

The phenomena of radicalisation and extremism, with particular emphasis on violent extremism, are predominantly categorised as low to medium risks by pertinent stakeholders at the local echelons in Slovenia (refer to Figure 2). Based on the responses obtained, a mere 10% of the participants perceive a heightened risk of radicalisation within their local communities. This proportion dwindles further in relation to the perceived risks associated with extremism (8.3%) and violent extremism (7.5%). Such evaluations are likely influenced by Slovenia's historical absence of significant violent extremism incidents. Nonetheless, considering that nearly half of the respondents rate radicalisation as a medium risk, and approximately a third view (violent) extremism similarly, it underscores the latent presence of these challenges within Slovenian local communities. This accentuates the imperative nature of a more comprehensive exploration of these phenomena to bolster Preventing/Countering Violent Extremism (P/CVE) strategies.

Figure 2: Perceived risk of radicalisation and (violent) extremism in Slovenia



Source: Authors.

4.1.1 Perceptions regarding different forms of extremism(s)

The investigation delved into participants' evaluations of the severity of diverse extremist manifestations within their communities, encompassing religious (both Islamist/Jihadist and Christian), political (right-wing, left-wing, and anarchist), and ethnic classifications. As depicted in Figure 3, a majority of participants perceive a diminished risk associated with most forms of extremism, with Christian extremism standing out as particularly low risk. Notably, ethnic extremism and right-wing extremism emerged as the most salient, with 158 and 146 respondents, respectively, categorising them as medium or high-risk manifestations. Such results are in line with rising right-wing violence across the EU that has several ideological subcurrents from neo-Nazi movements, anti-Islam, and anti-migration movements, identitarian movements, ultranationalist and neofascist

movements, far-right sovereign citizen movements and single-issue extremists (RAN, 2021).

Within the Slovenian milieu, these two manifestations of extremisms might possess intrinsic interconnectedness. There is the potential for nationalism to predominantly manifest through far-right channels, though this should not be considered synonymous. Ethno-nationalist extremism typically encompasses activities by entities or individuals advocating for violent identity-based, racial, cultural, or ethnically inclined political endeavours (Halilovic Pastuovic et al., 2021). Carter (2018) proffers a streamlined definition of right-wing extremism, encapsulating authoritarianism, anti-democratic stances, and exclusionary or encompassing nationalism. Additionally, xenophobia, racism, and populism are posited as concomitant characteristics (Carter, 2018). For instance, certain Western far-right factions champion cultural nationalism, portraying Muslim traditions as retrograde and oppressive, and emphasise safeguarding Western heritage from Muslim migration and potential Islamisation. Beyond this cultural and ethnic nationalism lies racial nationalism, which predicates on the superiority of the white race, viewing racial amalgamation as an existential threat and endorsing subjugation, deportation, or elimination of perceived inferior races (RAN, 2019; Halilovic Pastuovic et al., 2021).

One of the most recent studies on populism in Slovenia (Pajnik, 2018) shows that populism in various forms can be found across the political spectrum and that the entire political field largely practices straightforward, top-down and one-sided communication. However, they also found that some typical characteristics of populist communication, like blaming the 'other' (minority groups), denouncing elites and the media, and anti-communism, which are problematic in terms of radicalisation and can be found only in the communication of right-wing and nationalist parties.

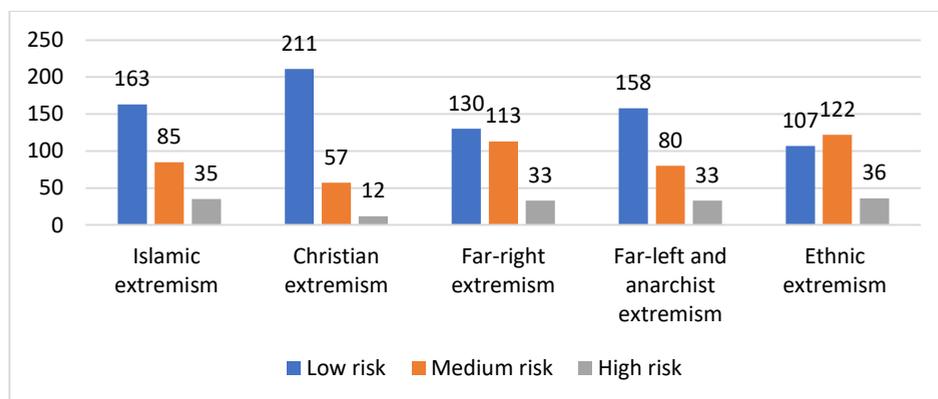
In Slovenia, pervasive 'extreme nationalist', even 'fascistoid' rhetoric was first observed as a distinction of populism as exemplified by the Slovenian National Party, led by Zmago Jelinčič. The party, which showed a steep rise during the first parliamentary elections in independent Slovenia in 1992 advocated the purification of the Slovenian nation from Yugoslavs, migrants, gays and lesbians, and so forth (Rizman, 1999). To this day, Jelinčič remains a 'populist icon', one of the most publicly visible populist political figures in Slovenia. He was soon joined by Janez Janša, the leader of the Slovenian Democratic Party (SDP). The SDP has adopted overt anti-immigration rhetoric, arguing that the migrants pose a threat to the country's safety and the welfare of native Slovenians. In general, the practice of 'othering' proved to be an essential part of (right-wing) populism in Slovenia. There is a pattern of recurrence of the same groups in the practices of 'othering', namely migrants, 'non-Slovenians', LGBT, women, Roma, and the 'erased'. Similarly, there is a recurrence of topics addressed in the anti-standpoints of the right-wing parties, which are targeted against communism, 'left ideology', the media, multiculturalism, and social protection provisions (Pajnik, 2018). Besides 'othering',

another important element of populism turned out to be self-victimisation: research results showed that political actors attempt to establish an image of themselves as victims, particularly of the media, but also of other actors, such as former communists, radical left-wingers, radical homosexuals, and so on (Pajnik, 2018).

When it comes to proscribed right-wing extremist organisations, Slovenia has one such organisation called Gibanje Zedinjena Slovenija (led by Andrej Šiško who is also a leader of the Slovenian paramilitary unit Štajerska varda), which was banned in 2019 (Centre for the Analysis of the Radical Right, 2021).

Such trends imply that further investigation of whether and how such political discourses and trends impact social polarisation, radicalisation, and violent extremism in Slovenia is crucial for P/CVE strategies.

Figure 3: Perceptions regarding different forms of extremism in local communities



Source: Authors.

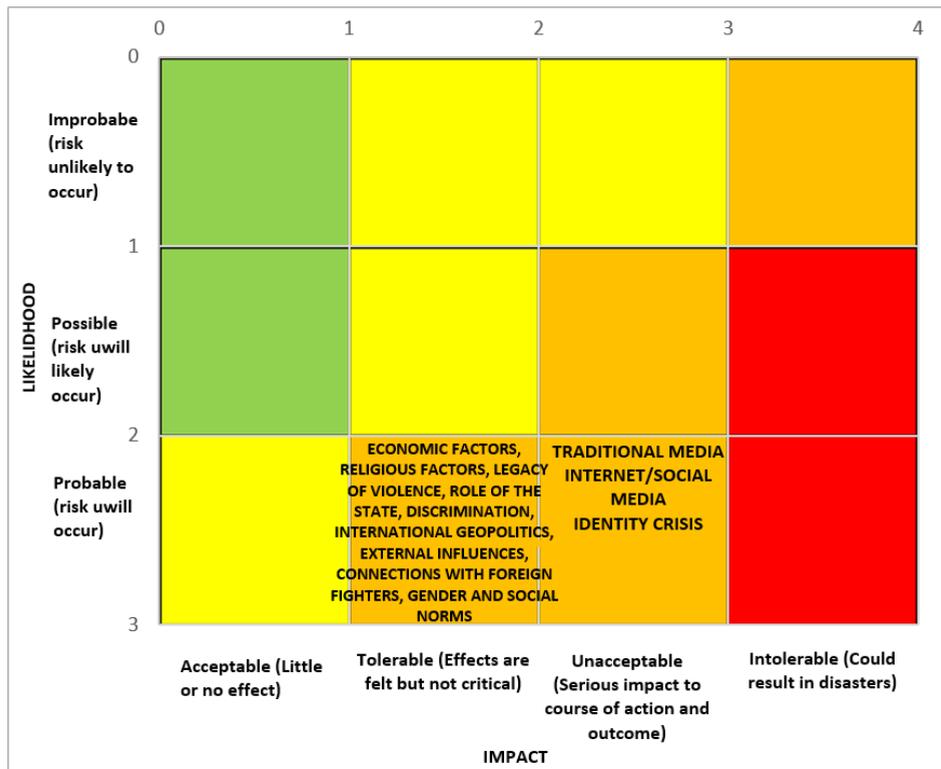
4.2 Risk-Assessment Matrix

Based on existing research on relevant factors of vulnerability to radicalisation and violent extremism on the community level, we gathered the perception of the severity of twelve different risks: specific economic factors, specific religious factors, legacy of violence, specific role of the state, discrimination, international geopolitics, external influences, connections with foreign fighters, gender and social norms, traditional media, internet/social media, and identity crisis.

A risk assessment matrix is a visual tool that depicts the potential risks affecting a community. The matrix is based on two intersecting factors: the likelihood that the risk event will occur (probability), and the potential impact that the risk event will have on the

community (severity of risk). The risk assessment matrix presents various risks as a chart, colour-coded by severity: severe risks in red, high risks in orange, moderate risks in yellow, and low risks in green (Halilovic Pastuovic et al., 2021).

Figure 4: Risk Assessment Matrix



Source: Authors.

Participants in the study uniformly identified an array of factors as bearing significant risk (denoted in the colour orange). Nine of these factors, while deemed to possess tangible effects, were classified as tolerable in their potential impacts. However, three salient determinants (i.e., traditional media, internet/social media platforms, and identity crisis) were classified as unacceptable due to their perceived potential for profound consequences.

As an entity and an influencer, the media is predominantly perceived as exacerbating radicalisation trajectories. Insights from the PAVE project (2023) corroborate this, highlighting media-induced radicalisation via misinformation, sensationalism, and

deficient editorial controls. A debate is ongoing about whether the media reflects an increasingly divided world or is actively worsening this division by covering polarised politics and politicians; however, there is a risk that the media is fuelling a kind of top-down polarisation. Elite polarisation, marked by growing ideological gaps between political parties and increased uniformity within them, does not automatically mean a divided society; it influences how the public forms opinions, leading to mass polarisation. Therefore, media coverage of divisive politics or issues could promote and strengthen polarising viewpoints. (RAN, 2023c). Despite this potential to convert elite polarisation into mass polarisation, current research needs to show that mainstream media is having a notable polarising impact. This does not necessarily mean that the media has no effect, but it implies that research is lacking and that existing studies must show a strong correlation. A more pressing issue seems to be the influence of fringe, alternative populist media platforms in fostering polarisation from the bottom up. This is particularly concerning as mainstream media, which could counteract polarisation, faces challenges related to changes in the media landscape, trust issues, financial stability, and declining interest (RAN, 2023c). Conspiracy narratives make up a significant portion of problematic content on alternative media outlets. Such content can encourage people to hold hostile views, incite them to advocate, and even carry out attacks against other groups (RAN, 2023c).

Such findings underscore the necessity for an in-depth examination within the Slovenian context regarding both mainstream and alternative media platforms. The intricacies of the Slovenian media landscape, particularly concerning media ownership structures and the intertwining of state interests, further complicate this narrative (Petković et al., 2006). Post-1991 independence, the Slovenian state has maintained a substantive influence within the media sector. Privatised media outlets, ensnared in cross-ownership dynamics, have experienced a marked shift in editorial and administrative control from employee-centric to economic stakeholders closely affiliated with political arenas (Ribač, 2019). Several studies (Petković et al., 2006; Ribač, 2019) discern discernible regressive trends in media outputs, potentially influencing radicalisation pathways. Such trends encompass an overpowering focus on politicised crime narratives, diminished or negatively skewed representation of minorities (notably Muslims), vulnerable groups, civil society, and a Eurocentric perspective on global affairs.

Compounding the issue is the increasing disdain displayed by right-wing populist factions towards media, typified by accusations of falsehood dissemination, elite alignment, and misaligned public interests. This emergent trend, especially pronounced between 2020 and 2022 (Pajnik et al., 2023), holds potential implications for societal polarisation and radicalisation.

Further exacerbating vulnerabilities is the loosely regulated digital and social media landscape, which amplifies the sensationalist tendencies inherent in traditional media. This amplification catalyses the dissemination of radical political diatribes, extremist

ideologies, hate rhetoric, and conspiracy theories (PAVE project, 2023). Regarding the digital realm, extremist entities, particularly those aligned with far-right ideologies, have displayed significant adaptability, transitioning from physical to virtual platforms, co-opting gaming cultures, and leveraging transnational networks (RAN, 2019). A prevailing challenge in the P/CVE arena revolves around the burgeoning cohort of internet-radicalised individuals. While the EU has proactively sponsored initiatives to counteract this phenomenon, member-state adoption remains inconsistent. A palpable lacuna exists in the technological apparatus designed to thwart online radicalisation. Current methodologies predominantly harness open-source, keyword-driven approaches, which have demonstrated limited efficacy (Kudlacek et al., 2018).

Such results regarding the role of media and their impact on polarisation largely align with 2023 RAN findings on the main changes in the extremist landscape across EU countries (RAN, 2023c). A spike in hate crime, particularly online, with misogynistic, racist, xenophobic, and homophobic tendencies is presently widespread and frequently increasing in several countries.

The factor that turned out to be extremely relevant with our respondents is identity crisis, which is related to social identity, which is defined by Tajfel (1978 cited in Charkawi et al., 2021, p 177) as an 'individual's knowledge that he/she belongs to certain groups together with some emotional and value significance to him/her of the group membership'. Social identity can thus contribute to radicalisation and violent extremism, especially through (1) meaningful narratives of belonging and identity that violent extremist groups offer, (2) feelings of being excluded and exploited, (3) becoming disparaging of other groups and adopting a hardened in-group viewpoint, and (4) perceived group injustice (Sageman, 2017 cited in Charkawi et al., 2021).

In Western societies, the issues of social identity and belonging are largely related to Muslim communities, including in Slovenia, where Muslims present the second-largest religious community with approximately 48,000 members. Especially since the September 11 attacks, studies show that Muslim minorities living in the West have generally felt an increased sense of apprehension and belief that they are under attack and have revealed their perception of injustice (Charkawi et al., 2021). Identity crisis often pertains to subsequent-generation immigrants/refugees who possess attenuated connections to their ancestral origins. These communities often grapple with cultural liminality, characterised by detachment from their roots and incomplete assimilation within their adopted homeland, culminating in a profound sense of alienation (PAVE project, 2023).

In Slovenia, the Muslim community experiences a unique set of circumstances. While they are somewhat tolerated due to their shared South Slavic heritage with the predominantly Catholic population, they also encounter discrimination and prejudice. Research conducted by Bajt (2008) indicates that Islam is largely absent from public

discourse in Slovenia, leading to stereotypes filled with misconceptions and biases and, consequently, prejudices (Bajt, 2008).

While current cases of Islamic radicalisation in Slovenia are of lower intensity in comparison to some other countries (Kocjančič & Prezelj, 2020), the phenomenon is not completely absent and requires further exploration, especially when it comes to understanding how discrimination and prejudice might affect attitudes and behaviours towards radicalisation and violent extremism.

Furthermore, participants pinpointed an array of ancillary factors perceived as radicalisation and violent extremism catalysts within their communities, which include:

- Presence of specific ethnic communities (e.g., Roma, Kosovar migrants).
- Challenges inherent to integration and migration frameworks.
- Socio-economic disparities, accentuated by burgeoning social divides, financial constraints, and poverty.
- Mental health concerns.
- Inadequate institutional responses (governmental entities, penitentiaries, educational institutions, medical sector) and institution-specific managerial malpractices endorsing radical ideologies.
- Restrictions on religious freedoms.
- Societal tolerance towards violence.
- Emergence of undemocratic tendencies, encompassing disregard for human rights, ethical lapses, media diversity deficiencies, etc.
- Insufficient awareness of radicalisation and violent extremism trajectories.

4.3 Dynamics of resilience

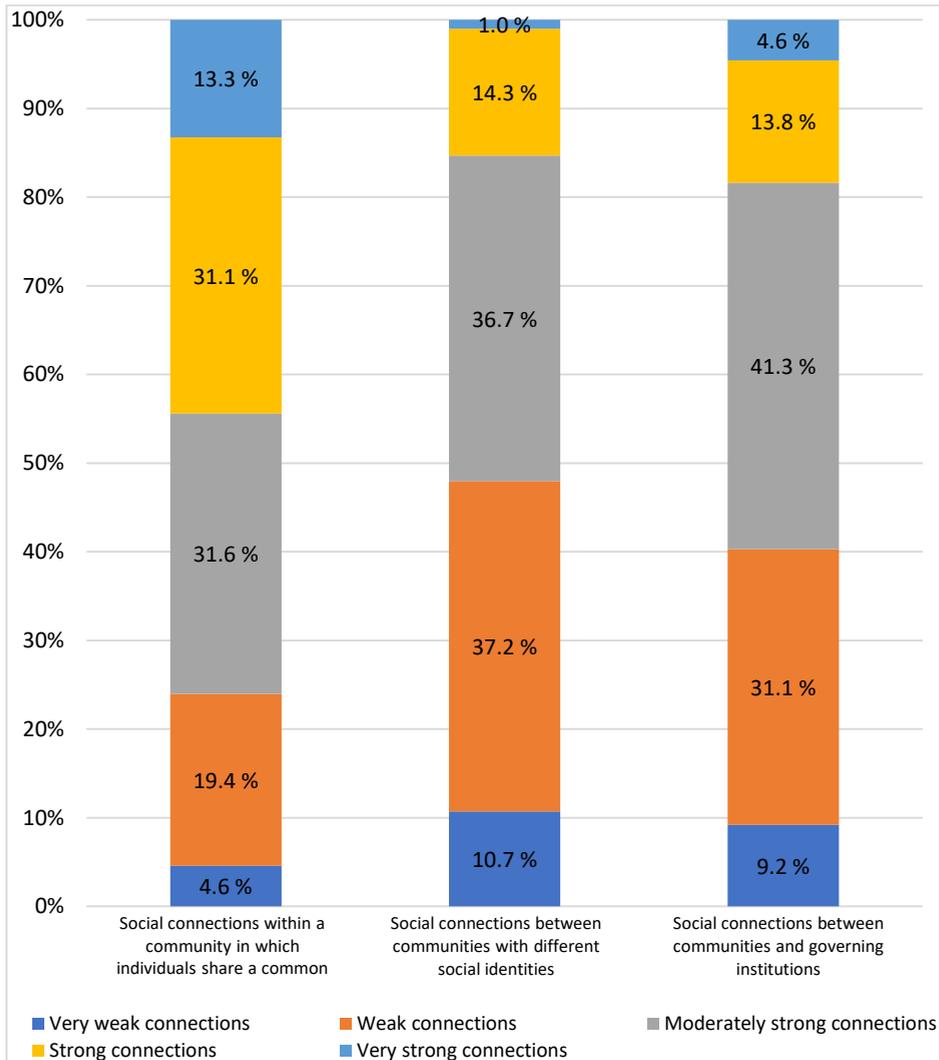
In the concluding segment, we will elucidate the dynamics of resilience by delineating participants' perceptions surrounding social interconnectedness. Additionally, we will shed light on local stakeholders' proactive measures in the realm of radicalisation prevention, PVE initiatives, and their interactions with other local entities and the broader community.

Given the research's emphasis on community-level (meso) dynamics, we delved into the conceptual understanding and significance of social connections within communities. Ellis and Abdi (2017) have accentuated the pivotal role of social connections in bolstering community resilience. Within this framework, three distinct modalities of social capital emerge: social bonding (intracommunal connections), social bridging (intercommunal connections), and social linking (connections spanning communities and institutional or governing bodies). Renowned scholar Robert Putnam, who advanced the notion of bridging, characterises bonding social capital as introspective, amplifying insular identities and fostering homogeneity. In contrast, bridging social capital is extrospective, cultivating relationships amongst diverse entities (Putnam, 2000). In the context of local

vulnerabilities and resilience vis-à-vis radicalisation, the bridging paradigm is instrumental in illuminating trust, social cohesion, reciprocity, civic affiliations, collaboration, cooperation, communal solidarity, and mutual assistance (Heydemann & Powell, 2020).

A substantial proportion of our participants, precisely 62.8%, opined that the social fabric within communities (where members share an intrinsic identity) is robust. However, their perceptions of inter-communal relationships, especially between demographically distinct communities and their interactions with governance structures, were more tepid than the bonds observed within specific communities. Over 40% of participants deemed these connections as either weak or extremely weak. Notably, a minuscule subset, less than 5%, felt that the dynamics of social bridging and linking in their communities were exceptionally robust. Such results could be extremely problematic since social psychological studies have clearly demonstrated that a lack of belonging, characterised by social rejection and exclusion, is associated with violence against those who are involved in shunning behaviours (Buckley et al., 2004; Warburton et al., 2006 all cited in Charkawi et al., 2021) and also towards uninvolved others (Twenge et al., 2001; Warburton et al., 2006 all cited in Charkawi et al., 2021). Thus, the dynamics of ‘othering’ and belonging and their impacts in Slovenia deserve further investigation.

Figure 5: Different types of social connections



Source: Authors.

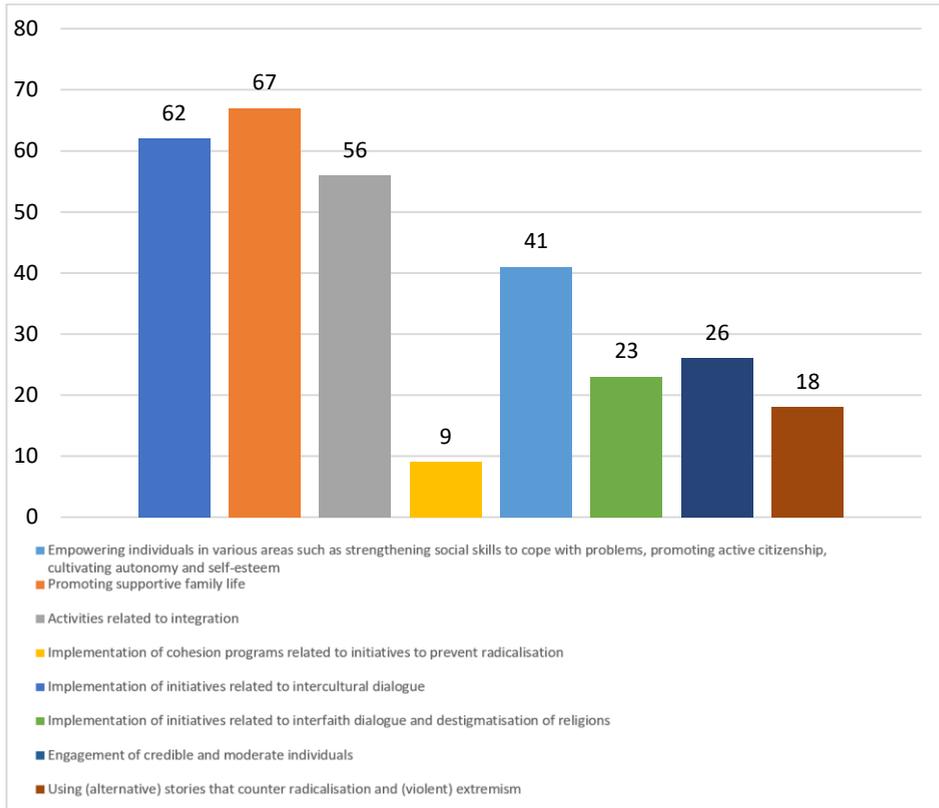
Subsequently, we delved into resilience dynamics by examining the landscape of extant preventive interventions and the collaborative ethos among community stakeholders. A significant proportion of respondents indicated a lack of involvement in initiatives specifically addressing radicalisation and violent extremism. Fewer than 30 participants

acknowledged engagement in initiatives that directly counter extremist narratives, notably through efforts such as destigmatising particular religious affiliations and leveraging the influence of credible figures.

Those respondents engaged in preventive undertakings predominantly operate within four thematic arenas, as visualised in Figure 6: Empowerment initiatives that focus on bolstering individuals' social competencies for problem-solving; Enhancement of active citizenship, autonomy, and self-esteem; Advocacy for nurturing familial ties; Efforts underpinning integration and fostering intercultural dialogue.

To elucidate further, respondents delineated either broad-spectrum prevention initiatives catering to the overarching local community or targeted initiatives directed at demographics or cohorts perceived to be especially susceptible to radicalisation and violent extremism. For instance, children and youth (as evidenced by Centres for Social Work, Re-education Homes, etc.), migrants, incarcerated individuals, and others. Specifically, entities such as the Ptuj Centre for Social Work have instituted programmes championing social inclusion and vocational empowerment, as well as initiatives promoting the integration of migrants into the labour market. They underscore a rigorous stance against violence and facilitate welfare allocations. Certain centres, like the one in Ljubljana, have also taken the mantle of organising preventive workshops in educational establishments, engaging in grassroots-level interventions, and assisting young individuals grappling with transitional challenges through programmes like CONA. On the educational front, surveyed schools highlighted the absence of radicalisation-specific initiatives but underscored broader awareness campaigns or the fostering of active citizenship via curricular components such as 'Me and the World'. From a law enforcement perspective, police departments emphasise the tenets of religious, political, and cultural freedoms and freedom of expression in routine operations and public engagements. Correctional facilities, exemplified by the Koper prison, prioritise equitable treatment of inmates irrespective of their religious or ethnic backgrounds, proactively manage intra-inmate communications, and orchestrate social competence training, especially for those with histories of violent tendencies. They also encourage intercultural camaraderie during recreational periods and active civic participation through humanitarian endeavours. Civil society organisations, especially those helming social security programmes, predominantly cater to migrant youth, imparting essential life skills, promoting mental well-being, and fostering a healthy self-image among young cohorts. Certain religious entities in Slovenia emphasise temperance in public discourse and discernment in sermon topics. Notably, organisations such as the Crisis Centre for Youth and the Centres for Social Work, especially those engaging with individuals on the cusp of violent or criminal trajectories, predominantly employ individualised psychosocial interventions while concurrently liaising with the affected families.

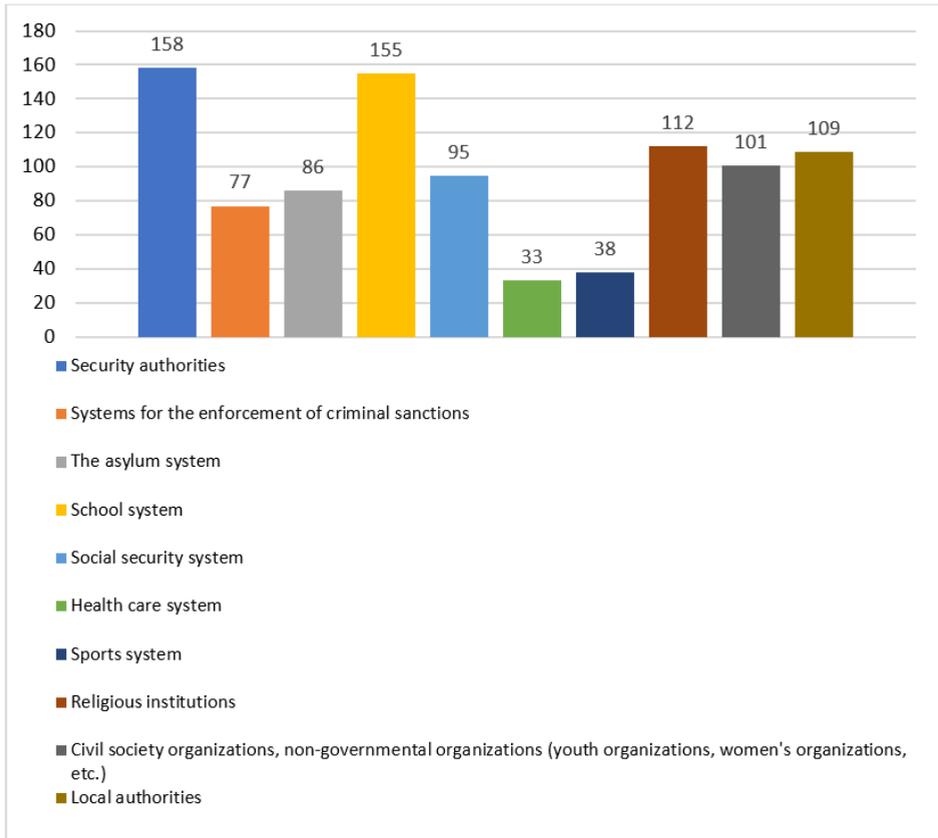
Figure 6: Prevention activities



Source: Authors.

Within the subset of respondents engaged in preventive initiatives, a minority reported collaboration with local stakeholders. Predominantly, these interactions encompass local governmental bodies, civil society organisations, educational institutions, and entities within the security sector, with a notable emphasis on police departments. This underscores the apparent fragility of social linkages within these contexts. As illustrated in Figure 7, respondents predominantly attribute the onus of radicalisation and extremism prevention to the security sector and educational systems. A limited number of respondents also highlight the pivotal roles of local administrative bodies, familial structures, and media outlets.

Figure 7: Relevant local actors for prevention of radicalisation and (violent) extremism



Source: Authors.

Several pivotal observations emerge in analysing resilience against radicalisation and violent extremism at the local level in Slovenia. Notably, while intra-community social bonds appear robust, the participants underscore a pronounced weakness in both social bridging and linking, which may inadvertently provide a conducive environment for radicalisation and extremism. In contemporary societal landscapes, characterised by myriad threats and uncertainties, reactions can frequently be reflexively fear-driven, predominantly orchestrated by neural mechanisms such as the amygdala and the limbic system. Authoritarian regimes or extremist ideologies can catalyse such visceral responses. Heydemann and Powell (2020) categorise these strategies as ‘breaking’ mechanisms, typified by: advocating moral and physical ‘purity’ prerequisites for group inclusion; perpetuating and augmenting prejudices (othering); deploying divisive or

dehumanising rhetoric; scapegoating to deflect blame; endorsing discrimination and violence against perceived inferior groups; propagating through media; and silencing dissent under the guise of patriotism (Heydemann & Powell, 2020). Academics emphasise that these tactics critically reshape cultural norms, societal participation, and individual identity, potentially catalysing radicalisation and extremism. According to Heydemann and Powell (2020), such fear-centric reactions not only impede the forging of novel connections but also erode pre-existing ties, destabilising democratic frameworks and hindering efficacious confrontation of contemporary challenges.

Moreover, though sporadic preventive measures implemented by Slovenian entities exist, a significant portion of respondents abstain from such interventions and seldom collaborate with their local counterparts. The prevailing sentiment entrusts prevention predominantly to the security sector and educational institutions. While the mandate of security agencies remains imperative, the onus of PVE should not be their exclusive purview. The acknowledgement of educational institutions as pivotal stakeholders is germane, especially given their potential to foster critical thinking, champion social inclusion, and reinforce European values of freedom, tolerance, and mutual respect (Musolino, 2021). However, a pressing need exists for a broader recognition of an interdisciplinary, multi-stakeholder approach. Such a collaboration – spanning different territorial tiers, sectors, institutions, and communities – is paramount for efficacious identification and mitigation of radicalisation and extremism. As RAN (2016) delineates, individuals prone to radicalisation or extremist tendencies, regardless of their distinct motivations and trajectories, predominantly operate within local contexts, underscoring the efficacy of local interventions in early detection and prevention (RAN, 2016).

5 Conclusion

In recent years, the domain of radicalisation and extremism has undergone significant evolutions, necessitating the identification of shifts and formulated respective responses, predominantly at the local level. To this end, this chapter scrutinises the viewpoints of chosen local governance bodies and relevant stakeholders involved in local communities, examining vulnerability and resilience vis-à-vis radicalisation and violent extremism within specific locales in Slovenia. The article concludes that while radicalisation and violent extremism are not perceived as high threats in Slovenia, they necessitate vigilant monitoring and proactive engagement from a diverse array of local stakeholders. Based on collected perceptions from local stakeholders, the role of media, the importance of addressing identity/social crises, and the need for inclusive narratives and multi-agency collaboration are central to effective prevention and countering strategies.

Within the Slovenian milieu, radicalisation, and notably violent extremism, predominantly register as low to medium threats amongst local stakeholders. This study further dissects the stakeholders' views concerning the magnitude of varying extremist ideologies within their communities. A majority underscored a minimal threat from many

extremism forms, with Christian extremism particularly highlighted as low risk. However, ethnic, and right-wing extremism emerged as concerns warranting in-depth exploration.

While a majority (9) of the identified risk factors were deemed manageable, indicative of their tangible yet non-critical effects, three determinants, namely traditional media, internet/social media, and identity crisis, were classified as unacceptable with profound repercussions. In terms of future research, special attention needs to be given to the influence of different kinds of media (traditional and social media) in Slovenia, especially (right-wing) populist media platforms that might be fostering polarisation from the bottom up, especially through fake news and conspiracy theories. Consequently, regarding policy recommendations, monitoring and analysing (alternative) media and political rhetoric and conspiracy narratives that could potentially catalyse radicalisation and violent extremism and enhance media literacy skills becomes essential.

Emphasis should also be accorded to navigating identity crises and feelings of alienation, especially amongst the younger population. As articulated by Powell and Menendian (2016), the mere establishment of inclusive structures is insufficient, but it is imperative to foster inclusive narratives that can support us all. This means generating stories of inclusion that reframe our individual and group identities while rejecting narratives that pit 'us against others' (Powell & Menendian, 2016). This bears profound significance in the Slovenian scenario where a notable proportion of respondents (62.8%) identify robust intra-community bonds rooted in shared identities. Conversely, inter-community relations, especially those traversing diverse social identities and those with governing institutions, are perceived as comparatively fragile.

Additionally, this research delves into resilience through the lens of prevailing preventative measures and inter-stakeholder cooperation, which is found to be markedly scarce. There is a pronounced indication of a deficit in awareness or proactive measures promoting multi-agency cooperation, a critical element in efficaciously addressing radicalisation and violent extremism. Furthermore, the majority of participants did not signify engagement in radicalisation and extremism prevention activities, with fewer than 30 stakeholders actively countering extremist narratives.

Notes:

¹ LexUriServ.do (europa.eu).

² <https://hope-radproject.org/>

³ <https://www.sereny.eu/>

⁴ <https://socialna-akademija.si/za-mladinske-delavce-why-so-radical/>

⁵ <https://www.zavod-bob.si/deradical/>

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The EU Macro-regional Strategies Through the Prism of Regional GDP

ALENKA PANDILOSKA JURAK

Abstract The European Council is in favour of a macro-regional strategy, an integrated framework to address common challenges faced by a given geographical area and relating to Member States and third countries in the same geographical area. The differences in development between regions within macro-regions are considerable. In this chapter, we review the longitudinal data on GDP per capita within the EU macro-regional strategies and compare the macro-regions with each other. The research presented attempts to answer how the implementation of EU macro-regional strategies is reflected in the GDP per capita of EU member regions. The results show that the efforts and financial strategies of the EU in the macro-regions are not reflected in the GDP per capita to the extent that it would contribute to the primary indicator of the cohesion regions.

Keywords: • macro-regional strategies • EUSALP • EUSDR • EUSBSR • EUSAIR • European Union

CORRESPONDENCE ADDRESS: Alenka Pandiloska Jurak, Ph.D., Scientific Associate, Assistant Professor, Rudolfovo - Science and Technology Centre Novo mesto, Podbreznik 15, 8000 Novo mesto, Slovenia; Faculty of Information Studies Novo mesto, Ljubljanska cesta 31a, 8000 Novo mesto, Slovenia, e-mail: alenka.pandiloska@rudolfovo.eu.

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1 Introduction

Since 2009, the EU has been developing strategies for the Baltic, Danube, Adriatic – Ionian Sea and Alpine macro-regions. These macro-regional strategies are new instruments of EU governance that aim to combine territorial cooperation and community cohesion policies with intergovernmental "regional cooperation" involving EU member states and partner countries. The macro-regional strategy aims to mobilise EU member states and non-member states to promote and coordinate territorial and cross-governmental cooperation by creating comprehensive governance structures for cross-sectoral and cross-border policy coordination in the areas of transport infrastructure and environmental protection. Both macro-regional strategies and macro-regions have aroused growing interest in multiple disciplines, including geography, regional planning, political science and public administration, raising questions about their impact on existing territorial co-operation practises and their relevance for regional co-operation. They scrutinise and debate issues such as the relationships between the previously established forms of regional cooperation (Gänzle et al., 2019; Gløersen et al., 2019). A characteristic of macro-regional cooperation is that the strategies cover different policy issues and are not limited to a single topic (such as environmental protection of shared marine or river systems). However, some topics play a more vital role in certain macro-regional strategies than others, reflecting regional geographical specificities and political priorities. The areas of co-operation in the current macro-regional strategy range from shipping, climate change, biodiversity and infrastructure to economic development, education, skills development, tourism and civil security. These areas vary from strategy to strategy and reflect specific regional interests and priorities. The results in the four macro-regions are very different, which is partly due to their development periods. Above all, however, they vary depending on the geopolitical context, organisational landscape, administrative capabilities and political priorities (Gänzle et al., 2019). One of the key aspects of regional cooperation is also regional proximity in industrial symbiosis networks, which can play an essential role in the transformation to a circular economy (Fric et al., 2020; Ursic & Jelen, 2022). Promoting macro-regional integration facilitates the flow of knowledge, information, technologies and good practises, which is particularly important for regions lagging behind in development.

Macro-regional strategies can play a role in future cohesion policies. Indeed, they represent a meso-level intervention that can effectively implement transnational multi-level governance and co-operation, including in innovation policy. (Faludi, 2010; Metzger & Schmitt, 2012; Pagliacci et al., 2020; Stead et al., 2016). Promoting territorial cooperation and cohesion leads to better economic, social and territorial outcomes (Pagliacci et al., 2020).

According to the Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the EU's macro-regional strategies, all four macro-regional strategies

are well aligned with the overall objective of cohesion policy. They strengthen economic, social and territorial cohesion in the European Union and correct imbalances between countries and regions (European Commission, 2022a). In addition, the proposed cohesion policy regulations for the period 2021–2027 contain provisions to facilitate support for projects/activities under the macro-regional strategies, as cooperation between countries and regions is to become common practise (European Commission, 2020), as stated in the 2020 report.

1.1 The relevance of the Gross Domestic Product

Economic growth represents an increase in the potential GDP of a nation. A related concept is the growth rate of per capita output, which determines the rate at which a country's standard of living increases (Samuelson & Nordhaus, 1998). GDP can be calculated using the following approaches: (i) the production approach totals the “value added” at each stage of production, where value added is defined as total sales minus the value of intermediate inputs into the production process, (ii) the expenditure approach adds up the value of purchases made by final consumers, or (iii) the income approach totals the income generated by production (Callen, 2023). Potential GDP is the amount of national product that would be produced if the economy were operating at normal capacity or full employment. The calculation of GDP and national income can be visualised as a cycle of income and expenditure. In practise, final consumption is not only represented by household consumption. If we approach the interpretation of GDP from the consumption side, we must also add investment, government spending and exports (Lipsej & Chrystal, 2007).

As Tim Callen, a former deputy director in the IMF's communications department, says, it is also important to understand what GDP cannot tell us. GDP is not an indicator of a nation's overall standard of living or prosperity. While GDP per capita, which measures changes in the amount of goods and services produced per person, is often used to judge how wealthy the average resident of a nation is, it ignores factors that may be considered crucial to overall well-being. For example, higher productivity could lead to environmental degradation or other external costs such as noise. But it could also lead to a reduction in leisure time or the exhaustion of non-renewable natural resources. The Human Development Index, which ranks nations based on variables such as life expectancy, literacy and school enrolment in addition to GDP per capita, is calculated by the UN to take these elements into account. The Genuine Progress Indicator and the Gross National Happiness Index are two other attempts to address some of the shortcomings of GDP, although they are not entirely uncontroversial (Callen, 2023).

Although funds are invested in many areas according to EU strategies, the eligibility criteria for Cohesion funds are solely dependent on GDP per capita. For this reason, in this chapter we review the longitudinal data on GDP per capita under the EU macro-regional strategies and compare the macro-regions with each other. The study presented

attempts to answer the following research question: How is the functioning of EU macro-regional strategies reflected in the GDP per capita of EU member regions?

2 The European macro-strategies

There are four macro-regional strategies covering nineteen EU and ten non-EU countries: The EU Strategy for the Baltic Sea Region (EUSBSR, 2009)¹, the EU Strategy for the Danube Region (EUSDR, 2011)², the EU Strategy for the Adriatic and Ionian Region (EUSAIR, 2014)³ and the EU Strategy for the Alpine Region (EUSALP, 2016)⁴. The macro-regions are quite different, but on the other hand pursue the same or similar objectives that are in line with the EU's development strategy. Some countries and their regions are part of one or more macro-regional strategies and are therefore eligible for funding from multiple sources. In the following paragraphs we briefly describe the macro-regional strategies.

2.1 Baltic Sea Region – EUSBSR

The first macro-regional strategy in Europe is the European Union Strategy for the Baltic Sea Region (EUSBSR). The Baltic Sea basin and the surrounding areas make up the largest part of the area covered by the EUSBSR. Around 85 million people live there, spread across eight EU member states (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden), from Lapland to the northernmost point of Germany. It is the second largest and most diverse macro-regional strategy of the EU Member States (European Commission, 2018). The implementation of the EUSBSR is carried out in close consultation with the European Commission and all relevant parties, including local, regional and intergovernmental organisations of the other Member States. The strategy is also open to cooperation with Iceland and Norway, two EU neighbours. The EUSBSR is an inclusive, multi-level governance, open and transparent platform for cooperation and coordination. The strategy focuses on the opportunities and challenges that can be better addressed if the nations of the region make a coordinated effort. Saving the sea, connecting the region and increasing prosperity are the three goals of the EUSBSR. They are interlinked and interdependent, and each of them affects a wide range of policies areas and influences the other goals. Sub-goals are used to support the objectives (EUSBSR, 2023).

2.2 Danube Region – EUSDR

The EUSDR primarily covers the 2,857 km long Danube River basin, as well as the mountain ranges (such as the Alps and the Carpathians) from which its tributaries flow. It stretches from the Black Forest in Germany to the Black Sea in Romania, Moldova and Ukraine. 115 million people live in this region. It is the largest and most diverse macro-regional strategy, encompassing 14 nations, including nine EU Member States (including Austria, Bulgaria, Croatia, the Czech Republic, parts of Germany, Hungary, Romania,

Slovakia and Slovenia), three accession countries (including Bosnia and Herzegovina, Montenegro and Serbia) and two neighbouring countries (including Moldova and parts of Ukraine) (European Commission, 2017; EUSDR, 2023). One of the largest macro-regions, the Danube Region, struggles with a number of problems such as environmental threats (water pollution, flooding, climate change), unutilised shipping potential and lack of modern road and rail connections, insufficient energy connections, uneven socio-economic development, uncoordinated education, research and innovation systems, security deficiencies (European Commission, 2017; EUSDR, 2023), technology transfer (Besednjak Valič et al., 2021) and more. Better coordination and cooperation between countries and regions is needed to address these challenges (European Commission, 2017; EUSDR, 2023).

2.3 Adriatic and Ionian Region – EUSAIR

The Strategy for the Adriatic and Ionian Region – EUSAIR is a functional area defined mainly by the basins of the Adriatic, Ionian Sea. It also includes important land areas and considers marine, coastal and land areas as interconnected systems (EUSAIR, 2023). Ten countries are involved in EUSAIR: four EU Member States (Greece, Croatia, parts of Italy and Slovenia), five candidate countries (Albania, Bosnia and Herzegovina, Montenegro, Serbia and North Macedonia) and a third country, San Marino (European Commission, 2022b). The port hinterland plays a prominent role in view of the intensive movement of goods, services and people triggered by Croatia's accession to the EU and the prospect of other countries in the region joining the EU. The focus on land-sea connections also highlights the impact of unsustainable land-based activities on coastal areas and marine ecosystems. With a population of more than 70 million people, the region plays a key role in strengthening the geographical continuity of Europe. The strategy is based on and closely co-operates with the Adriatic-Ionian initiative. EUSAIR priority projects are proposed as solutions to key challenges of macro-regional importance and are in line with national needs and EU policy objectives for a greener, low-carbon and better-connected Europe. Countries will take concrete actions at national level to achieve common goals/solutions in the region. Seven countries participate in the EU (EUSAIR, 2023).

2.4 Alpine region – EUSALP

The Alpine Regional Strategy comprises seven countries: Austria, France, Germany, Italy, Liechtenstein, Slovenia and Switzerland (European Commission, 2023a). The regions have different demographic, social and economic developments as well as cultural and linguistic diversity. This diversity goes hand in hand with a wide range of government systems and traditions. The common features of the Alpine region and its diversity require cooperation. The Alpine region is a living and working space for its inhabitants and an attractive destination for millions of tourists every year (EUSALP, 2023). The Alps are the water towers of Europe and are recognised around the world for

their natural beauty, diverse landscapes, rich biodiversity and cultural heritage. The region is a unique area with a great potential for dynamism, but faces significant challenges, such as (i) economic globalisation, which requires the region to improve its competitiveness and innovation capacity by developing a knowledge and information society, (ii) demographic trends, in particular the combined effects of ageing and new immigration patterns, (iii) climate change and its foreseeable impact on the environment, biodiversity and the living conditions of the population, (iv) the energy challenges at European and global level, in particular managing and meeting demand in a sustainable, secure and affordable way, and (v) the unique geographical location in Europe, both as a transit area and as an area with specific geographical and natural characteristics, which provides the framework for all future developments. The macro-Regional Strategy is set to provide opportunities to improve cross-border co-operation between the Alpine countries, identify common goals and implement them more effectively through transnational co-operation. Better cooperation between regions and countries is needed to meet these challenges (EUSALP, 2023).

3 Methodology

The list of regions was compiled based on the EU macro-regional strategies (European Commission, 2023b) and Eurostat's NUTS 2 nomenclature (Eurostat, 2021) for each of the macro-regional strategies. Data for gross domestic product (GDP) per capita were extracted from the Eurostat database (Eurostat, 2023) for each region in each macro-regional strategy that is part of the EU member states. Data for non-member states were not selected as we are interested in the impact on EU regions. The data covers several years, from 2010 to 2021, which allows us to take a longitudinal view.

First, the average GDP per capita growth for the macro-region was calculated as one unit. All available years were included in the calculation. Secondly, the average growth in GDP per capita was calculated for each region. The results are percentages. All available years from 2010 to 2021 were included in the calculation, where 2010 is the starting year or year 0. The formula used is a standard formula for growth:

$$\left(\text{number of years minus starting year} \sqrt{\frac{s \text{ (the last year)}}{x \text{ (starting year)}}} - 1 \right) * 100$$

Using the results for the regions, the next step was to calculate the average growth of a microregion under consideration.

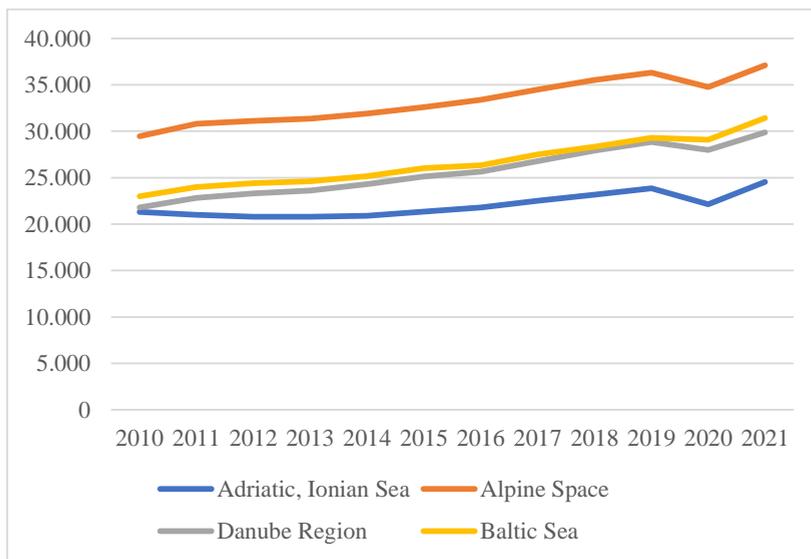
4 The EU regional development

As mentioned in the introduction, regions are eligible for cohesion funding based on GDP. Cohesion policy distinguishes between “less developed regions”, “transnational regions” and “more developed regions”. Less developed regions are those whose GDP per capita is less than 75% of the EU average, transition regions between 75% and 100% of the EU average and more developed regions whose GDP per capita is above 100% of the EU average. Under Cohesion Policy 2014 – 2020, the total number of regions was 274, under Cohesion Policy 2021 – 2027 it is 240 (European Commission, 2014; 2021). The total number of regions has changed due to two factors: The UK is not an EU member, so there are 37 regions, and the other is a statistical factor. There are 3 more regions at NUTS 2 level.

The total number of less developed regions has increased from 72 under the 2014–2020 Cohesion Policy to 78 under the 2021–2027 Cohesion Policy. On the other hand, the total number of more developed regions has fallen from 151 to 95 over the same period. These changes in the distribution of less developed and more developed regions reflect the dynamic nature of regional development and the efforts of cohesion policy to address inequalities and promote balanced growth in the European Union. Even with decreasing numbers due to no UK regions, the decrease in the "more developed" regions is much higher, which means that the distribution of GDP has changed.

4.1 Macro-regional average GDP per capita

The annual averages of all four macro-regional GDP per capita were compared. As can be seen in Figure 1, the differences between the macro-regions are considerable. On the other hand, the level of growth is very similar. Even a decline in 2020 and further growth from 2020 to 2021 are similar in all four regions.

Figure 1: GDP per capita, Macro regional average


Source: (Eurostat, 2023); author's own calculations.

4.2 Comparison of average growth in a region

To support the previous statement, we have calculated the average growth in the macro-regions under consideration. Table 1 shows that the Adriatic, Ionian Sea has the lowest average growth, while the Danube Region has the highest. The difference between them is large, as the Adriatic, Ionian Sea region achieves about 1/3 of the growth in the Danube Region.

Table 1: Average GDP per capita and average growth of GDP per capita in EU Macro-regions

EU Macro-region	GDP per capita 2010	GDP per capita 2021	average growth in a region
Adriatic, Ionian Sea	21,321	24,542	1.15
Alpine Space	29,474	37,097	2.12
Baltic Sea	23,000	31,422	3.21
Danube Region	21,778	29,863	3.43

Source: (Eurostat, 2023); author's own calculations.

The Adriatic, Ionian Sea also has the lowest average GDP per capita. It started at the same level as that of the Danube Region, but then developed much more slowly. Overall, the

Alpine Space has the highest GDP per capita. Interestingly, the Danube Region reached in 2021 the level of the Alpine Space from 2010.

4.3 Number of regions with negative GDP per capita growth

If we take a closer look at the data, we have to emphasise an interesting result. Not all regions had growth in GDP per capita. There are 10 regions, all belonging to the Adriatic, Ionian Sea macro-region, with negative growth. These regions are all part of Greece. Greece has 13 regions, and only 3 of them have positive average growth.

4.4 Comparison between the least developed and the most developed regions

We were also interested in whether the difference between the most and least developed regions in the macro-region has narrowed over the years. We ranked the regions from the region with the lowest to the region with the highest GDP per capita. The ranking was first based on the baseline year 2010 and then on the latest year 2021. We calculated the difference between the values. Based on the data obtained, we were also able to calculate how close the two regions are to each other and what share of GDP the most developed region has in the least developed region.

The region with the lowest GDP changed from 2010 to 2021 in the Adriatic, Ionian Sea macro-region. For this reason, two tables with calculations were created. The least developed region in 2010 was Panonska Hrvatska, which now shows considerable growth, namely 3.1 (see Table 2). Nevertheless, it accounted for just over a quarter of the GDP of the most developed region, the Provincia Autonoma di Bolzano/Bozen, in 2010 and less than a third in 2021.

Table 2: The least and most developed regions' GDP comparison – Adriatic, Ionian Sea per 2010

	2010	2021	average growth
Panonska Hrvatska	10,300	14,400	3.09
Provincia Autonoma di Bolzano/Bozen	39,000	49,100	2.12
difference	28,700	34,700	
% reach	26.41	29.33	

Source: (Eurostat, 2023); author's own calculations.

In 2021, the least developed region became Voreio Aigaio (see Table 3), which achieved negative GDP growth. In 2010, it still accounted for just over 40% of the GDP of the most developed region, but by 2021 this share had fallen to just over 27%.

Table 3: The least and most developed regions' GDP comparison – Adriatic, Ionian Sea per 2021

	2010	2021	average growth
Voreio Aigaio	16,600	13,500	-1.86
Provincia Autonoma di Bolzano/Bozen	39,000	49,100	2.12
difference	22,400	35,600	
% reach	42.56	27.49	

Source: (Eurostat, 2023); author's own calculations.

The least developed region in the Alpine macro-region is Vzhodna Slovenija, which achieves higher average GDP growth than the most developed region, Oberbayern (see Table 4). Vzhodna Slovenija achieves the closest approximation to the most developed region when looking at the macro-regions. Despite the higher average growth, there is no significant difference in reaching the GDP of the most developed region.

Table 4: The least and most developed regions' GDP comparison – Alpine Space

	2010	2021	average growth
Vzhodna Slovenija	17,200	23,900	3.04
Oberbayern	42,700	56,600	2.60
difference	25,500	32,700	
% reach	40.28	42.23	

Source: (Eurostat, 2023); author's own calculations.

The least developed region in the Baltic Sea macro-region is Lubenskie (see Table 5). It achieves very high relative GDP growth, but unlike the Eastern region in the Alpine macro-region, Lubenskie reaches only one fifth of Hamburg's GDP in 2010 and just over 27% in 2021.

Table 5: The least and most developed regions' GDP comparison – Baltic Sea

	2010	2021	average growth
Lubelskie	10,800	16,900	3.87
Hamburg	51,700	61,900	1.65
difference	40,900	45,000	
% reach	20.89	27.30	

Source: (Eurostat, 2023); author's own calculations.

The otherwise least developed region of the Danube macro-region shows the highest average growth among the regions presented so far (see Table 6). Severozapaden is

growing by as much as 5.9%, while the most developed region, Praha, is growing by 2.9%. Nevertheless, its GDP level is insufficient, barely reaching 14% of Prague's GDP in 2010 and less than 20% in 2021. At the same time, it is the Danube macro-region where Praha has the highest GDP in 2021. In 2010, it was Hamburg with a GDP per capita of 51,700, which reached a GDP per capita of 61,900 in 2021, but was overtaken by Prague with a GDP per capita of 65,800.

Table 6: The least and most developed regions' GDP comparison – Danube Region

	2010	2021	average growth
Severozapaden	6,800	12,800	5.92
Praha	47,700	65,800	2.97
difference	40,900	53,000	
% reach	14.26	19.45	

Source: (Eurostat, 2023), Author's own calculations.

5 Discussion and conclusion

In this chapter we have looked at the macro-regional average GDP per capita, a comparison of the average growth in a region, the number of regions with negative GDP per capita growth and a comparison of the least developed and most developed regions. What conclusions can be drawn from the data presented? First of all, given the similarity in the development of GDP per capita of the European macro-regions over the decade, it is difficult to say that one or the other macro-region has developed in a different direction from the others. It is also obvious that the regions reach quite different levels of GDP per capita. The Danube and Baltic Sea regions are fairly equal, but the Alpine region is characterised by the highest GDP and the Adriatic, Ionian Sea by the lowest, reaching only two thirds of the Alpine region. An even greater difference can be seen in the average growth: Adriatic, Ionian Sea achieves only one third of the growth in the Danube Region.

On the other hand, it is also clear to see that the least developed regions in the macro-region are making more progress than the most developed. The only deviation can be seen in the Adriatic, Ionian Sea macro-region, where the picture is strongly influenced by the decline in all Greek regions; not all regions had positive GDP growth. Ten regions in the Adriatic, Ionian Sea macro-region, all belonging to Greece, show negative growth.

If we look at the lowest value of GDP per capita from 2010, we also see a higher average growth in the least developed regions than in the most developed ones. Regardless of the increase in the growth rate, we must recognise the data on the differences within the regions. The least developed region in the Adriatic, Ionian Sea Macro-region was Panonska Hrvatska, which recorded considerable growth but accounted for less than a third of the GDP of the most developed region. Vzhodna Slovenija achieved higher

average GDP growth than Oberbayern, but no significant difference in reaching the GDP of the most developed region. The least developed region in the Baltic Sea macro-region was Lubenskie. Severozapaden recorded growth of 5.9%, while the GDP of Praha was 2.9%. However, it was only 14% of Prague's value in 2010 and less than 20% in 2021. Prague's highest GDP per capita in 2021 was 65,800.

The differences have narrowed slightly over the 11 years. Nevertheless, they are still considerable. From the above, we can therefore conclude the following: (i) with various political-investment and financial instruments we can influence the increase in the development of regions, (ii) the impact can be so large that it exceeds the achievements of already highly developed regions, (iii) a decade is not long enough with the current financial input to significantly reduce the differences, and (iv) the EU's efforts and financial strategies in the macro-regions are not reflected in GDP per capita to the extent that it would contribute to the primary indicator of cohesion regions.

We must bear in mind that in this chapter we are looking at development solely in terms of GDP per capita. This does not mean that there were no other economic, social or infrastructural impacts. Investment in development cannot be measured in short time intervals, so specific impacts will only become apparent after many years. Nor can we talk about macro-regional policies influencing the harmonisation of regions based on GDP, which, as we mentioned at the beginning, is currently the only indicator that divides regions into less developed regions in transition and more developed regions.

Notes:

- ¹ https://ec.europa.eu/regional_policy/sources/policy/cooperation/macro-regional-strategies/baltic/council_concl_30102009.pdf
- ² <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52010DC0715>
- ³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52014DC0357>
- ⁴ https://ec.europa.eu/regional_policy/sources/policy/cooperation/macro-regional-strategies/alpine/eusalp_communicationtion_en.pdf

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Measuring what Matters: A Critical Evaluation of Local Development Indicators

TINE ŠTEGER

Abstract Despite its recognised importance, the concept of local development continues to lack a precise definition. Traditionally dominated by economic growth paradigms, recent global challenges such as environmental degradation, social inequality, and resource depletion have spurred the need for a more sustainable approach to development. Sustainable development, encompassing environmental, social, and economic dimensions, has emerged as a key paradigm shift, emphasising the interconnectedness of these pillars. However, defining and measuring sustainable development presents various challenges, including those related to the interdisciplinary nature of indicators, methodological concerns, data reliability and availability, and the usefulness of results for policy purposes. The chapter explores the challenges in measuring local development in line with the idea of sustainable development and quality of life, using Slovenia as a case study. The current measurement system in Slovenia primarily relies on economic indicators, with a limited representation of environmental and social indicators. The study highlights the inadequacy of existing indicators in providing comprehensive and relevant information for policymaking, emphasising the need for a more holistic, multidimensional approach to measure and understand local development.

Keywords: • local development • measurement • municipalities • sustainable development • quality of life

CORRESPONDENCE ADDRESS: Tine Šteger, Graduate Research Assistant, University of Ljubljana, Faculty of Social Sciences, Kardeljeva ploščad 5, 1000 Ljubljana, Slovenia, e-mail: tine.steger@fdv.uni-lj.si.

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1 Introduction: local development

To understand local development, one must deal with its fundamental nature. What it is, what it is for, what it is intended to achieve and what it should be (Pike et al., 2006). However, the concept was recognised as vague long ago (Coffey & Polese, 1985: 85) and still is (Futo, 2019). It still needs an appropriate, precise, and tangible definition reflecting views on local development in a specific time and space.

Different kinds or types of local development exist (Pike et al., 2006: 39), and the term itself can mean different things to people at different times and different places (Todaro & Smith, 2003: 14). In each era, different theoretical and ideological frameworks emerge, accompanied by different definitions of development, theories of social change, driving forces of development, and specific manifestations of local and regional development (Pike et al., 2007: 1255). Perceptions of local development also vary geographically, from small villages in Africa to big metropolitan cities in Australia. Development is thus a clash of time and space with the idea of the future. Whether it is cities like Ljubljana, Antwerp, or Lisbon, small communities like Selnica ob Dravi in Slovenia, Tomaszow Lubelski in Poland or the car-free island of Unije in Croatia, each place has its own history and heritage, stories and other individual characteristics that influence development trajectories in the present and in the future.

Local development is closely related to the views on development in general. After all, local development is an essential part of the development of a country as a whole (Coffey & Polese, 1985: 85). Like development in general, local and regional development have historically been dominated by classical theories of development, modernisation in line with Western development and concerns such as income, productivity, growth and employment (e.g., Coffey & Polese, 1985: 85; Garofoli, 2002; Todaro & Smith, 2003: 14; Redclift, 1987: 15). As such, it has often been questioned as being overly economic and too focused on economic growth. A development paradigm based on economic growth remained especially popular until the 1970s (Šimleša, 2003: 404), when it became obvious that development policies focused exclusively on economic growth and based on the exploitation of limited natural resources would soon cross the Earth's planetary boundaries. Paradoxically, perpetual economic growth has very little to do with people's quality of life after countries reach a certain level of economic development (Easterlin, 1974), even though common perceptions among people may differ.

One of the first warnings of the environmental challenges posed by resource depletion was often controversially perceived the *Limits to Growth* study in the 1970s (Meadows et al., 1972), as well as similar studies that followed in the future, including more recently (e.g., Steffen et al., 2015) which appealed to the world to change behaviour toward the planet (Klarin, 2018: 71). The changes in the environment are evident in climate change and increasingly frequent natural disasters. With the increasing awareness of existing social challenges, like poverty and inequality, environmental problems, and the

unsustainability of the current rate of consumption of natural resources (e.g., Steffen et al., 2015; Plut, 2022), forms of local development that prove to be more sustainable and durable in environmental, social, and economic terms have been sought (Pike et al., 2006: 114). The above challenges emphasise the urgent need for a new paradigm that considers economic, environmental and social dimensions of development. In this context, we have started to speak about sustainable development (Vintar Mally, 2009: 85-94; Shi et al., 2019: 1-2).

Sustainable development is difficult, even impossible, to define unambiguously as there are several different definitions that change over time. As sustainable development refers to a dynamic process rather than an endpoint, the challenge of defining it is somehow understandable (Dahl, 2018: 42). However, definitions are usually based on the general understanding that there are natural limits to growth and Earth's planetary boundaries. Sustainable development is most frequently defined by the definition provided in the Brundtland Commission Report as development that meets the needs of the current generation that lives on the planet without jeopardising future generations and their ability to fulfil their needs (World Commission on Environment and Development, 1987).

In recent years, sustainable development has become one of the most popular buzzwords on the world's political agenda (Bohringer & Jochem, 2007: 1), a holy grail for modern times (Bell & Morse, 2001: 292) and a key influencer of global, regional and local development (Pike et al., 2006: 113). In its development, the concept of sustainable development became popular as a concept based on three equal pillars: the environmental, the social and the economic pillars of sustainability, also called the *triple bottom line concept*, according to which the ideal of sustainable development is achieved when each of the pillars respects the interests of the other pillars (Klarin, 2018: 84). This view has been criticised by many. Sharpley (2000: 7) argues that development and sustainability could be in a juxtaposition in which both could have possible counterproductive effects. In that regard, a question about true sustainability arises. Shiva (2010: 240) points out that the common understanding of sustainable development is dangerous because it does not properly reflect environmental limits and the need for human activities to adapt to the sustainability of natural systems, which are basic prerequisites for developing all other areas. Above all, without the planet's basic environmental life support systems, there can be no economy or society (Levett, 1998: 295). Accordingly, the prerequisite of environmental sustainability has become a subject of debate on the concept of sustainable development and a fundamental framework for considering future economic and social development (e.g., Klarin, 2018: 70; Plut, 2022).

If we summarise the existing discussions on development, adapt them to the reality in the countries of the European Union and transfer the state-of-the-art ideas about development to the local level, we can make conclusions about what local development is or what it should be at a given time and space. Without an appropriate state-of-the-art definition,

we would remain lost in our efforts to determine the direction of future local (regional, national) development.

If economic development can be viewed as improving economic activity, environmental development as achieving a better quality of the environment and social development as achieving social characteristics that are desirable in a particular society, all in respect for one another and with the Earth's planetary boundaries in mind, then local development can be viewed as a set or combination of these actions at the local level, that together contribute to the overall quality of life.

We argue that achieving sustainable development and improving the overall quality of life is an elemental goal of local development in a given time and space. A broader, multidimensional understanding provides novel prospects for contemplating, grasping, realising, and measuring local development, specifically, what it should be in terms of both the present reality and future visions.

2 Measurement of development

An issue that cannot be measured will be difficult to improve (Bohringer & Jochem, 2007: 1).

Measurement serves for the evaluation of the current situation and the determination of future scenarios. It helps us to assess the results and effectiveness of various public policies and projects applied in the field (Frare et al., 2020). Ideally, the measurement of development supports the creation of policies that are necessary to achieve the desired direction of future development. However, measurement is not only about the assessment of results but also serves as a possible tool to provide early warnings (Pinter et al., 2018: 21). For this reason, studies on local and regional development are inevitably linked to questions of measurement of development (Mazur & Mazurek, 2020: 111; Mascarenhas et al., 2010: 647; Abreu et al., 2019: 1107).

The application of comparable indicators in the context of development assessment facilitates the practice of benchmarking, thereby permitting comparative analyses among municipalities. This, in turn, allows for comparison in time and space and, therefore, enables municipalities to assess their performance relative to others within broader regional, national or, in an ideal but seldom attainable scenario, an international context (Eckerberg & Mineur, 2003; Mascarenhas et al., 2010: 64). Such a comparative approach assists local authorities in identifying both strengths and weaknesses and assessing their potential for action (Mascarenhas et al., 2010: 647), which can enhance efficiency in pursuit of greater sustainability and quality of life (Frare et al., 2020: 1-2). Relative performance proves useful in cases where indicators lack scientifically established thresholds or critical values (Tanguay et al., 2010: 408). Consequently, it supports

recognising intra-regional asymmetries, thereby enabling relevant actors to create targeted policies aimed at mitigating these disparities.

3 Selected issues in measuring local development

One approach to measure progress towards (sustainable) local development is using sustainable development indicators (Bell & Morse, 2001: 292). In the past, in line with historical development trends, the Gross Domestic Product (GDP) has often served as a basic indicator to measure development (Pike et al., 2006: 114). GDP remains a central position within various development measurement approaches, such as the European Union's assessment criteria for determining a country's eligibility for funds from the European Union Cohesion Policy (European Commission, 2023). However, the mere use of the GDP indicator overlooks numerous important aspects of people's quality of life and a broader, holistic way of understanding development (Michalek & Zarnekow, 2012: 2; Levett, 1998: 297). Limitations of the GDP as a basic indicator for assessing progress, coupled with the growing need to take into account various economic, social, and environmental aspects of development, have encouraged the pursuit of alternative approaches to measuring it (Michalek & Zarnekow, 2012: 2-3). The evolution of the theory and practice of indicators to measure sustainable development have strengthened with Agenda 21, adopted at the Rio Earth Summit in 1992, which called for the development of indicators to support decision-making (Dahl, 1998: 42). Since then, numerous experts and institutions have been trying to develop measurement approaches that would meet those expectations (Pike et al., 2006: 30; Morgan, 2004: 884). Since the early 1990s, a multitude of indicator systems have been designed by various experts and institutions to provide comprehensive measures for evaluating development within the framework of sustainable development (Bohringer & Jochem, 2007; Frare et al., 2020). Sustainable development indicators have usually been aggregated into composite indexes and primarily used to compare the performance of specific territories. Most of the composite indexes, such as the Living Planet Index, Human Development Index, or Environmental Performance Index, are mainly suited for measuring development on a national level or regional level, while the measurement in accordance with the broader idea of development on the level of smaller territorial units was undertaken only by a few (Salvati & Carlucci, 2014: 162). Consequently, not many composite indexes are specifically designed for the evaluation of the performance of smaller territorial units, such as municipalities. There are various (however not many) individual attempts, mostly within various state projects (e.g., Municipal Development Index in North Macedonia) or within various research projects (e.g., ECOXXI, RDI, ISMP), which have attempted to provide a framework for the measurement of local development in line with the idea of sustainable development. While the Municipal Development Index in North Macedonia has just been developed and may represent a promising attempt, other research projects have exhibited constraints in terms of time frame, geographical coverage comparability and practical use. Many of these endeavours concluded shortly after their introductions.

The lack of proper local development measures brings to the forefront various challenges regarding the evaluation of the effects of public policies, programmes, and projects applied in a particular territory, including those financed from various EU funds (Abreu et al., 2019: 1107; Michalek & Zarnekow, 2012: 2). Furthermore, this deficiency leaves us with limited insight into the quality of life within a specific geographic area and with limited insights into the influence of various dimensions of sustainable development on it. While the work in the field of developing appropriate indicators to measure local (sustainable) development is still progressing, a salient question arises: What are the main challenges related to the measurement of local development? We will attempt to answer the question with the help of analysis of various studies (e.g., Strezov et al., 2017; Frare et al., 2020; Bell & Morse, 2001) concerned with the construction of sustainable development indicators in the recent past. Analyses have shown that its creators must cope with numerous challenges, among which the most crucial ones are:

- Interdisciplinary approach in the process of conceptualisation and development of the indicators,
- Selection of relevant and meaningful indicators,
- Reliability and availability of data,
- Methodological issues,
- Making the index useful for policy purposes.

3.1 Interdisciplinary approach in the process of conceptualisation and development of the indicators

Various authors (e.g., Strezov et al., 2017: 243) emphasise the need for an interdisciplinary approach in the process of conceptualisation and development of indicators to measure local (sustainable) development. Such a process requires the involvement of experts from different relevant fields covering different dimensions of sustainable development, as there is a clear need for scientific consensus on the indicators used and their standardisation, at least within the territory of a specific country. At the same time, it is necessary to involve representatives of local authorities who directly influence the implementation of sustainable development in practice and have real experience in the field (e.g., Frare et al., 2020). After all, if one wants to make indicators truly effective, then one should include the views of stakeholders who are ultimately intended to design appropriate evidence-based policies (Bell & Morse, 2001). Various methods and techniques are available for the active involvement of stakeholders, ranging from surveys and interviews to the Delphi method. While the process may be challenging, the involvement of all necessary stakeholders, from experts to policymakers, may be very close to a requisite holism. According to Mulej and Kajzer (1998: 131), requisite holism exists when all necessary aspects are included and all necessary interdependencies are considered. This is particularly important with regard to broader issues such as local (sustainable) development.

3.2 Selection of relevant and meaningful indicators

Development indicators should relate to contemporary development trends and visions of the future that prevail in a particular time and space. In the global village, sustainable development has become one of the most popular and widely used buzzwords in today's debates about development (Bohringer & Jochem, 2007: 1) and has become a key influencing factor in local and regional development (Pike et al., 2006: 113). Indicators should be able to measure progress towards policy objectives or goals and progress towards sustainable development with the overall objective of improving the quality of life.

Ideally, the selection of indicators should enable an analysis of the importance of specific economic, social, and environmental factors that influence local development and the quality of life at the same time. One possibility would be to consider indicators that, among other things, already have a proven impact on the quality of life in the communities, such as health, social support, freedom to make life choices, the absence of corruption or quality of the environment (e.g., Helliwell et al., 2020; Helliwell et al., 2023). However, indicators that are intended to measure sustainable development are generally far from comprehensively representing sustainable development (Bohringer & Jochem, 2007: 5). This is particularly problematic for indicators that measure the social dimension of sustainable development, as environmental and economic indicators are more coherent within various studies than social indicators (e.g., Steurer & Hametner, 2013: 235). This may be partly due to the nature of sustainable development, whose very broad definition gives rise to multiple interpretations, which can lead to difficulties in developing and applying sustainable development indicators (Tanguay et al., 2010: 410). Additionally, that may be especially true for its social dimension, as there is a clear lack of consensus about what social development really is (Veenhoven, 2011), what social development means in a particular time and space, and what it means within a broader idea of sustainable development. As emphasised by Levett (1998), the struggle to find and use indicators of sustainable development is intimately bound up with the process of deciding what we mean by the term and what we should do about it.

As there is a lack of consensus on which indicators are the best possible ones, there is also a lack of consensus about the optimal number of indicators. The suggested numbers vary significantly. Studies dealing with measuring sustainable development at the local level use between 16 (e.g., Mascarenhas et al., 2010; Abreu et al., 2019) and 991 indicators (e.g., Michalek & Zarnekov, 2012). These findings are consistent with findings from similar research done by Tanguay, Rajaonson, Lefebvre, and Lanoie (2010: 410). Although there is quite a variation, some researchers (e.g., Bell & Morse, 2003: 38) propose a figure of around 20 indicators as a compromise between manageability and the depth of information. The selection of indicators may also be influenced by accessibility and availability of data, as further discussed in the section about reliability and availability of data.

3.3 Methodological concerns

When discussing the evolution of the methodology for measuring local development, it is essential to acknowledge the methodological challenges that inherently surface throughout this process. The (in)appropriate handling of these challenges can significantly impact the subsequent relevance of the findings, as one can prove almost anything by perhaps changing the methodology only subtly.

The selection of the (most) relevant variables, the choice of indicators for measuring these variables, and the application of appropriate weighting techniques can exert a substantial influence on the estimation of the level of local (sustainable) development (Salvati & Carlucci, 2014: 163). One of the main concerns is in the deliberation over whether to employ qualitative indicators, quantitative indicators, or a combination of both. Previous research has demonstrated that the utilisation of qualitative or quantitative indicators can offer multiple perspectives on the same issue. For instance, while noise pollution may fall within acceptable limits or be far under critical values, it may still be subjectively perceived as overly disruptive by a substantial portion or even by the majority of residents in a specific area. However, it is worth noting that quantitative indicators have inherent value and constitute a fundamental component of any endeavour to assess sustainability (Bell & Morse, 2001: 298-304).

3.4 Reliability and availability of data

The conceptualisation of appropriate and meaningful indicators would be much easier without various challenges about the reliability and availability of data required for measurement. Such challenges, more specifically about specific domains, costs of measurement, and time-related issues of collection and analysis of data, are emphasised in various studies (e.g., Abreu et al., 2019: 1110; Mazur & Mazurek, 2020: 127; Pires et al., 2014: 1). We can detect lack of available data about various elements of sustainable development, in particular those concerning social and environmental dimensions and quality of life. At the moment, indicators are mostly based on available data from state statistical offices, usually covering larger territorial units (e.g., territories of countries or regions) and rarely smaller territorial units (like municipalities), as it may be connected with additional costs. All 17 studies involved in the research of Tanguay, Rajaonson, Lefebvre, and Lanoie (2010: 410) acknowledge that the constraints of accessibility and availability of data are a recurring problem at a local level. This situation occasionally dictates the use of less than maximally efficient indicators to capture sustainable development at the local level. Constraints of accessibility may also affect the proportion of indicators (environmental, economic, social) in composite indexes.

3.5 Making the index useful for policy purposes

Various indicators developed in the past were forgotten soon after their introduction. We can only speculate whether questionable policy usefulness was one of the reasons for that. The measurement of local development makes sense if the results of the measurement can serve decision-makers for the design of further development, for the creation of public policies that have a real impact on the quality of life in the community and for the general public to be aware of the quality of economic, social, and environmental situation in their community.

4 Measuring local development in Slovenia

Slovenia is a European Union country, covering 20.273 km². It is one of the smallest countries in the European Union in terms of size. It is divided into two NUTS-2 regions, Eastern Slovenia and Western Slovenia, with obvious differences in development according to a measure used by the European Commission, GDP, which – as we argue – actually says very little about the overall progress and quality of life at the national, regional, or local context. At the local level, *the Municipal Development Coefficient* is used to measure municipalities' development levels.

Measurement of the development of municipalities in Slovenia is mandated and regulated by the Financing of Municipalities Act (2006), which states that measuring the development of municipalities is determined as a criterion for the co-financing of municipal investments with the aim of ensuring the same conditions for meeting the needs of citizens in accordance with the country's development goals. In accordance with the Financing of the Municipalities Act (2006), the development level of each municipality is calculated considering the following indicators:

- indicators of municipality development (gross added value per employee, per capita income tax base, number of jobs in the municipality in relation to the number of the working population);
- indicators of the disadvantage of municipalities (population ageing index, rate of registered unemployment on the territory of the municipality, labour force participation rate in the territory of the municipality);
- indicators of development opportunities (an indicator of provision of goods and services of public utility services, an indicator of equipment with cultural infrastructure, share of Natura 2000 areas on the territory of the municipality, indicator of population density of the municipality).

The question arises as to what extent the selected indicators represent contemporary development trends. Are the selected indicators the best way to measure local communities' development in line with a broader notion of development? To what extent does the existing Municipal Development Coefficient provide useful results for policy purposes to support evidence-based decision-making?

Based on the overview of the indicators included in the Municipal Development Coefficient in Slovenia, one can argue that most indicators used are, by their nature, economic indicators (e.g., gross value added per employee, per capita income tax, rate of registered unemployment). It reflects an understanding of the primary role of economic development as a main driver of progress while ignoring a broader idea of sustainable development and leaving behind various other aspects that also influence quality of life.

A minimal proportion of the indicators could be classified as those attempting to measure the environmental dimension of sustainable development (e.g., supply of goods and services of public utilities and the share of Natura 2000 areas on the territory of municipalities). The indicator about the Natura 2000 areas is particularly interesting. The proportion of Natura 2000 areas in Slovenia has not changed over the years, as it has been determined by various national directives. It is, therefore, an example of an indicator that clearly lacks informative value as it cannot effectively measure changes in environmental quality over time. After all, any of the indicators included in the calculation of the Municipal Development Coefficient do not tell us much about the quality of the environment at a given point in time, nor they tell us much about changes in the quality of the environment over time (e.g., levels and changes in pollution of the air, soil, and water).

Social development indicators are particularly problematic. This fact could be related to challenges in understanding social development in general, as it is often unclear what social development is. Social development indicators could be used to measure the direction of development in accordance with characteristics of society that are important in a given time and space. However, there is no consensus on this yet, as the field is understood by many to be fluid. Due to the absence of consensus about the definition of social development, statistical bureaus inadequately allocate attention to this multifaceted concept, resulting in a dearth of data essential for comprehensive analytical endeavours. These observations follow similar findings from abroad, where social development indicators are also highlighted as particularly problematic (e.g., Steurer & Hametner, 2013: 235), and various approaches to development indicators are affected by the lack of proper data (Mazur & Mazurek, 2020: 127). According to the approach used to measure the development of municipalities in Slovenia, the desired direction of social development seems to be only within culture, as the endowment of cultural infrastructure in municipalities (cultural monuments and objects of public cultural heritage) has been chosen as the only indicator to measure social development. However, social development is certainly more than that. Development on the local level is certainly influenced by many other dimensions of social development, which are overlooked by the current way of measuring the development levels of municipalities in Slovenia.

As we can see, the existing approach to measuring the development of municipalities in Slovenia is rather administrative and has no real use for policy purposes. Its goal is to

determine the amount of state co-financing for investments to ensure the same conditions for meeting citizens' needs in accordance with the country's development goals. One would expect that the indicators involved would thus reflect the country's development goals, as sustainable development and quality of life are among those. However, as we can observe, this may not be the case. It reflects an outdated understanding of the primary role of economic development as a main driver of progress while ignoring a broader idea of sustainable development and leaving behind various other aspects that also influence quality of life.

The Municipal Development Coefficient is not useful or useless for the actual understanding of development problems and policy issues and the identification of possible solutions to develop local communities in line with the idea of sustainable development. Indicators fail to represent contemporary development trends and may be categorised into indicators that do not provide useful data for policy purposes. Therefore, evidence-based decision-making at a local level in Slovenia is more an illusion than reality.

5 Conclusion

There is no single, universally accepted understanding of local development. A brief overview of the evolution of the concept and perception of development provides us with some key features. First, the idea of development changes over time. Second, the perception of development varies geographically. Third, the historically dominant focus on economic development has broadened to include a more holistic view of development that includes environmental and social aspects, especially in light of various concerns about the existing planetary boundaries. New concepts and approaches to measure local development, which attempt to incorporate awareness of achieving sustainable development and (higher) quality of life, are being sought. Inspired by previous research in the fields of local development, sustainable development, and quality of life, we are encouraged to present our perceptions about what local development is or what it should be at a given time and space. If economic development can be viewed as improving economic activity, environmental development as achieving a better quality of the environment and social development as achieving social characteristics that are desirable in a particular society, all in respect for one another and with the Earth's planetary boundaries in mind, then local development can be viewed as a set or combination of these actions at the local level, that together contribute to the overall quality of life.

A broader, multidimensional understanding offers new perspectives for contemplating, grasping, realising, and measuring local development – what it should be in terms of both the present reality and future visions. Following the idea that an issue that cannot be clearly measured will be difficult to improve, we have highlighted the importance of measuring development, which serves to diagnose the situation, identify problems, projections of changes, and determine future scenarios. It helps us evaluate the results,

effectiveness, and impact of the various public policies and projects implemented to achieve sustainable development. In this context, we have focused on different aspects of measuring local development, starting from the fact that different kinds of composite indexes developed to measure development in line with the idea of sustainable development in the past have mostly been suitable for measuring development at national and/or regional level, while the measurement in accordance with the broader idea of development at the level of smaller territorial units is limited. In addition, several challenges that its creators must cope with were highlighted, related to the participatory approach in the process of design and development of the indicators, selection of relevant and meaningful indicators, reliability and availability of data, various methodological issues and the need to make the indicators or composite indexes useful for policy purposes. The overview of various pilot studies dealing with the construction of indicators and various challenges that are inevitably part of the process represents a core for evaluating the approach used to measure the development of municipalities in Slovenia.

We were able to identify numerous challenges in that case. The Municipal Development Coefficient, an approach to measure the development of municipalities in Slovenia, is mostly based on various indicators covering the economic dimension of development, while a minimal proportion of indicators could be classified as those that attempt to measure the quality of environment and social development, thus failing to be relevant to contemporary development trends, particularly to the idea of sustainable development. Furthermore, *the Municipal Development Coefficient* does not indicate anything about the overall quality of life in the specific area. The existing approach of measuring the development of municipalities in Slovenia is thus administrative in nature and less useful or even useless for understanding development problems, policy issues and identification of possible solutions. Therefore, a new composite index is needed. Various measurement systems developed by institutions or as a part of various research projects all over the world, their strengths and weaknesses, can be of great help in developing a novel system for measuring the sustainable development of municipalities in Slovenia in order to provide a real tool, that could support evidence-based decision making and have a meaningful impact on development policies at the local level in line with future visions, in progress towards sustainable development and high quality of life.

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EU Cohesion Policy and the New Member States: Soft Power of EU Policies?

ISTVÁN HOFFMAN

Abstract Between 2004 and 2013, 13 new member states joined the European Union. Most of the regions of these new member states belonged to the less developed or transition regions, which is why EU cohesion policy played an important role in these countries. However, the EU cohesion policy regulation has been partially remodelled in the last two decades, compliance with EU rules have been an important part of EU regional development rules. Therefore, EU policy on regional development (cohesion) could also emphasise those policies that are based on Member States' competences (e.g. social policy, health policy, education policies etc.). Over the last ten years, the role of EU cohesion policy has crystallised in the area of the rule of law and the defence of EU values. The new provisions of Regulation (EU) 2021/1060 on the framework conditions, the general and specific objectives of the Recovery and Resilience Facility and the Council decisions based on these regulations have made it clear that the role of EU cohesion policy and EU funds has also grown in the area of governance. This chapter analyses this impact on the basis of an examination of legal regulations, policy documents and policy practises, in particular the analysis of the Hungarian case. To show the impact of these policies, a case study is added to the chapter: the impact of this funding on the Hungarian national and local authorities' accessible public transport projects.

Keywords: • regional development • development policies • Regulation (EU) 1060/2021 • multilayer governance • soft power

CORRESPONDENCE ADDRESS: István Hoffman, Ph.D., Professor, Eötvös Loránd University, Faculty of Law, Egyetem tér 1-3, 1053 Budapest, Hungary; Maria Curie-Skłodowska University in Lublin, Faculty of Law and Administration, pl. Marii Curie-Skłodowskiej 5, 20-031 Lublin, Poland; HUNREN Centre for Social Sciences, Institute for Legal Studies, Tóth Kálmán u. 4., 1097 Budapest, Hungary, e-mail: hoffman.istvan@ajk.elte.hu, ORCID: 0000-0002-6394-1516.

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1 Introduction

The importance of public administration in the field of regional development has increased in recent decades. In Europe, the European Union has become a prominent player in regional policies. Due to the prominent role of public administration, administrative structures are an important issue for the management of regional development (see Table 1).

The phenomenon of regionalism (Sharpe, 1993; Borrás-Alomar et al., 1994; Jeffrey, 1997; Martin, 1999; Magone, 2003; Schrijver, 2006), the role of the EU and its regional development strategies (McCann, 2015) and the political economy of regionalism (Keating & Loughlin, 1997) are current topics of analysis, as are the structure and characteristics of the various regional development institutions and agencies (Halkier et al., 2017). Hooghe and Marks (2001) emphasise that multilevel governance can be interpreted as a by-product of administrative change in recent decades, given the rise of supranational governments (particularly on the European continent, but also in North America) and the increasing role of subnational entities. Thus, the EU has a considerable influence on national regional development policies. As EU aid is focussed on the development of less developed regions, the policies of the new member states – including the Visegrád countries (Czechia, Hungary, Poland and Slovakia) – are strongly influenced by these funds. We want to analyse the impact of EU policies as a ‘soft power’ of European integration.

Table 1: Resources for economic, social and territorial cohesion in the EU (2014–2020 and 2021–2027)

Goals (2014–2020)	Resource (in 2011 prices)
Resources for economic, social and territorial cohesion (2014–2020) in the EU	EUR 325 145 694 739
- from this allocated to the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund	EUR 322 145 694 739
- from this allocated for Youth Employment Initiative (YEI)	EUR 3 000 000 000
Goals (2021–2027)	Resource (in 2018 prices)
Resources for economic, social and territorial cohesion (2021–2027) in the EU	EUR 337 734 776 221
- from this allocated to the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+) and the Cohesion Fund	EUR 330 234 776 621
- from this allocated to the Just Transition Fund (JTF)	EUR 7 500 000 000

Sources: Article 91 (1) of Regulation (EU) No 1303/2013 & Article 108-110 of Regulation (EU) 2021/1060.

2 Methods

This chapter is mainly based on the jurisprudential approach. Therefore, the analysis focuses primarily on regulation and the institutional framework. Therefore, firstly, the legal regulations on regional development and EU cohesion policy and their effects are analysed. Secondly, the effects of these policies are analysed. In particular, the impact of the funds on the economy and the provision of public services in the Visegrád countries as new member states of the European Union. This analysis will be based firstly on statistical data on economic performance and secondly on the analysis of European and national plans. Our analysis will mainly focus on the Hungarian regulations and experiences. Thirdly, we will analyse the impact of EU cohesion policy on national policies through case studies.

Due to the jurisprudential approach, these policies will be interpreted in this chapter as ‘hard powers’ based on the legal harmonisation and unification approach of EU law. EU law can be seen as a special regime, as European integration organisations have the competence to issue legally binding rules. For example, the EU can issue regulations that are binding on national public administrations and it even has the right to issue directives that must be transposed into national law by the EU member states. These powers are considered by the jurisprudence as ‘hard powers’, because the national legal systems are directly influenced and harmonised and standardised European legislation is made by them (Craig & de Burca, 2003). However, EU regional development policy (cohesion policy) is regulated by EU regulations, but the impact of European structural and investment funds does not directly affect national legislation: These effects can be interpreted as indirect. Therefore, this policies is interpreted as a "softer" power on national legislation (Drachenberg & Brianson, 2016).

3 Analysis of the legal regulation and the impact

3.1 Cohesion policy of the EU: competences, framework and impact

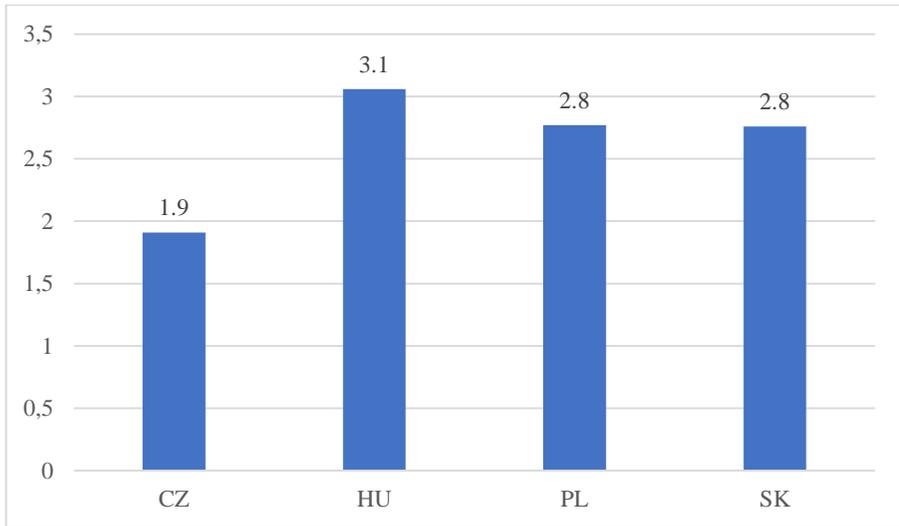
Cohesion policy – which was incorporated into the Treaties by the Single European Act – could influence the policies of the Member States of the European Union. Paragraph 1 of Article 174 of the Treaty on the Functioning of the European Union (TFEU)¹ defines the objective of EU cohesion policy quite broadly as promoting the overall harmonious development of the Union. However, paragraph 2 of Article 174 TFEU focuses on the reduction of disparities between regions, but this broad objective provides scope for a wide range of interventions (Mairate, 2007). Paragraph 1 of article 174 TFEU states that “The Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion”. Article 174 TFEU thus offers the EU the opportunity to influence the exercise of Member States' competences. The main limitation of cohesion policy could be interpreted as meaning that the aim of this funding should be

to promote the economic, social and territorial cohesion of the European Union. As this regulation is based on a general clause (promoting the economic, social and territorial cohesion of the European Union), it can be interpreted broadly.

On the basis of this regulation, the EU has developed a cohesion policy that encompasses more than just the EU's traditional competences. The abstract regulation of Article 174 TFEU fits into the transformation of the EU, which is not only an economic integration, but an area of shared political and social values (Weatherill, 2016). Due to these shared values, the EU cannot only apply the financial type of conditionality, such as the macroeconomic conditionality of the 1994 Cohesion Fund (Fiscaro, 2022). Therefore, the rules for cohesion policy have changed in recent years (Pech & Scheppele, 2017). The mechanism of conditionality was introduced by the current regulations on cohesion policy – in particular Regulation (EU) No 2021/1060² (hereinafter: Framework Regulation). The background regulation of Article 15 is Regulation (EU, EURATOM) No 2020/2092³ on a general regime of conditionality for the protection of the Union budget. These rules provide the possibility to suspend EU funding on the basis of the protection of the EU's fundamental values. These rules were challenged by Hungary, but the action was dismissed by the European Court of Justice (ECJ). The ECJ found that they “define the very identity of the European Union as a common legal order.” [Case C-156/21 Hung. v. Eur. Parl. & Council, ECLI:EU:C:2022:97, 127, 232]. Therefore, these values could also be enforced through the instruments of EU cohesion policy.

EU cohesion policy can be interpreted as a complex policy. The original concept, which was based on the economic integration of the EU, has changed and now this policy can influence the policies of the Member States of the European Union in terms of public service provision. The EU's cohesion policy is primarily based on reducing regional disparities. In the 2021–2027 budget period, 61.3% of funding for investment in jobs and growth will be allocated to less developed regions (whose GDP at purchasing power parity is below the EU-27 average) [Article 110 of Regulation (EU) No 2021/1060]. The main recipients of these funds are therefore the new Member States of the European Union, as their regions mainly belong to this category (Bachtler & Ferry, 2020). The role of cohesion policy is very important for the budgetary policies of these countries. Looking at the Visegrád countries (the Czech Republic, Hungary, Poland and Slovakia, which joined the European Union in 2004), the actual payments (including n+2 payments) from the European Structural and Investment Funds can be considered significant.

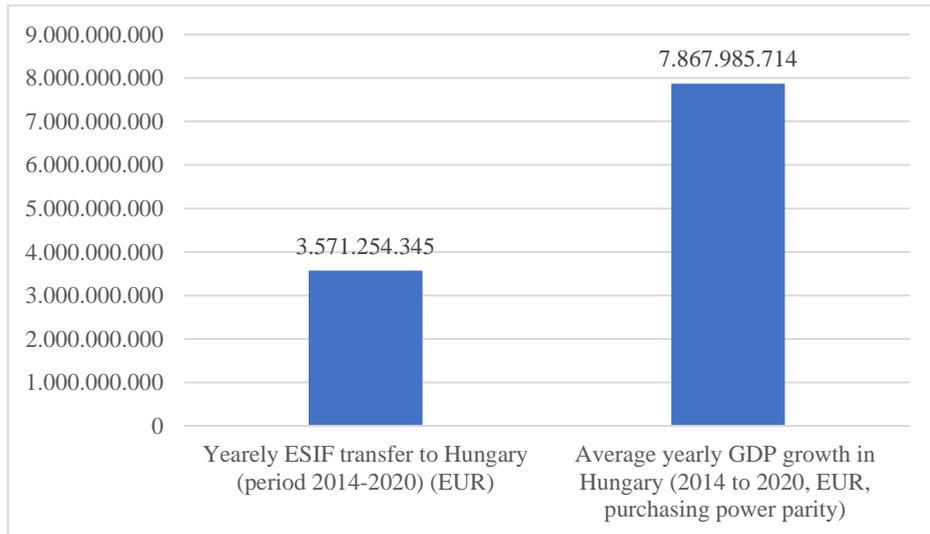
Figure 1: Yearly ESIF Funds from EU (2014–2020) in the share of the average of 2014–2020 GDP (current market prices) (%)



Source: Edited by the author, based on the data of the Eurostat national accounts 2014–2020 and on the Cohesion open data platform⁴.

The importance of cohesion policy becomes even clearer when we look at the impact on GDP growth in these countries. Looking at Hungary, the country received around EUR 3 571 million per year from the ESIF funds in the budget period from 2014 to 2020. The average annual GDP growth in Hungary in the period 2014 and 2020 (based on purchasing power parity) was EUR 7 868 million annually, so direct EU funding accounted for 45.4% of annual GDP growth (see Figure 2).

Figure 2: ESIF Funds and Hungarian GDP growth (2014–2020)



Source: Edited by the author, based on the data of the Hungarian Central Statistical Office⁵ & the Partnership Program “Széchenyi 2020”.

It should be noted that the EU funds have multiplier effects. For example, Czalleng and Vértés estimate that GDP growth in Slovakia was more than 3.8% higher in 2013 due to Cohesion Fund spending between 2007 and 2013. In Poland, this figure was 4.7%, in Hungary 4.4% and in the Czech Republic 2.5%, according to the estimate of the above-mentioned authors (Czalleng & Vértés, 2021).

3.2 Institutional framework of regional development policies of the Member States of the European Union

The institutional framework of regional development policies is determined by various factors, and different models can be distinguished. The interpretations are mainly based on public administration approaches. Regional development policies have a multidimensional character as they are related to the vertical coordination of administrative systems, in particular the division of powers and tasks between the different governance levels (Piattoni, 2010). Vertical coordination between the different levels of development policies is important, and cooperation with the private sector (including NGOs) is also an important issue (Danson et al., 2000; Gherhes et al., 2020).

A distinction is made between centralised, decentralised and federal models as a vertical classification of regional development models (Danson et al., 2000). The centralised model is based on the determining role of the central government and its authorities.

However, local and regional governments have significant powers; the majority of policy-making powers – in particular the preparation and approval of major plans and the management of the allocation of development funds – are centralised (Hoffman, 2018). The decentralised model of regional development is based on the determining role of regional governments. Therefore, this model is closely linked to regionalisation (Loughlin et al., 2011). Federal states could be interpreted as an independent regime of regional development. The member states of the federation – which have statehood – have extensive development responsibilities. Federal governments have limited responsibilities in development and planning issues (Diller et al., 2019).

In Europe, local governments manage so-called local public affairs. Firstly, local development should be reviewed as a municipal responsibility. In common law systems, the monistic model of municipal functions has evolved. Originally, the traditional Anglo-Saxon municipal systems were based on the *ultra vires* principle. These tasks were interpreted as municipal tasks that were defined or recognised by legislation. A distinction was made between obligatory and voluntary municipal tasks (Arden et al., 2008). However, regulation in these countries changed and the general powers of municipalities were recognised by the majority, the model did not change (Goldsmith and Page, 2010). Traditional continental local governance was traditionally based on the general powers of municipalities. However, the scope and constitutional protection of the general powers are different, but this basis led to the distinction between municipal tasks and transferred state (central government) tasks, and among the municipal tasks, voluntary and compulsory tasks can be distinguished (Nagy et al., 2019). Depending on the regional development regime of the respective country, development issues mainly belong to the mandatory municipal tasks. In countries that follow the centralised development model, the municipalities have additional mandatory tasks, while their development competencies are usually part of the voluntary municipal tasks (Hoffman, 2018).

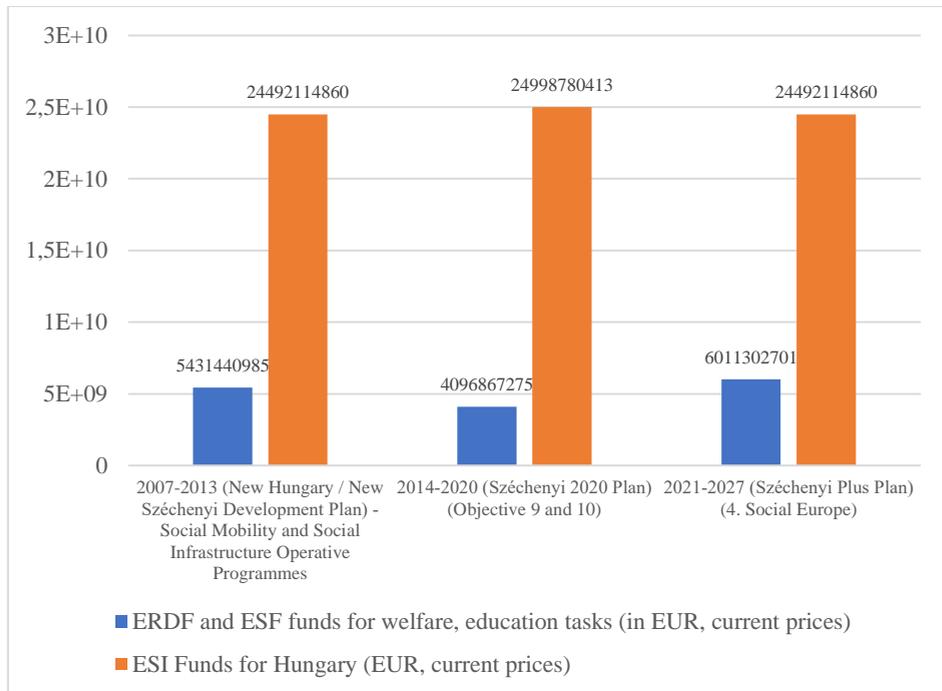
4 Cohesion policy as a soft power on national regulations – the impact of EU funds on welfare policies and legislation

4.1 ESIF as a non-legislative power: impact on national policies (an overview)

As we have already mentioned, the objective of EU cohesion policy is broad and the definition of the TFEU could be interpreted as a general clause. This abstract regulation provides a broad spectrum for EU intervention. Similarly, the ESF, established by the Treaty of Rome,⁶ subsidises not only employment issues but also social benefits. Therefore, EU funds could influence national policies, which are mainly defined as Member States' competences. As the less developed regions are the main target areas of cohesion policy, the policies of countries with a lower GDP are also significantly affected. Therefore, the social, educational and cultural policies of the new EU Member States are more strongly influenced by cohesion policy (Farkas, 2019).

The role of the fund in the development of welfare, cultural and economic policies is a relatively important part of national development policies. According to the national partnership agreements, the share for financing social, educational and cultural services within the cohesion policy funds is relatively important. In Hungary, the share of these funds is around 20% (see Figure 3).

Figure 3: ESI Funds and ESI Funds for welfare and educational objectives in Hungary 2007–2027 (based on the partnership agreements / national strategic reference framework)



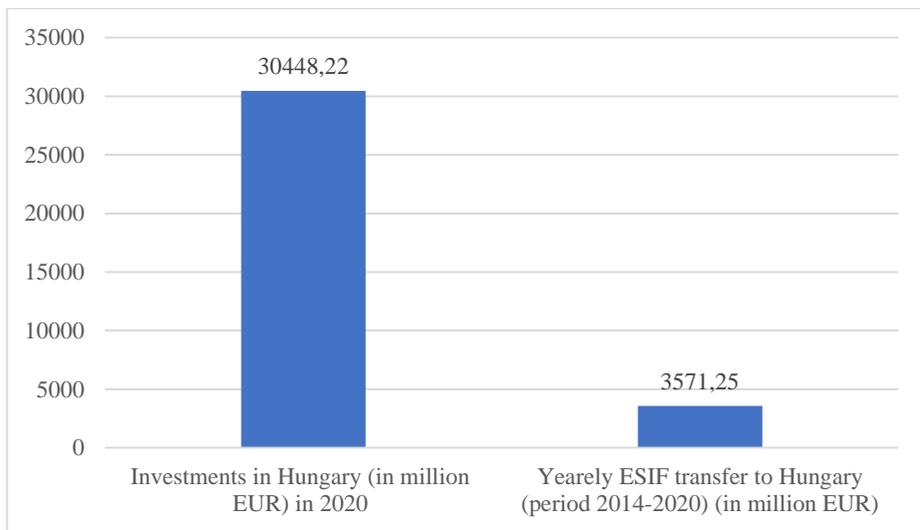
Source: Edited by the author, based on the Hungarian partnership agreements and on the 2007–2013 national strategic reference framework⁷.

It is therefore clear that cohesion policy has an important influence on the policies of the new Member States. These countries are the main recipients of these funds and the funding is not only focussed on the traditional competences of the EU, but they also finance other, national policies related to the social, economic and territorial cohesion of the EU. While the EU has limited regulatory competences in these areas, the funds provided by the EU can have an impact on several national policies, and this impact can be more notable than regulatory competences in other policies areas. Similarly, these

funds can be used as instruments for the protection of the fundamental values of European integration.

As we mentioned in the methodological part of this chapter, we would like to analyse these effects through case studies, focusing on the events in Hungary. Hungary could be considered a relevant country. Firstly, Hungary and Poland are the countries affected by the rule of law conditionality mechanism. Secondly, as new member states, the influence of EU funds is relatively large. For example, ESIF funds accounted for about 11.7% of investments in Hungary in 2020 (see Figure 4).

Figure 4: ESIF Funds and investments in Hungary (2020)



Source: edited by the author, based on the Hungarian partnership agreements and on the 2007-2013 national strategic reference framework⁸.

Because, as we have already mentioned, the effects are twofold. Firstly, cohesion policy has been an important instrument for protecting the EU's fundamental values since 2020/21 through the introduction of the rule of law conditionality mechanism. Secondly, due to the important funds for the development of public services, we would like to analyse the impact on a specific national policy in Hungary, barrier-free transportation and the impact of EU funds.

4.2 The impact of the rule of law conditionality mechanism in Hungary: a trench warfare between the EU and Hungary?

As we have already mentioned, the rule of law conditionality mechanism was introduced by Regulation (EU, EURATOM) No 2020/2092 on a general regime of conditionality for the protection of the Union budget. Conditionality mechanisms are not alien to EU legislation, including in the area of cohesion policies: these mechanisms were applied to the Cohesion Fund; however, the conditionality of the Cohesion Fund in 1994 was based on macroeconomic aspects. Even conditionality in relation to values was applied earlier: The Copenhagen criteria for EU accession⁹ could be interpreted as a conditionality mechanism for candidate countries (Hillion, 2004). So there were already precursors to the regulation. The role of budgetary instruments in the protection of the EU's fundamental values has also been mentioned in the literature. Several contributions have emphasised that the countries that are most problematic in the area of fundamental values and the rule of law (in particular Poland and Hungary) are among the main recipients of EU funds. The authors emphasise that Member States should adhere to the EU's fundamental values as defined in Article 2 of the TFEU. Therefore, countries that have problems with the value of the rule of law should be sanctioned. It became clear that the procedure based on Article 7 of the TFEU was not sufficient and it was emphasised that the problems with the rule of law could lead to a threat to the EU budget as the risk of corruption and inadequate spending increases (Pech & Scheppele, 2017; Baraggia & Bonelli, 2022). The Regulation was challenged by Hungary (and later by Poland) in Case C-156/21 Hung. v. Eur. Parl. & Council [ECLI:EU:C:2022:97]. As we have already mentioned, the action was dismissed by the General Court. However, Hungary's claim was based on the EU's lack of competence to adopt such a regulation, but the CJEU found that Article 2 and Article 7 TFEU could be interpreted as a legitimate basis for the rule of law conditionality mechanism. As this paper focuses on the impact of the conditionality mechanism, we will not analyse the impact of this ruling on national constitutions. Another reason for the lack of such an analysis is that it has been analysed by Fiscaro (2022).

This approach was further developed and Article 15 of the Framework Regulation [Regulation (EU) No 2021/1060] introduced the horizontal and thematic empowerment conditions. The extended conditionality mechanism of the Cohesion Policy defines four horizontal enabling conditions: 1. effective mechanisms for monitoring the public procurement market, 2. tools and capacities for the effective application of State aid rules, 3. effective application and implementation of the Charter of Fundamental Rights¹⁰ and 4. implementation and application of the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD).¹¹ It is therefore not enough to fulfil the requirements of Regulation (EU, EURATOM) No. 2020/2092; the horizontal conditions must also be met in order to receive funding from cohesion policy. It is clear that these additional conditions are linked to the fundamental values and in particular to the principle of the rule of law. And as a second element, the conditionality mechanism is

even part of the protection of fundamental rights, which are even considered a fundamental value of the EU, and due to the EU's membership in the UN Convention on the Rights of Persons with Disabilities (hereinafter: CRPD), the application of the CRPD is required.

In accordance with the Regulation, the Council adopted Council Implementing Decision (EU) 2022/2506¹² on measures to protect the Union budget against breaches of the rule of law in Hungary. 55% of commitments under three operative programmes (Environmental and Energy Efficiency Operative Programme Plus, Integrated Transport Operative Programme Plus and Territorial and Settlement Development Operative Programme Plus) have been suspended. The direct European funds – such as Horizon Europe, Erasmus Plus, etc. – for the public interest trusts on the basis of Act IX of 2021 and for the legal entities maintained by these public interest trusts were also suspended. Another Council decision also suspended the payment of the RRF. 17 commitments and 27 super-milestones were set for the reconstruction of the rule of law. As super milestones were defined, partial fulfilment and partial payment is not possible. 4 super-milestones were linked to the justice system. It should be emphasised that the requirements should not only focus on legislation, but practise should also be reshaped (Karsai, 2023).

It has become apparent that a kind of ‘trench warfare’ has started between Hungary and the European Commission and the Council. However, several Hungarian regulations have been reshaped and the analysis of Hungarian compliance is still pending. It is clear that the partial reform of the judiciary was not endogenous, even the title of the reform act shows that it is based on the commitments. The title of the reform act is "Act X of 2023 amending certain laws on justice related to the Hungarian Recovery and Resilience Plan. Also, the conflict of interest based on the structure of the trust has not been completely eliminated, so there is a potential risk that the majority of Hungarian higher education institutions will not be able to participate in the directly funded EU programmes such as Horizon Europe, Erasmus Plus and COST Actions (Kováts, 2023). This ‘trench warfare’ appears to be painful for Hungary, with leading Hungarian economists warning of an impending recession and only gradual improvement in imbalance indicators (Bod et al., 2023). Thus, it can be concluded that the rule of law conditionality mechanism has several effects, but only a partial change in Hungarian regulations and practises can be observed, outlining a ‘trench war’ between Hungary and the European Commission and the Council.

4.3 Effective multi-layer governance: the impact of the regulation of the European cohesion policy on the equal accessibility of persons with disabilities on the Hungarian developments and practice (a case study)

The Treaty of Rome – which was based on the free movement of persons, goods, services and capital – mentioned the competences of the European Economic Community in the field of transportation. Transportation policy therefore became an important issue at

European level. As a service of general economic interest, public transport systems are interpreted as instruments that provide mobility for all. Therefore, it is considered an instrument for equal opportunities and it is even allowed to grant state aid (Osculati & Zatti, 2005). However, the granting of state aid in this sector is strictly regulated by EU directives and even the European Court of Justice has ruled on this policy in a landmark judgement (Altmark case, ECLI:EU:C:2003:415) (Kamann & Selmayr, 2004). It should be emphasised that disability policy is an important part of European policies, as a horizontal principle that should be enforced through the various sectoral regulations, directives and decisions. Due to the EU competences in the field of public transportation, the EU had the possibility to issue regulations that should be directly enforced by the authorities and courts of the EU Member States. On the one hand, air transport was regulated; a specialized regulation, Regulation (EC) No. 1107/2006¹³ on the rights of disabled persons and persons with reduced mobility when travelling by air, was adopted. A different approach was taken in the area of rail transport: Regulation (EC) No 1371/2007¹⁴ is a general regulation on passenger rights; however, Chapter 5 defines the special rights of passengers with disabilities. Similarly, the equal accessibility of road transport is regulated by Regulation (EC) No 1370/2007.¹⁵ These regulations follow the concept of universal design and equal accessibility is part of these regulations. One limitation of equal accessibility is reasonable accommodation (Waddington, 2011). It is clear that public transport is an important part of EU disability policies, as the EU has strong competences in this area. However, public transport is mainly a national issue. Services should be determined by national, regional and local authorities. In the following, we would like to show how these national systems fit into the EU's multi-layered governance framework in the field of public transport. Due to the limited scope of this paper, we would like to analyse this influence using the example of Hungary. Hungary is a centralised, unitary country. From 1990 to 2011/12, however, the provision of public services was highly decentralised. After 2010 – following the landslide victory of FIDESZ in the parliamentary elections and the adoption of the new Constitution, the Fundamental Law of Hungary (Szente, 2023) - the system of service provision was strongly centralised through reforms. The regional municipalities have lost most of their competences, but the local (1st level, town and village municipalities) have important tasks in the field of public transport policy: these services are quite expensive and complicated, so they have been centralised only to a limited extent by legislation (Hoffman & Balázs, 2022).

European policy and European standards play an important role in the disability policy of Hungarian public transport. Hungary has received a significant amount of money from the EU Cohesion Fund to modernise its transport system. As we have already mentioned, equal opportunities and the rights of passengers with disabilities are regulated by the European sectoral rules, which should also apply to the investments co-financed by the European Union. Regulation (EU) No 2021/1060 defines the application of the CRPD as a horizontal enabling condition, so that cohesion policy funds could be suspended if the CRPD were not applied. As we have already mentioned, the majority of public

investments in Hungary – including in the field of public transport, which is mainly operated by state and municipal companies – have been co-financed by the European Union (Nyikos & Soós, 2020). The Hungarian public transport projects therefore focussed on the issue of equal accessibility, which was an important component of the projects. For example, the public transport vehicles and facilities that were renovated and modernised with the help of EU cohesion funds are barrier-free (Balogh, 2018).

As Hungary is a centralised country and this centralisation has been reinforced after 2010, municipalities play only a limited role in public transport disability policy. It should be emphasised that the planning powers of municipalities are limited, disability standards are defined by central legislation and by soft law documents of the central government and its authorities. As owners of local public spaces, including local roads and pavements, municipalities have important responsibilities in this area. With regard to these tasks, it should be emphasised that the disability issue is mainly linked to the new investments. As the old design of roads, pavements and public transport was not geared towards equal accessibility, investments are needed to renew them. The multi-layered governance of this policy can also be observed in the area of municipal activities. These investments are mainly co-financed by the European Union (not only the urban, suburban and rural mobility projects, but also the reconstruction of roads). Therefore, the equal accessibility approach should be applied. As we have already mentioned, these projects are mainly focussed on the Hungarian urban municipalities because a lot have been invested in public transport there. The accessibility of these mobility projects was important because the new buses, trams and metros are mostly barrier-free (low-floor buses and trams, barrier-free underground stations).

5 Conclusions

The European Union has several instruments at its disposal to promote a united Europe. However, the analysis of the impact of the EU has mainly focused on the legislative activities, in particular the analysis focussing on the unification of the European regulatory environment and policies. As a result of the analysis, it was found that the non-legislative interventions, which were interpreted as ‘soft’ instruments, could have an even greater impact on national policies.

Cohesion policy could be interpreted as an important soft instrument, especially in the new Member States, which are the main recipients of these funds. These EU subsidies play an important role in these countries. It should be emphasised that, –mainly due to the additional nature of ESIF grants and the large amount of funding provided by EU cohesion policy, most investments in public services provided by the public administration are financed from these funds. Therefore, the impact on these policies is quite important: because the required compliance with EU law and standards plays a standardising role.

The impact of cohesion policy is a multi-layered system. However, recent research focussing on the rule of law mechanisms shows that the ‘silent’ effects of these funds are even more remarkable. In the context of compliance and regulation of access to these funds, not only EU legislation but also soft law documents should be followed, and similarly, soft law regulations on funded activities influence national policies.

As we have shown through a case study, the requirements of cohesion policy regulations on equal accessibility have significantly influenced the Hungarian public transportation system. As we have already mentioned in the general analysis, the multi-layered system of EU cohesion policy can be observed in this area: EU funds play an important role, but these funds are allocated by national agencies, and the main recipients of these subsidies are the national and local public transportation companies. Due to compliance with EU law – which includes the CRPD, because the EU as a legal entity joined to this convention – national policies have changed in the new Member States of the European Union. As a result of this change, the new investments in public transportation – new vehicles, new and renovated railway stations – are largely equally accessible in Hungary.

Notes:

- ¹ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDF>.
- ² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>.
- ³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R2092>.
- ⁴ <https://cohesiondata.ec.europa.eu/countries>.
- ⁵ https://www.ksh.hu/stadat_files/gdp/en/gdp0004.html.
- ⁶ <https://eur-lex.europa.eu/EN/legal-content/summary/treaty-of-rome-eec.html>.
- ⁷ http://pik.elte.hu/file/_j_Magyarorsz_g_Fejleszt_si_Terv___MFT_.pdf;
<https://www.palyazat.gov.hu/download.php?objectId=52032> &
<https://www.palyazat.gov.hu/partnersegi-megallapodas>.
- ⁸ http://pik.elte.hu/file/_j_Magyarorsz_g_Fejleszt_si_Terv___MFT_.pdf;
<https://www.palyazat.gov.hu/download.php?objectId=52032>;
<https://www.palyazat.gov.hu/partnersegi-megallapodas>;
https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qb001.html &
<http://www.mnbkozeparfolyam.hu/arfolyam-2020.html>.
- ⁹ <https://eur-lex.europa.eu/EN/legal-content/glossary/accession-criteria-copenhagen-criteria.html>.
- ¹⁰ https://commission.europa.eu/aid-development-cooperation-fundamental-rights/your-rights-eu/eu-charter-fundamental-rights_en.
- ¹¹ <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-Persons-with-disabilities.html>.
- ¹² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022D2506>.
- ¹³ <https://eur-lex.europa.eu/legal-content/ET/TXT/?uri=celex:32006R1107>.
- ¹⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32007R1371>.
- ¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32007R1370>.

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Regional Development and the Quality of Democracy in V4 Countries

PAVEL MAŠKARINEC

Abstract This chapter conducts a cross-sectional examination of regional development in the Visegrad Four countries (Czechia, Poland, Hungary, and Slovakia) to identify any associations between regional development (understood as socioeconomic development and measured by the size of regional GDP) and selected indicators of quality of democracy. First, we systematically mapped the long-term patterns of GDP in V4 countries between 2000 and 2021. Second, we focused on differences in regional GDP and transformations of its patterns in time and space. Third, we analysed the associations between regional GDP and three dimensions of quality of democracy: (1) participation (regional turnout and number of NGOs in individual regions), (2) representation (women's seats in regional legislatures), and (3) competition (effective number of parties and index of balance in regional legislatures).

Keywords: • regional development • quality of democracy • political participation • women's representation • competition • Visegrad Four

CORRESPONDENCE ADDRESS: Pavel Maškarinec, Ph.D., Associate Professor, Jan Evangelista Purkyně University in Ústí nad Labem, Faculty of Arts, Pasteurova 3571/13, 400 96 Ústí nad Labem, Czech Republic, e-mail: maskarinec@centrum.cz, <https://orcid.org/0000-0002-5336-4073>.

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1 Introduction

Success in the process of establishing a stable democratic regime is traditionally associated with several prerequisites (see, e.g., Teorell, 2010), including the level of socioeconomic development, as stated by several authors in accordance with arguments of modernisation theory (Lipset, 1959; Huntington, 1973). However, for example, Teorell shows that socioeconomic modernisation serves more as an obstacle preventing the return of an authoritarian regime than a definite impulse towards democratisation (see Teorell, 2010: 141–151). Among other authors, Przeworski and Limongi (1997) question a direct relationship between the level of socioeconomic development; the modernisation thesis is defended by Geddes (1999: 118–119), although she also acknowledges that there is no clear causal mechanism behind this relationship; furthermore, Boix and Stokes (2003: 535–537) argue that the probability of a transition to democracy doubles if the purchasing power parity of GDP per person increases from USD 1,000 to USD 12,000. In contrast, Doucouliagos and Ulubaşoğlu (2008) show that while democracy does not have a direct impact on economic growth, it has positive indirect effects through higher human capital, lower inflation, lower political instability, and higher levels of economic freedom and, similarly, Rothstein (2017) suggests that democracy is important for broad-based political legitimacy but does not seem to generate human well-being or be a reliable tool for fighting corruption. Finally, considering regional context, ambiguous results are presented by Krieckhaus (2006), who shows that democratic governance constrains growth in Latin America and Asia yet facilitates growth in Africa.

As for subnational levels of government, there has been a resurgence of research interest in regions and uneven regional development, regional studies have come to be of central concern, and the various aspects of regions and their development have become a focal point of social scientific discourse and political debates (Hudson, 2007). In this context, many authors suggested that to understand regional (and even local) development better, its definition should be broadened to include economic, social, environmental, political and cultural processes, as well as the effect of geography, because specific places may shape the geographical diversity, unevenness, and context of local and regional development (Pike et al., 2007). Other authors also highlight the role of human agency when investigating why some regions or cities develop better or worse than others (Sotarauta & Grillitsch, 2023) or demand, including so-called ‘bottom-up’ approaches to emphasise issues such as living conditions, distribution and equity, or health and well-being, for example, food quality or quality of life (Hadjimichalis & Hudson, 2007; Pike et al., 2007).

Although we recognise the need for a broader definition of regional development and the possible role of various factors, we are limited by the scope of this chapter and thus apply the traditional definition of regional development in terms of gross domestic product (GDP). At the same time, we take into account the effect of geography and uneven regional development in the context of multi-level governance, assuming that, in the context of multi-level governance, regional governments can influence the form of

regional disparities to some extent (Allen & Cochrane, 2007). At the same time, the development of socioeconomic systems is largely inertial, and it is usually only after a certain period that changes in their functioning, including the functioning of regional governments, are reflected in transformations of regional disparities or individual indicators of socioeconomic development (Kostelecký & Patočková, 2006: 917).

In the Czech case, differences in regional governments' performance structure made it possible to divide Czech regions into several groups (see Illner et al., 2007). This does not fully apply to the mutual connections between regional government performance and economic development or between regional government performance and the level of social capital. However, human capital (level of education) strongly affects regional economic growth, social capital, and government performance (see Kostelecký et al., 2007).

The main aim of this chapter is thus to show whether there is an association between regional development in the Visegrad Four (V4) countries (Czechia, Poland, Hungary, Slovakia), which we understand as regional economic development (measured by the size of regional GDP), and selected indicators of quality of democracy. Here, we follow an approach applied in most studies of democratic quality (e.g., Altman & Pérez-Liñán, 2002; Diamond & Morlino, 2004; Levine & Molina, 2011; Bühlmann et al., 2012; Gwiazda, 2016) and use Dahl's (1971) procedural definition of democracy, which emphasises that the quality of democracy depends on the role of institutions and their mutual relations. More specifically, we focus on some indicators of Dahl's (1971) two theoretical constitutive dimensions of democracy – participation and competition – and understand high-quality democracy as defined by a combination of high levels of both participation and competition. In accordance with the theoretical framework anchored in the procedural concept of democracy, the analysis focuses especially on the role of institutions and inter-institutional relations. In this respect, we adopt the perspective of new institutionalism (March & Olsen, 1989; North, 1990; Powell & DiMaggio, 1991), which is based on two assumptions: (1) 'institutions matter' because they affect norms, and beliefs, actions and, in turn, outputs; and (2) 'institutions are endogenous', thus their form of functioning depends on the conditions under which they were created, and which perpetuate them (Przeworski, 2004). New institutionalism considers different institutional settings as the cause of different political outcomes (March & Olsen, 1984) and the continuity of social institutions as a factor connecting past and present. Therefore, understanding institutions' current form and performance requires an analysis of the development of institutions over a longer time horizon (North, 1990: vii).

2 Patterns of regional development in V4 countries

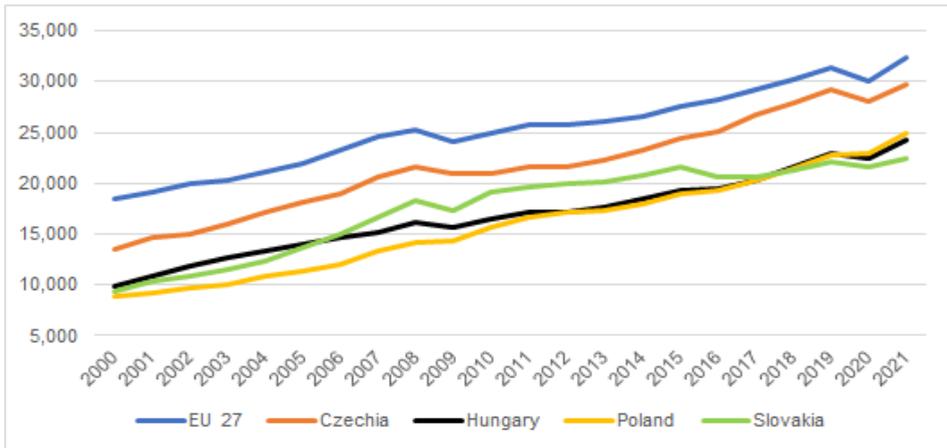
After their transition to democracy at the turn of the 1980s and 1990s, Central and Eastern European (CEE) countries faced a necessity of both a political and a socioeconomic transformation associated with the integration of former centrally planned economies in global markets, later accompanied by integration with the European Union (EU). This

development was connected with the establishment of regional self-government in most CEE countries (except Estonia, Latvia, Lithuania, or Slovenia). Although often endowed with weaker political authority than regions in Western European countries (see Heinelt & Bertrana, 2011; Hooghe et al., 2016), regional governments in CEE were responsible for the administration of EU regional funds under the EU Cohesion Policy aimed at lowering regional disparities across Europe. More importantly, while the effects of the EU Cohesion Policy on regional development of CEE regions were generally positive, they differed across individual regions (see Dyba et al., 2018).

Most previous studies (e.g., Dyba et al., 2018) analysed regional development at the level of NUTS 2 regions, at which most CEE countries (except Poland) do not have corresponding elected governments; Czechia, Hungary and Slovakia have those at the NUTS 3 level. For that reason, we first investigate historical patterns of socioeconomic development, or regional wealth, measured by regional gross domestic product (GDP) at current market prices for NUTS 3 regions (Czechia, Hungary, Slovakia) and NUTS 2 regions (Poland), namely at purchasing power standard (PPS) per inhabitant, in some cases as a percentage of EU-27 average.

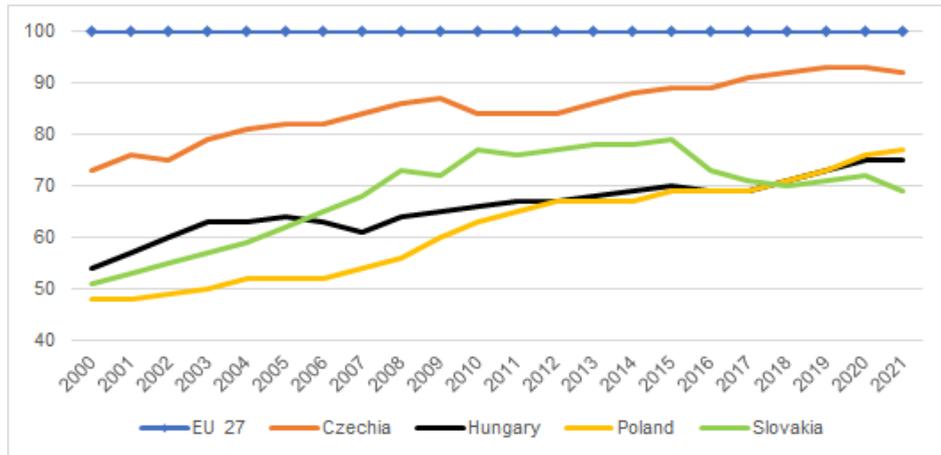
When examining the changes in economic growth that took place between 2000 and 2021, we can see that regional GDP per capita in PPS increased nominally in all V4 countries, with only minor decreases in 2009 and 2010 as a result of the Global Financial Crisis and in 2019 due to the COVID-19 pandemic crisis (Figure 1). Furthermore, while regional wealth at the level of EU-27 increased less than twofold in the monitored period (exactly 1.76 times, from EUR 18,400 to EUR 32,400), regional GDP in all V4 countries more than doubled or even tripled in Poland.¹ However, while the GDP level in Czechia (the highest of the V4 countries) consistently approached the EU-27 level (their difference decreased from EUR 4,900 to EUR 2,700 between 2000 and 2021), this difference remained almost the same in Hungary (EUR 8,600 compared to EUR 8,100), and it even somewhat rose in Slovakia (from EUR 9,000 to EUR 9,900). Thus, the largest GDP increase was achieved by Poland, which not only significantly reduced the distance between its GDP and the EU-27 average (from EUR 9,500 to EUR 7,400) but also came from the last place within the V4 right behind Czechia. In contrast, Slovakia first somewhat approximated Czechia, but after 2018, it fell to the last place among the V4 countries.

Figure 1: GDP per capita in PPS in the V4 countries and in the EU-27, 2000–2021 (euros)



Source: Eurostat (2023).

In contrast to a general rise of nominal GDP in all V4 countries, the trend regarding the percentage of the EU-27 average is unclear (Figure 2). In the case of Czechia, we can see that after the country's GDP approached the level of 90% of the EU-27 average (approximately in 2014), the further growth almost stopped. Slovakia exhibited a considerable fall (from 2020): it began to approach 80% of the EU-27 average in 2010, almost reached it in 2015 (with 79% exactly), and subsequently fell dramatically (to 69% exactly). The two remaining V4 countries also went through different trajectories. Hungary saw a milder, although consistently positive rise in GDP from 53% of the EU-27 average in 2000 to 75% in 2021, whereas Poland, with its worst baseline level of only 48% of the EU-27 average in 2000, approached the 80% threshold in 2021 (77% exactly). There is a high contrast between the pathways of Poland and Slovakia: in 2000, both countries had very the same levels of GDP compared to the EU-27 average (with a difference of only 3 p.p. in favour of Slovakia); between 2006 and 2015, this difference rose to more than 10 p.p. (with a peak of 17 p.p. in 2008); in 2018, Poland surpassed Slovakia; and in 2020, the GDP of Poland reached 77% of the EU-27 average, 8 p.p. higher than Slovakia's.

Figure 2: GDP per capita in PPS in the V4 countries as a percentage of EU-27 average, 2000–2021

Source: Eurostat (2023).

As mentioned in the introductory part of the chapter, our main concern is to analyse regional development. Interregional variability can be documented, for instance, by values of the coefficient of variation (CV), which is commonly used to measure territorial differences.² The data (CV values) for regional GDP for individual V4 regions shows significant differences in regional wealth between individual V4 countries (as shown above) and regions within one country. As seen in Table 1, the degree of regional GDP significantly varies and based on CV values, it is possible to divide V4 countries into approximately three groups. Poland exhibits relatively smallest interregional variability, with a mean CV slightly above the 20% threshold (23.17%). In contrast, in Czechia and Hungary, the variability of the regional GDP is almost double (38.79% and 40.45%, respectively), and the largest differences in regional wealth are characteristic of Slovakia, where the mean CV exceeds the 50% threshold (51.47%).

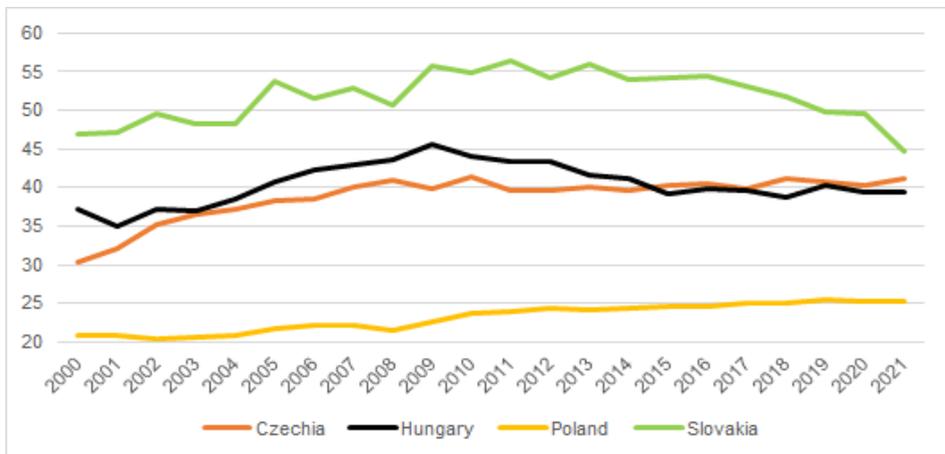
Table 1: Aggregate levels of regional GDP per capita in PPS in the V4 countries and in the EU-27, 2000–2021 (coefficients of variation)

	Lowest	Highest	Mean
Slovakia	44.81	56.35	51.47
Hungary	34.97	45.53	40.45
Czechia	30.29	41.51	38.79
Poland	20.46	25.59	23.17

Source: Eurostat (2023), author's calculations.

Additional detail is provided by data on the development of the interregional variability of GDP in time (Figure 3). Again, there are various trajectories in individual countries. First, Poland saw relatively stable variability of regional GDP, with only the years 2009 and 2010 dividing the monitored period into two phases, one with slightly lower (approximately 21%) and the other with slightly higher levels of variability (approximately 25%). Czechia and Hungary show different trajectories. An initial increase of approximately 10 p.p. up to approximately 40% in Czechia and 45% in Hungary was followed by a decline in Hungary, then the CV in both countries stabilised at the level of 40%. Finally, the most variability can be observed in Slovakia, where not only are the overall interregional differences the highest, but this variability also considerably changes over time.

Figure 3: Regional GDP per capita in PPS in the V4 countries, 2000–2021 (coefficients of variation)



Source: Eurostat (2023).

The final step in our description of patterns of regional development in V4 countries lies in focus on regional wealth differences between individual regions. Here, one important finding is that it is not necessary to account for all years, but a sufficient solution is to consider, for instance, the beginning and the end of the monitored period. This is possible because although there was a significant increase in regional development during the observed period, that increase was constant across all regions. Thus, although the individual V4 regions differ significantly in the size of their regional GDP, their differences remain very similar over time; low-GDP regions did not move into the high-GDP category or vice versa. The above conclusion is confirmed by the values of the correlation coefficients between successive years; the Pearson correlation coefficient was used. Here, all cases (at the level of individual V4 countries and the level of the whole V4) exhibit almost perfect correlations (higher than 0.9) between the values of regional

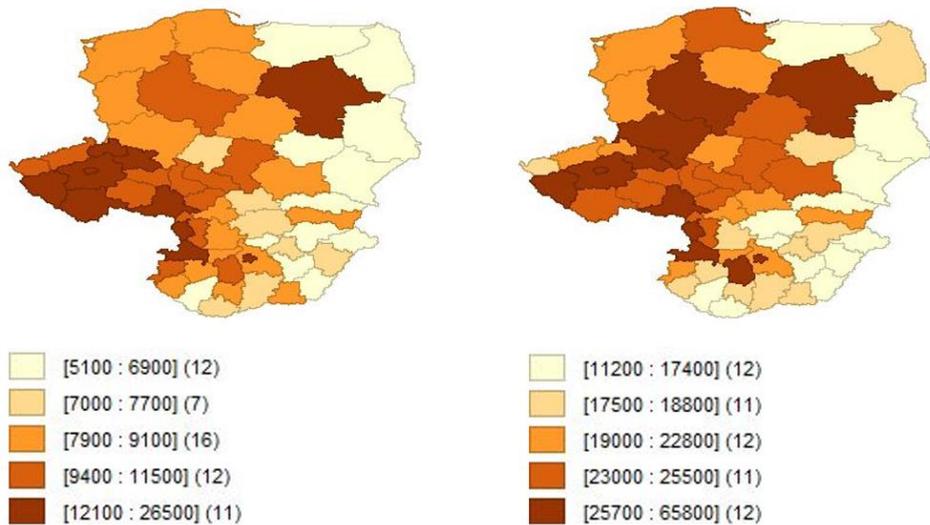
GDP for consecutive years throughout the 2000–2021 period.³ More importantly, almost all correlation coefficients between more distant years were higher than 0.9 (with some minor exceptions in Hungary and at the V4 level, but even those had coefficients of at least 0.877 in Hungary or 0.862 at the V4 level).

The above figures suggest a very strong stability of regional GDP in individual regions over time, which is also supported by spatial analysis (Figure 4). A comparison of maps showing regional GDP levels in individual V4 countries shows that despite overall GDP growth in all regions, the situation in individual regions did not change significantly, with one exception. This is associated with the gradual economic rise of Poland and how it is reflected in some Polish regions, especially compared to the relative decline of some Czech regions.

In the year 2000, the wealthiest regions were concentrated almost exclusively in Czechia (or Bohemia, more precisely) or around capital cities (Budapest in Hungary, the Bratislava Region in Slovakia plus the adjacent Győr-Moson-Sopron Region in Hungary, or the Masovia Region in Poland). The Czech regions with the highest regional GDP covered a contiguous territory in southern, western, central, and north-eastern Bohemia (the regions of South Bohemia, Plzeň, Central Bohemia, Prague, Liberec, and Hradec Králové) plus only one Moravian region: South Moravia, with the country's second biggest city of Brno. More importantly, none of the remaining Czech regions (including the three structurally disadvantaged regions of Karlovy Vary, Ústí and Labem, and Moravia-Silesia) ranked worse than in the second-highest quintile.

In contrast, only a limited number of regions in other V4 countries ranked in the second highest quintile: Greater Poland and Silesia in Poland, Trnava in Slovakia, or Vas and Fejer in Hungary. As for the least developed regions, there was a clearly visible pattern: they were found in eastern parts of Poland, Hungary, and Slovakia (with the exception of the Košice Region, with the second biggest Slovak city). In contrast, most Polish regions in central or western parts of the country ranked in the group with the highest average regional GDP.

Figure 4: Regional GDP per capita in PPS in the V4 countries, 2000–2021 (quintiles)



Source: Eurostat (2023).

The most striking differences can be observed in Czechia and Poland when comparing current situations. Not only did the number of regions with regional GDP in the highest quintile decrease in Czechia but, more importantly, a part of north-western and north-eastern Bohemian regions moved to the average category (Ústí nad Labem and Liberec) or even to the second worst quintile (Karlovy Vary). Of these, Liberec and Karlovy Vary dropped by two categories. Furthermore, South Bohemia moved from the first to the second highest quintile. In contrast, the number of less developed regions in Poland decreased from five to three in 2021 (Lublin and Subcarpathia in the east and the northern Warmia-Masuria). Furthermore, the wealthiest category expanded from one region in 2000 (Masovia) to three in 2021 (Masovia and the western regions of Lower Silesia and Greater Poland). Overall, whereas a total of 6 out of 16 Polish regions (37.5%) ranked in the two lowest quintiles and only three regions (18.75) in the two highest quintiles in the year 2000, the situation partly reversed in 2021, when five regions (31.3%) remained in the two lowest quintiles, and the two highest quintiles expanded from three to seven regions (43.8%). In contrast, the number of Czech regions in the two highest quintiles decreased from 16 (100%) to 13 (81.3%).

The two remaining V4 countries saw only minor transformations of spatial patterns of regional GDP. In Slovakia, only Bratislava and Trnava remained the first and second highest quintiles (25%), and the two lowest quintiles combined shrank to three regions (37.5%). In contrast, in Hungary, Fejer joined Budapest and Győr-Moson-Sopron in the highest regional GDP category, while some of the southern regions dropped to the second lowest quintile (Csongrád-Csanád, Tolna, Veszprém, and Zala). As a result, the share of

Hungarian regions ranking in the two lowest quintiles rose from 10 (50%) to 14 regions (70%) between 2000 and 2021.

3 Regional development and quality of democracy

In the final part of this chapter, our concern will focus on whether regional development in V4 regions is influenced by any indicators of the quality of democracy. As we follow the proceduralist definition of democracy, we concentrate on factors associated with the role of institutions and examined in previous studies on the quality of democracy, both at the national and the regional level (see, e.g., Altman & Pérez-Liñán, 2002; Diamond & Morlino, 2004; Levine & Molina, 2011; Bühlmann et al., 2012; Lijphart, 2012; Giraudy, 2013; Gwiazda, 2016; Munck, 2016; Harbers et al., 2019; Maškarinec, 2023). These cover the following dimensions: (1) participation, which is closely associated with political equality; (2) competition as Dahl's (1971) second theoretical constitutive dimension of democracy (the first dimension of democracy is participation); and (3) women's political representation in terms of similarity between the composition of political decision-making bodies (representatives) and the composition of society (the represented).

We use the following indicators of the three dimensions to compare their effect on regional development (regional GDP). Participation will be measured by both the so-called effective participation (Altman & Pérez-Liñán, 2002), coded as turnout in elections to regional legislatures (logged), and non-electoral participation, coded as membership in civil society organisations as the number of non-governmental organisations (NGOs) per 1,000 inhabitants (logged). Competition, then, will be measured by two indicators. First, we use Laakso and Taagepera's (1979) *effective number of parliamentary parties* (*ENPP*) to measure regional legislature fragmentation, or concentration in the distribution of seats across parties, in each region.⁴ Second, we use Taagepera's (2005) *index of balance* (*b*) to supplement the *ENPP* by indicating how unbalanced the actual distribution of party sizes is.⁵ Taagepera (2005: 290) emphasised that while *ENPP* measures the central tendency of party constellations, *b* adds a measure of spread around the central tendency, and using both indicators describes the party constellation more thoroughly.

As in the previous section, we use data on regional GDP for NUTS 3 regions (Czechia, Hungary, Slovakia) and NUTS 2 regions (Poland). For the independent variables, we use data on elections to regional legislatures since the establishment of self-governing regions in V4 countries. Our sample includes data for six regional elections to 16 Polish regional legislatures (*sejmik wojewódzki*; NUTS 2 level) between 1998–2018, 13 Czech regional legislatures (*zastupitelstvo kraje*; NUTS 3) and the Prague City Assembly (*Zastupitelstvo hlavního města Prahy*; NUTS 2/3) between 2000 and 2020,⁶ 19 Hungarian county assemblies (*megyei közgyűlés*; NUTS 3) and the General Assembly of Budapest (*Fővárosi közgyűlés Budapest*; NUTS2/3) between 1994 and 2019, and eight Slovak regional legislatures (*zastupitelstvo kraja*; NUTS3) between 2001 and 2022.⁷

The effects of the above-mentioned indicators were analysed using the classic ordinary least squares method (multiple linear regression) or, more specifically, a pooled regression model. These methods enable us to identify changes in individual variables over time and across the entire set of observations. Model results are indicated by basic parameters, namely unstandardised regression coefficients (B; measuring the effect of an independent variable on the dependent variable when controlled for all other variables, it tells us how much the dependent variable changes per unit change in the independent variable), standardised regression coefficients (Beta; measuring the weight of each independent variable in the model), and the adjusted coefficient of determination (adjusted *R*-squared; measuring the overall performance of the model in explaining variance in the dependent variable). Furthermore, we present partial regression plots to show the effect of including an additional variable in the model (when one or more independent variables are already included).

Table 2 illustrates the result of our model, which regresses regional GDP per capita in PPS, as the dependent variable, on the set of independent variables. The first finding is that the regression model is relatively successful in explaining 44% of detected variance. Starting with the effect of participation, we found very different effects of the various types of participation. While our results confirmed a strong positive effect of the higher presence of NGOs in V4 regions on regional GDP, the effect of electoral participation (turnout in regional elections) was negative and very weak. Furthermore, similarly to non-electoral participation, the effect of women's representation was positive. Thus, higher success of women in elections to regional legislatures was present, especially in wealthier regions, and more importantly, especially the Beta coefficient value suggested a strong effect of female representation in the model.

However, while the regression model shows some association between regional development and the participation and representation dimensions of democracy (or, more precisely, some of their possible indicators), a much weaker effect is shown for indicators of the competition dimension. Furthermore, similarly to participation, the effects of both indicators of competition are not in the same direction. While a greater fragmentation of regional legislatures (*ENPP*) results in a rather lower regional GDP, a high balance among parties (*b*) in a legislature increases regional wealth. Finally, although the effect of both indicators of competition is not high, in terms of both their effects on the dependent variable and their weight in the model, their effects are slightly stronger than the effect of regional turnout, especially in terms of *ENPP*. This finding is also supported by the partial regression plots (Appendix 1), which show a rather stronger effect of NGOs operating in the given region, or women's representation in its legislature, a significantly lower effect of the index of the *ENPP*, and very low effects of the index of balance and especially turnout in elections to regional legislatures.

Table 2: Determinants of regional GDP per capita in PPS in the V4 countries, 1994–2022 (OLS, pooled regression model)

	B	SE	Beta	p
Turnout (log)	–0.027	0.067	–0.017	0.689
NGOs (log)	0.317	0.029	0.479	< 0.001
Women’s representation	0.012	0.000	0.509	< 0.001
ENPP	–0.027	0.008	–0.165	0.001
Index of balance	0.072	0.056	0.064	0.197
Constant	3.800	0.123		< 0.001
N	368			
Adjusted R²	0.441			

Note: The table presents coefficient estimates from pooled regression. B: unstandardised regression coefficients, Beta: standardised regression coefficients, SE: standard errors, *p*: statistical significance level.

Source: Eurostat (2023), author’s own calculations.

4 Conclusions

In this chapter, we focused on regional development in V4 countries (Czechia, Poland, Hungary, and Slovakia) and inquired whether there is any association between regional development (understood in economic terms and measured by the size of regional GDP) and selected indicators of quality of democracy. The chapter showed that since 2000 (or since their accession to the EU in 2004), regional wealth has been systematically increasing in all V4 countries, as we observed an overall rise in the nominal level of GDP per capita in PPS. In particular, Poland achieved a high GDP rise in recent years, which moved the country behind Czechia, although with a considerable distance. In contrast, the rise of regional development is not so clear in terms of the percentage of the EU-27 average. On the one hand, Poland has been steadily approaching the EU-27 average, also due to its low baseline level of GDP. On the other, the remaining countries experienced stagnation in their convergence to the EU-27 level in recent years (Czechia approximately since 2014), a very minor rise (Hungary), or a downward trend (Slovakia since 2016).

Furthermore, we presented highly contrasting patterns of the interregional variability of GDP, which differentiated V4 countries into approximately three groups, from small (Poland) to relatively high (Slovakia) differences in development between the country’s regions, together with different trajectories of how these differences transformed in time. Finally, although we found a very strong stability of regional GDP in individual regions across all V4 countries, our data also confirmed some interesting changes in spatial patterns of the spread of regional wealth. The position of Poland (or some Polish regions, more precisely) strengthened, even at the expense of some Czech regions, which were traditionally the most developed. In contrast, Hungary and especially Slovakia had

limited numbers of regions with a high level of development, mainly concentrated in and around their capital cities.

Furthermore, our effort to show whether there is any association between regional development and selected dimensions of the quality of democracy produced mixed results. In particular, the opposite effects of the two indicators of participation can be surprising. As we expect that both turnout in regional elections and membership in civil society organisations should be positively associated with regional GDP, further research should explain why voters in regions that are more developed are more inclined to vote abstention (although the effect is very weak) but at the same time are active in the non-profit sector. In contrast, the expected effect of women's representation leads to another question: Why does regional GDP not correlate equally with the number of women elected as regional governors in Czechia, Poland, Slovakia, or county council presidents in Hungary? Women's representation among regional leaders remains limited in the long term (for this reason, it was not included in the statistical analysis). Finally, in the case of the low effect of both indicators of competitiveness, it is necessary to consider whether our indicators are the most appropriate ones. There is no unequivocal agreement on which indicators of competitiveness are the best measures of quality of democracy. The problem is further exacerbated by the fact that in contrast to participation, whose levels are very constant across regional elections, the degree of competitiveness may vary significantly between elections in individual regions, as also shown by previous studies from Czechia and Poland (see Maškarinec, 2023: 51–58).

Finally, it is possible to mention that in the context of multi-level governance and globalisation processes, the socioeconomic development of regions may depend on other levels of governance (especially national), as well as other factors which regional governments cannot influence (see Kostecký & Patočková, 2006: 916–918). Furthermore, the Czech example also showed that there may not be a direct relationship between regional government performance and the economic performance of the regions (see Kostecký et al., 2007). All in all, analysis of regional development requires including a wide range of factors and considering the multi-level governance approach and the possible influence of local (regional) context on both development and quality of democracy. This is a range of questions for which there was no space in this chapter and which, even with the use of the findings presented here, can inspire further development of research on regional governance and its impact on the socioeconomic development of regions.

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Notes:

- ¹ Exactly by a factor of 2.2 in Czechia (from EUR 13,500 to EUR 29,700), 2.39 in Slovakia (from EUR 9,400 to EUR 22,500), 2.48 in Hungary (from EUR 9,800 to 24,300 euros), and 2.81 in Poland (from EUR 8,900 to EUR 25,000).
- ² Coefficients of variation were used to indicate relative variability. Expressed as a percentage, the coefficient is calculated as standard deviation ÷ mean × 100% and shows the dispersion of a variable’s probability distribution. The higher the CV, the higher the differences between units of observation.
- ³ The correlation coefficients reached the level of 0.996 on average for the V4 (with a minimum of 0.972), 0.999 (0.994) for Czechia, 0.998 (0.993) for Poland, 0.996 (0.985) for Hungary, and 0.999 (0.993) for Slovakia.
- ⁴ We use Laakso and Taagepera’s original term effective number of parliamentary parties (ENPP) to refer to regional legislatures/assemblies. According to Laakso and Taagepera (1979: 4), ‘the effective number of parties is the number of hypothetical equal-size parties that would have the same total effect on fractionalisation of the system as have the actual parties of unequal size’. ENPP is calculated as follows: $ENPP = 1 / \sum si^2$, where si is the proportion of seats held by the i -th parliamentary party.
- ⁵ According to Taagepera (2005), the index of balance is calculated as follows: $b = -\log s1 / \log p$, where $s1$ is the proportion of seats held by the largest party and p the number of seat-winning parties.
- ⁶ Given the combined status Prague as a municipality and a region, regional elections are not held there. Therefore, we use the results of Prague’s local elections between 1998 and 2018.
- ⁷ Data on electoral results were retrieved from the statistical offices of the V4 countries.

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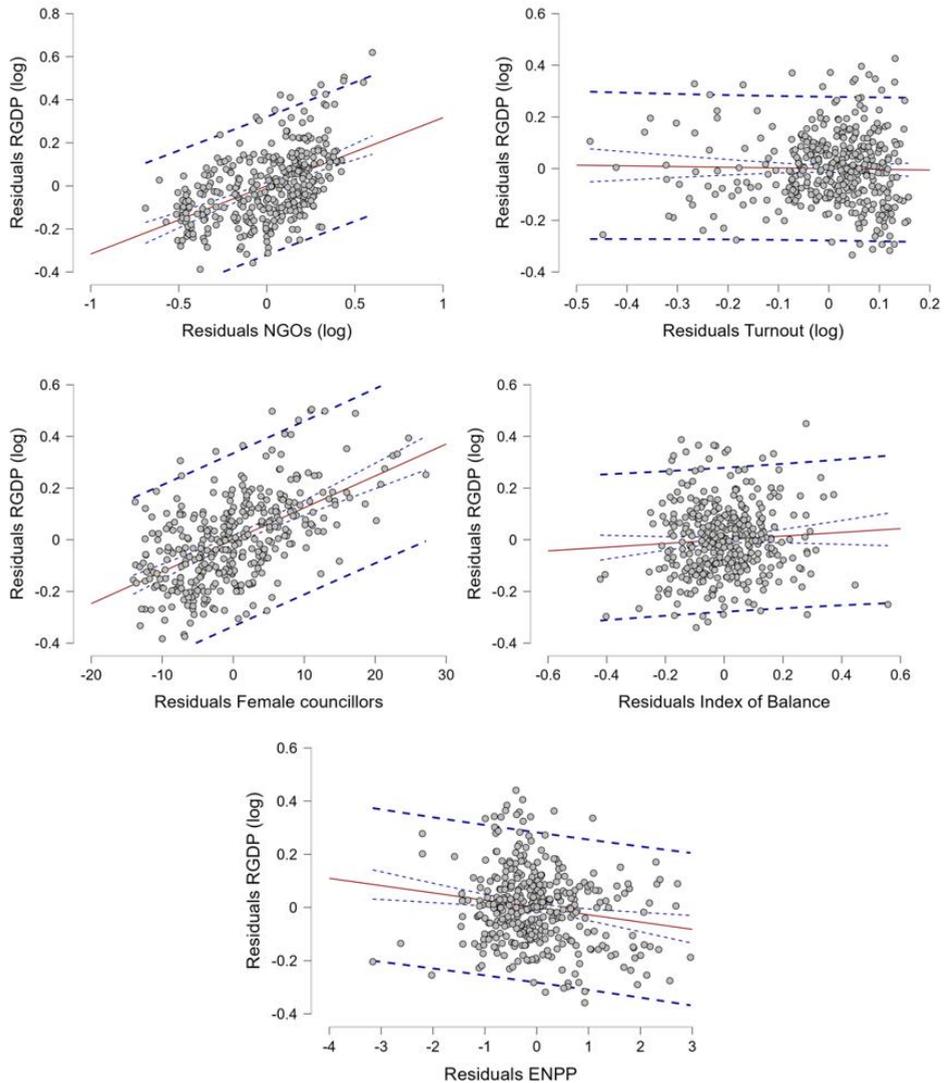
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Appendix:

Appendix 1: Determinants of regional GDP per capita in PPS in the V4 countries, 1994–2022 (partial regression plots)



Source: Eurostat (2023), author's own calculations.

Public-private Partnerships for Inclusive Cyber Crisis Response in Developing Countries: Western Balkan Region

ANDREJA MIHAILOVIĆ & BOJAN BOŽOVIĆ

Abstract This chapter critically examines the role of public-private partnerships (PPPs) in promoting cybersecurity in the Western Balkans and emphasises their growing importance in the digital economy. The study navigates the complexities arising from the EU's support for PPPs against the backdrop of historical centralisation and public sector reluctance in the region. Through a comprehensive analysis, the authors find that PPPs significantly improve cybersecurity when public expertise is synergised with the innovative capacities of the private sector. These partnerships not only improve local cybersecurity infrastructure, but also act as catalysts for economic and innovative activities that are crucial for regional development. The research findings show that PPPs close the technological and skills gaps in developing countries, strengthen their defence against cyber threats and facilitate deeper integration into the global digital economy. The importance of PPPs also extends to their role as a critical enabler for the WB region's alignment with EU cybersecurity standards, a necessary step towards EU integration and regional prosperity. The chapter emphasises that PPPs should be a central part of national security policies, as they are essential for sustainable development in the digital age. It concludes by advocating a structured approach to PPPs that includes clear objectives, risk-sharing and confidence-building in order to fully realise their potential to strengthen the cybersecurity framework of local and regional environments.

Keywords: • PPPs • cybersecurity • developing countries • Western Balkan • EU

CORRESPONDENCE ADDRESS: Andreja Mihailović, Ph.D., Teaching Associate, University of Montenegro, Faculty of Law, 13. Jula, br.2, 81000 Podgorica, Montenegro, e-mail: andreja@usg.ac.me. Bojan Božović, Ph.D. candidate, University of Montenegro, Faculty of Law, 13. Jula, br.2, 81000 Podgorica, Montenegro, e-mail: bojan.bozovic@mep.gov.me.

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1 Background

Over the past decade, a notable focus on cybersecurity has emerged at the international level, leading to the exploration of collaborative frameworks aimed at effectively combating the complex and broad spectrum of cyber threats. The field of cybersecurity has undergone remarkable changes, particularly with the development of public-private partnerships (PPPs) as an essential tool for improving comprehensive responses to cyber crises (Ampratwum et al., 2022; Deák, 2021). PPPs in cybersecurity refer to collaborations between government bodies and private sector groups. These collaborations have been recognised as a potentially effective strategy for improving cyber resilience at both national and global levels. PPPs are of utmost importance in the global effort to combat cyber threats by efficiently combining valuable resources, specialised experience, and actionable intelligence.

This strategy is especially crucial in developing countries, where governments frequently lack the resources and expertise to adequately address the intricate and constantly changing nature of cyberthreats. Private sector involvement in PPPs provides emerging economies with access to cutting-edge technology, knowledge transfer, capacity building and additional funding, all of which may significantly improve cybersecurity capabilities (Guitton & Frechette, 2023). These countries may benefit from the resources and knowledge of multinational corporations that have extensive experience in combating cyber threats by working with the private sector. This can help bridge the knowledge and technical gap and help countries with limited resources to better defend their digital assets and vital infrastructure against cyberattacks.

2 The prospects of public-private partnerships in cybersecurity

In general, public-private cooperation in the field of cybersecurity offers several advantages. First, integrating the technological capabilities of the private sector with public sector regulators serves to optimise the performance and effectiveness of cybersecurity measures. This collaboration enables a comprehensive approach to cybersecurity that incorporates both the technological and regulatory dimensions. In addition, the establishment of PPPs in the area of cybersecurity serves to improve information sharing and promote effective coordination between different parties. This promotes a more thorough understanding of the cybersecurity environment and accelerates the exchange of information on new threats, vulnerabilities and best approaches. In addition, building these cybersecurity partnerships serves to promote innovation and the advancement of cutting-edge technology. By working together, the public and commercial sectors may combine their resources and expertise to promote the development of novel approaches to cybersecurity problems (Dharmawan et al., 2019). These collaborations allow government agencies to utilise the technical developments and creative solutions offered by private sector organizations, while leveraging their own regulatory and enforcement capabilities. Bringing together different resources and

specialised knowledge may lead to improved cybersecurity measures that are more resilient and effective. One example of this phenomenon is the private sector's frequent access to cutting-edge tools and industry-leading methodologies that may be crucial in identifying and mitigating cybersecurity vulnerabilities. In contrast, the public sector has the authority to develop regulatory frameworks and enforce compliance, ensuring the efficient implementation of cybersecurity protocols across different businesses and sectors. In addition, PPPs are able to foster a proactive and collaborative strategy for threat intelligence management and incident response. Through information sharing and joint coordination, both the public and private sectors may improve their ability to respond quickly and efficiently to the ever-changing landscape of cyber threats. Furthermore, their use in cybersecurity has proven effective in strengthening the resilience of essential infrastructure (Serrano, 2018; Shires, 2018). Cybersecurity partnerships also help build trust between the public and private sectors, leading to a more proactive and coordinated response to cyber threats as both sectors work towards a common goal: protecting national security and critical infrastructure. In addition, PPPs promote economic growth and development by creating opportunities for businesses to thrive in a secure digital environment (Xianbin & Qiong, 2021).

Nevertheless, condemnations of PPPs in cybersecurity often point to the unwillingness of the private sector to collaborate, lack of clear strategies or incentives, poorly defined goals and objectives, misalignment of interests between public and private partners, and limitations in enforcement and ability to achieve the best outcomes. Firstly, the heavy reliance on the private sector raises the question of whether profit is being prioritised over safety. Profit is the driving force behind private companies, and protecting their own interests and assets is their top priority. They may put their own cyber security requirements above national security considerations, which could jeopardise the common security of the country. Secondly, transparency and accountability in PPPs are often insufficient. Private companies may be reluctant to provide sensitive information or cooperate fully with government officials out of concern for their public image, competitive advantage or legal consequences. In addition, it may be difficult for the public sector to adequately monitor and enforce private sector compliance with cybersecurity standards and rules (Gottam, 2022).

3 Guarding Europe's digital gates: The role of PPPs in the cybersecurity strategic compass

The European Union (EU) has demonstrated its commitment to progressive cybersecurity legislation by repeatedly emphasising the importance of a collaborative approach in addressing the complex and diverse characteristics of cyber threats. This strategy emphasises the need to protect digital assets, maintain the resilience of vital infrastructures and engage on a multilateral basis to strengthen the EU's digital defences. In addition to emphasising the value of PPPs in building a robust cybersecurity ecosystem, the legislative frameworks set strict standards for protecting data and ensuring

security (European Parliament, 2016). An important step towards recognising the role of PPPs in strengthening the resilience of key infrastructure sectors against cyber-attacks was taken in 2016 with the introduction of the Network and Information Systems (NIS) Directive (European Commission, 2016). This directive promoted an integrated approach that goes beyond traditional segmented defences and emphasised the need to implement a comprehensive accountability structure. Following on from this, the NIS2 Directive, which came into force in 2023, is a gradual improvement to EU cybersecurity law that further expands on the basic principles set out in the 2016 NIS Directive. The increasing prevalence of digitalisation and the evolving landscape of cybersecurity risks were the reason for the adoption of this amended law. To increase the resilience of public and private organisations and their ability to respond to events, the proposed law expands the definition of cybersecurity rules to include more sectors and types of organisations. These preventive measures include ensuring that each Member State has the necessary tools in place, including a competent national authority for networks and information systems and a Computer Security Incident Response Team (CSIRT). In addition, the directive in question aims to promote a security-orientated culture in various industries that rely heavily on information and communication technologies (ICTs). The European Union Agency for Cybersecurity, or ENISA, is essential to the execution of this directive because it provides technical knowledge, helps member states implement it, and supports the process of reporting cybersecurity events throughout the EU. Noteworthy for pointing out is the fact that within this specific context, "directive" relates to the concept that it can be implemented in different ways within each member state to accomplish functional harmonization with local laws. In addition, further legislative efforts to strengthen the EU cybersecurity framework and guarantee that the digital infrastructure is resistant to possible assaults include the Cyber Resilience Act (CRA) and the Digital Operational Resilience Act (DORA) (ENISA, 2023).

The CRA is intended to complement current legislation, in particular the NIS2 framework, and was introduced as part of the 2020 EU Cybersecurity Strategy. A low level of cybersecurity is common in many products and services, and the resulting lack of regular security upgrades is one of the main concerns that the CRA aims to address. Therefore, this law proposes standardised regulations for the market launch of software or goods with a digital component. It creates a comprehensive set of cybersecurity standards that cover the steps of planning, designing, developing and maintaining such goods. To maintain a duty of care for the life of the product, manufacturers and distributors must comply with these regulations at every point in the value chain. DORA strives to improve the security and resilience of digital systems and services and recognises the growing dependence on digital operations and the associated risks. Information and communications technology (ICT) risks that have the potential to affect the stability and integrity of the financial system must be identified, addressed and mitigated, according to the Act. The DORA aims to promote a consistent approach to digital operational resilience across the European Union by establishing a standardised

set of guidelines and standards. This will enable financial institutions to prevent, adapt to and manage digital disruption (European Commission, 2020).

PPPs are becoming increasingly important as a cornerstone of national cybersecurity plans within the EU cybersecurity framework. This focus underlines the importance of these collaborations in strengthening a country's digital defences. The International Telecommunication Union (ITU), a respected international organisation, has drawn attention to the importance of PPPs, identifying them as essential components in the development and implementation of national cybersecurity plans, particularly with regard to the protection of a country's critical infrastructure (ITU, 2021). Promoting these partnerships is important for the EU because it recognises that while governments can set strategic guidelines and regulatory frameworks, the private sector often has the technological know-how, resources and flexibility to deal with ever-changing cyber threats. To promote research and innovation in the field of cybersecurity, the EU has launched several initiatives, such as the legally binding PPP on cybersecurity, with the aim of keeping the Union at the forefront of cyber defence.

Despite the significant potential of PPPs to improve the EU's cybersecurity, there are still challenges that need to be recognised and resolved. Aligning objectives between public and private institutions, implementing equitable risk sharing and building a culture of trust remain key focus areas. Given the constant evolution of cyber threats, it is also crucial to maintain an ongoing dialogue, promote information exchange and encourage multi-sector involvement. To maintain a competitive edge in the dynamic landscape of security breaches, the EU must prioritise the cultivation of collaborative and mutually beneficial ventures.

4 Synergizing growth: The transformative impact of PPPs in developing regions

Recently, there has been a growing awareness of the important role of PPPs in building cyber security capacity in developing countries. These partnerships are important in large part because developing countries often lack the knowledge and skills needed to successfully defend against cyber-attacks. Technology has transformed with the advent of Industry 5.0, but at the same time, security risks have increased due to the integration of physical systems with digital networks. Small and medium-sized businesses (SMEs), which often lack the capacity to combat complex cyber threats on their own, should pay particular attention to this. Against this backdrop, PPPs are essential for promoting knowledge exchange, exchanging best practises and jointly developing plans to mitigate cyber threats. As part of Industry 5.0, a comparative analysis between Saudi Arabia and the United Kingdom has brought to light the importance of governance and policy in strengthening cyber security measures. The study highlighted the importance of PPPs in achieving these goals and emphasised the need for tailored solutions that take into account

the unique cultural and economic realities of the different countries (Rawindaran et al., 2023).

These countries may strengthen their cyber security capabilities by using PPPs to benefit from the technological know-how and expertise of private actors. Public-private collaborations are essential for strengthening the resilience of critical infrastructure sectors in the area of cyber protection (Michalec et al., 2021). In industries such as transport, public health, finance and innovation, these collaborations enable public agencies and private companies to share information, collaborate effectively and make decisions jointly. Cybersecurity PPPs also give low-income countries access to cutting-edge methods and equipment that would otherwise be out of reach or too expensive. Their remarkable economic impact can be seen in many different areas: in the maritime industry, for example, PPPs offer flexibility in multiple payment options, increase infrastructure funding opportunities and create jobs. Although efficiency improvements are prioritised over infrastructure development, the strategy ensures governments get the most value for their money and are discouraged from overspending. PPPs can provide effective resource allocation and defence mechanisms in the area of cyber defence and extend this economic justification.

5 Grappling with the challenges: Decoding the PPP puzzle

While PPPs in the area of cybersecurity offer immense potential for developing countries, the path to their successful implementation is full of challenges that can only be overcome with a holistic approach.

In many emerging economies, there are insufficiently comprehensive legislation and legal frameworks for cybersecurity, leading to inconsistencies in the allocation of responsibilities and powers. As a result, prosecuting cybercriminals and protecting the digital rights of individuals in these contexts is a major challenge. There is often an insufficient understanding of the critical importance of cybersecurity among the public, business and government entities, resulting in low standards of expertise and competence in cyber risk defence. Although the relevance of cybersecurity cannot be overstated, many developing countries encounter budgetary constraints that make it difficult to allocate resources to cybersecurity efforts, especially in the face of competing priorities such as medical care, educational opportunities and facilities (Otieno, 2020). The use of outdated technologies and systems in these countries makes them vulnerable to cybercriminal activity, while the expenses associated with modernising these systems can be a significant barrier. The phenomenon of talented cybersecurity professionals migrating from low-income countries to advanced economies for better opportunities leads to a lack of expertise in their countries of origin.

Geopolitical tensions or scepticism towards foreign surveillance may make developing countries reluctant to adopt certain cybersecurity measures or technologies. The task of

harmonizing interests and objectives can be challenging due to the involvement of various stakeholders, from government agencies to commercial companies. This complexity arises from the fact that these groups may have different objectives. The phenomenon of rapid urbanisation in several emerging countries is leading to an escalation of digitalisation, but without a corresponding advance in cybersecurity protocols. In some countries, there is a great reluctance to share information, especially when it comes to security breaches or vulnerabilities. This reluctance is a significant barrier to the dissemination of important information that is essential for the implementation of successful cybersecurity measures. The establishment of efficient PPPs may be hindered by a potential lack of trust between the public and private sectors, which may be due to historical or political factors.

Furthermore, it should be noted that the problem of cybersecurity is further intensified by the existence of a digital divide between urban and rural regions in several developing countries (Selfa-Sastre et al., 2022). The term "digital divide" refers to the inequality in the availability and use of digital technology, which includes devices such as computers, internet connectivity, and mobile phones. Residents of metropolitan regions often have better access to these technologies than their rural counterparts. This discrepancy may be attributed to several variables, including infrastructure development and the availability of economic resources. However, it is worth noting that urban residents may have a minimal level of cybersecurity measures in place. On the other hand, rural regions, which are often neglected in the process of digital transformation, become vulnerable targets due to their restricted familiarity and awareness of cyber risks. The uneven distribution of technological progress and varying levels of cybersecurity awareness contribute to the formation of a fragmented defence environment. Furthermore, while the widespread adoption of mobile devices in these countries is beneficial for improving connectivity, it also introduces additional vulnerability. In developing countries, a significant number of people rely on mobile devices as their primary means of accessing the internet. However, these devices often run outdated software versions or lack adequate security measures. As a result, consumers in these regions are particularly vulnerable to cyberattacks that specifically target mobile platforms. Another risk is that emerging markets are overly reliant on single vendor offerings in their search for cost-effective cybersecurity solutions. Over-reliance on a single vendor's solution can lead to potential vulnerabilities if the solution has a security flaw or the vendor discontinues support.

A major obstacle for most countries is the lack of a robust incident response architecture, leading to haphazard and disjointed responses to cyber events. In addition, cultural beliefs prevalent in certain civilisations play a role in the phenomenon of underreporting, as admitting weaknesses or breaches in cybersecurity infrastructure is associated with social shame. The lack of comprehensive reporting and openness is not only a barrier to progress, but also hinders the successful execution of robust cybersecurity measures in these nations. The lack of a clearly defined approach to addressing and mitigating security breaches can result in prolonging and exacerbating the consequences of cyber disasters.

Finally, the issue of international co-operation, or lack thereof, poses a significant difficulty. Cyber threats transcend national borders and perpetrators often operate from countries outside the jurisdiction of the target country. Without solid international coordination and conventions, it will be difficult to bring these perpetrators to justice. The digital age offers unprecedented prospects for progress and development, but also poses complex problems for emerging nations. To effectively address the complexities of cybersecurity, it is essential to not only rely on technological solutions, but also cultivate a cybersecurity mindset, promote a culture that prioritises cybersecurity and build solid international partnerships.

6 The Western Balkan: A unique backdrop

The Western Balkan (WB) is a political designation that comprises six nations, namely Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. These countries have a rich historical background characterised by various periods of conflict, cooperation and transformation. The dissolution of Yugoslavia in the 1990s led to a series of conflicts that had a lasting impact on the political and economic framework of the area. Governance, policy-making and international co-operation in the area were particularly shaped by its turbulent historical background (Mihailovic, 2023).

From a political perspective, the area currently faces persistent problems related to the consequences of past conflicts, ethnic divisions, difficulties in government, and hopes for inclusion in the European Union. The progress made by the Western Balkans in harmonising their policies was recognised by EU leaders in February 2023, who also urged them to accelerate additional measures. The region is now experiencing significant economic investment, particularly from the European Union. In June 2023, the European Commission initiated a €2.1 billion funding package with the aim of supporting 14 investment flagships in the Western Balkans region. These investments cover many sectors such as transport, energy, environment, human resources and assistance for the private sector (European Commission, 2023). The investment in question is an integral part of the European Union's Economic and Investment Plan for the Western Balkans, which aims to address imbalances in economic development and promote greater regional integration. However, there are still challenges that need to be addressed. These challenges include the need for deeper trade integration, the need for institutional capacity building and harmonisation with the standards set by the European Union. The significance of regional economic integration through trade and connectivity as a primary catalyst for development has been emphasised by prominent entities such as the World Bank, USAID and the Swiss government (World Bank, 2023). These activities serve to improve the economic prospects of the area and further consolidate its aspirations to become a member of the EU. The overall aim is to create a more favourable business environment, attract current investment and at the same time provide employment opportunities.

The WB region has recognised the great importance of cybersecurity as it becomes increasingly involved in global digital networks, as outlined in the 2023 National Cybersecurity Strategy. The increasing evolution of the digital environment and the increasing sophistication and regularity of cyber threats highlight the region's growing dependence on cyberspace for government, business and social interaction, thus emphasising the need for strong cybersecurity protocols (WB Security Report¹, Atlantic Council of Montenegro, 2022). WB countries have demonstrated a proactive approach in formulating their respective national cybersecurity plans, often drawing inspiration from the EU's exemplary practises. In the realm of legislation, there has been a remarkable adoption of international and regional legal frameworks. Organisations such as NATO have played a crucial role in providing strategic direction, promoting cooperation and sharing best practise. As a result, several Western nations currently view cybersecurity as a crucial component of their national security policy and have begun formulating legal frameworks to improve cybersecurity (Berg & Keymolen, 2017).

7 Distinct dynamics: The Western Balkans' challenges in fostering PPPs

The WB, at the intersection of history and digital transformation, presents a unique case for the study of PPPs in cybersecurity. By working together, building trust and adherence to global standards, the region can chart a path to a secure digital future. The proliferation of technology and the growing dependence on the internet in different regions has led to an escalation of cyber threats, which manifests itself in various forms. WB countries have been actively engaged in modernising national infrastructures and promoting integration into global digital networks. However, the rapid implementation of digital transformation has also exposed the area to many cyber threats. These attacks pose a double threat to both national security and the economy, as they can undermine investor confidence and disrupt commercial activities. In 2022, several WB countries experienced a series of catastrophic cyberattacks, mainly targeting government institutions. These attacks caused notable disruptions to their systems and caused significant instability to a variety of objectives that included both political influence and financial gain.

In the WB region, the numerous benefits of PPPs in cybersecurity are increasingly recognised despite significant obstacles. By consolidating resources, specialised knowledge and strategic foresight, these collaborative alliances represent a coherent strategy to address the challenges posed by cyber threats. Ongoing initiatives in countries such as Montenegro and Serbia point to a growing trend towards collaborative partnerships between governmental organisations and business actors. Underlying these activities is the need to effectively utilise the respective capabilities of both sectors to proactively address and mitigate the risks posed by cyber-attacks. Alliances therefore have the potential to provide the necessary financial resources and critical assets to strengthen cyber security activities in WB countries, which often face financial constraints due to competing priorities.

Furthermore, the historical practise of centralised governance sometimes poses a challenge to the promotion of successful cooperation between the public and private sectors. For example, the establishment of effective PPPs in the context of cybersecurity sometimes encounters obstacles, mostly due to long-standing distrust and conflicting goals between the sectors involved. It is crucial to clearly define the boundaries of responsibility and accountability in these collaborations, as the private sector may prioritise economic progress and focus on the financial and reputational aspects of cybersecurity. The public sector, on the other hand, is tasked with ensuring national security and protecting critical infrastructure (Wallis & Johnson, 2020).

Nevertheless, it is imperative to recognise the unique characteristics of cybersecurity dynamics that may hinder the effectiveness of such collaborations. A study conducted by (Kshetri, 2016) found that the contributions of private companies in PPPs are often not adequately recognised. The study raised concerns about the nature of these partnerships, suggesting that they may be more akin to a "public-private dictatorship" than a true collaboration. Furthermore, criticism of PPPs in the realm of cybersecurity has a variety of causes (Tropina, 2015). The criticism relates to the unwillingness of the private sector to cooperate, the lack of incentives and clearly defined strategies, unclear objectives, divergent interests between public and private partners and constraints in enforcement that hinder the achievement of optimal results. In addition, it is worth noting that the private sector may place more emphasis on economic progress and prioritising financial and reputational dimensions of cybersecurity than national security concerns (Wallis & Johnson, 2020). Effective coordination and communication between the public and private sectors is crucial for a comprehensive response to cyber crises among key stakeholders at the national level. Furthermore, the extensive involvement of the private sector in cyberspace introduces complicated dynamics that make it difficult for the government to respond effectively. Furthermore, the lack of precise and clearly articulated goals could hamper the effectiveness of public-private cooperation in cybersecurity. Therefore, further research is needed to assess the contextual variables, methods and procedures related to the effectiveness of PPPs in cybersecurity.

In the regional context, building trust between the public and private sectors is of paramount importance. Trust plays a pivotal role in promoting effective co-operation and cooperation between the public and commercial sectors. This phenomenon is of particular significance in the realm of policy formulation and political discourse, as the pervasive lack of trust in governmental institutions is widely recognised and lamented by scholars (Neal et al., 2016). In order to foster trust between the public and private sectors, it is important to consider certain crucial variables. Transparency and accountability are crucial elements in fostering trust between the public and private sectors. The definition of transparency refers to the extent to which information, procedures and decisions are open and accessible in both sectors (Zidane et al., 2015). Promoting transparency is of utmost importance in fostering trust between the public and private sectors as it serves to

improve accountability, curb corruption and ensure the fair and unbiased nature of decision-making processes.

Building international collaborations, adherence to global best practises and maintaining ongoing discussions can serve as crucial factors in facilitating effective cybersecurity PPPs. When managed effectively, PPPs have the potential to significantly improve the cybersecurity capabilities of a given region. Through collaborative efforts, policy makers and the business sector have the potential to facilitate entry into an era characterised by improved digital security, thereby achieving broad societal benefits. Empirical research suggests that countries that have effectively implemented PPP programmes tend to benefit from a comprehensive and well-structured PPP governance framework that covers all phases of the PPP lifecycle. This includes the exercise of institutional authority over these partnerships, the implementation of open and competitive procedures for public procurement and contract management, the ongoing monitoring and evaluation of partnership performance, the resolution of disputes and the full management and reporting of fiscal costs and risks.

The WB region, characterised by a variety of cultures and historical backgrounds, has the potential to benefit greatly from these collaborative efforts. In order to fully realise the potential of PPPs, it is imperative that WB economies address the shortcomings in their PPP governance arrangements. This includes implementing comprehensive public investment planning procedures, synchronising the objectives of PPPs with national investment plans and ensuring transparent and competitive tendering procedures.

As digital integration in the region progresses, it is crucial that cybersecurity is prioritised. This includes the continuous assessment of cyber threats, the allocation of resources to improve capabilities, the promotion of cooperation between regional actors and the alignment of cybersecurity measures with internationally recognised human rights standards. It is important to recognise that the field of cybersecurity goes beyond the conventional remit of intelligence and defence organisations, as it has a significant impact on many sectors of society, such as transportation, public health, banking and innovation. As Michalec et al. (2021) have highlighted, PPPs are paramount in managing cybersecurity in critical infrastructures. Successful collaborations can be facilitated through partnerships that have an alignment of interests and provide defined roles and tasks for the specialists involved. Considering that developing countries have long struggled with varying technological capabilities and limited resources, increased collaboration between the public and private sectors is a strategic way to provide financial resources for cybersecurity endeavours. The private sector has a crucial role to play in this context, as it is driven by innovation and government cyber infrastructure relies heavily on goods and services provided by private companies for security purposes.

8 Conclusion

This chapter examines the pivotal role of public-private partnerships (PPPs) in strengthening cybersecurity in the Western Balkans, a region facing the dual challenge of adapting to a rapidly evolving digital threat landscape and overcoming a historical legacy of centralised power structures. By integrating the EU's strategic focus on PPPs into regional cybersecurity strategies, the study shows a clear path for developing countries to strengthen their digital defences and adapt to broader European norms.

Furthermore, this study contributes to the understanding of how PPPs can be effectively tailored to regional development needs, especially in contexts where trust between the public and private sectors is limited. The findings show that such partnerships are crucial in bridging the gap between existing capabilities and the stringent requirements of the EU, as reflected in directives such as NIS2. The practical implications show that the WB region needs to proactively embrace PPPs to fulfil EU regulatory expectations and address the region's differentiated socio-political challenges. This proactive approach is essential to protect its digital domain and support its path to EU integration.

Consequently, this chapter applies a methodological framework that thoroughly explores the multi-layered dynamics of PPPs in strengthening regional cybersecurity capacities. By comprehensively analysing the existing literature, which includes a range of policy documents, legal instruments and strategic initiatives, this inquiry lays the foundation for understanding the operational intricacies of PPPs. This synthesis helps to analyse the legal and policy ecosystem that either supports or hinders the functioning of such partnerships, underpinning their operationalisation and effectiveness in a particular area of cybersecurity. Finally, the chapter recommends the promotion of international co-operation, adherence to global standards and the maintenance of a continuous discourse on cybersecurity. These steps are essential for the region to navigate the complex web of cyber threats and capitalise on its strategic position in Europe. The recommendations aim to provide a blueprint for regional development through improved digital security and to ensure that the opportunities arising from the growing digital presence are capitalised on in a secure and regulated manner.

Note:

¹ <https://ascg.me/en/western-balkan-security-report-2022/>.

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Challenges in Mobilising Green Finance for Local Development

JELENA JOVOVIĆ

Abstract The need for sustainable development and the transition toward a low-carbon economy has created a significant demand for green finance. To address this issue, this chapter aims to analyse green financing mechanisms in the context of local development through an extensive review of existing green policies and their impact on enhancing the local development process. The chapter reviews the existing literature on the topic and identifies the connection between green financing mechanisms and the role of the EU in their further development. Furthermore, the chapter also analyses successful green finance initiatives in the European Union. Lastly, it presents the main challenges in mobilising green funds and proposes means to solve them. The propositions aim to provide valuable insights and guidance for policymakers, financial institutions, and local leaders seeking to accelerate the transition to a low-carbon economy and attain sustainable development goals by 2040.

Keywords: • green finance • green initiatives • sustainable finance • sustainable development

CORRESPONDENCE ADDRESS: Jelena Jovović, M.Sc., Teaching Assistant, University of Montenegro, Faculty of Economics, Jovana Tomasevica 37, 81000 Podgorica, Montenegro; Universite Cote d'Azur, Groupe de Recherche en Droit, Economie et Gestion (GREDEG), 250 Rue Albert Einstein, 06560 Valbonne, France, e-mail: jelena.j@ucg.ac.me.

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1 Background

Mitigation and adaptation to climate change have been at the forefront of public debates in recent years. Not only does climate change affect economic growth, but it also has distinct effects on human well-being. Climate change affects human health severely, both directly and indirectly: it leads to the depletion of natural resources, which again triggers natural disasters (Afzal et al., 2022: 5150). If European countries are to fulfil EU2050 net-zero targets and foster economic growth (in accordance with the Paris Agreement), channels for mobilising finance need to be enhanced and deepened.

Green finance represents a vast potential for climate change mitigation and adaptation processes. As per the GEF definition (Krushelnytska, 2017: 4), green finance refers to financial investments and instruments issued for sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. It is, therefore, an essential manner by which economies can grow without damaging the environment, and thus, it is necessary to understand the channels through which this type of funding can be mobilised.

Numerous studies have shown that green finance not only brings benefits from the environmental side, but it also fosters economic development. It does so mainly by impacting finance structure and financial effectiveness and fostering high-quality economic development in general (Nenavath & Mishra, 2023: 2; Wang & Wang, 2022: 3; Zakari, 2022: 7). For the green finance process to run smoothly, two things are to be fulfilled; greening finance and financing green. To put things in perspective, ‘greening’ refers to the support in the system, and ‘financing’ refers to the mobilisation of the funds, whether from public or private sources (UK PACT, 2021: 2). In that regard, it is important to assess challenges that are present both in raising awareness and greening the financial system, as well as challenges concerning the mobilisation of the funds.

Existing studies that have been conducted to connect mitigation and adaptation activities and their connection to local development provide some important conclusions and recommendations based on the particular initiatives they analyse (Creutzig et al., 2020: 5; Mi et al., 2019: 587; Moore et al., 2021: 19).

Creutzig et al. (2020: 5) discuss several important aspects, the first of which pertains to gaining a deeper understanding of cities, focusing on data-related challenges. The second and third aspects involve the examination of potential actions within urban areas, with one perspective rooted in social science, such as the expansion of demand-side policies, and the other perspective considering environmental factors, such as the integration of mitigation and adaptation strategies. Lastly, the fourth aspect addresses the challenge of effectively implementing knowledge at the local level, particularly concerning governance issues.

Mi et al. (2019: 587) concluded that efforts are needed to reduce uncertainties in emission inventories and bridge the gap between researchers and policymakers for city-level climate change mitigation. Furthermore, they indicate the need to investigate further the interdependencies between climate adaptation and mitigation measures in urban areas.

Moore et al. (2021: 19) conducted a systematic literature review on climate change mitigation transformations, revealing conceptual diversity and underscoring the need for more research in this field, especially in lower-income economies and challenging sectors.

However, it is important to note that even though analysed papers give important recommendations for climate-related activities, particularly on the local and regional level, they examine how proposed activities can be financed; consequently, there is a lack of an approach to how green finance mechanisms are connected to local development. Accordingly, this study will deal with the state-of-the-art in terms of the green financing process from the local perspective, the main challenges present in the process of mobilisation, and the successful examples that justify the importance of green finance for local development in the European Union. Finally, the study will direct towards the main implications that can be drawn from the analysed cases and conclude with recommendations for local governance on the possibilities of closing the green financing gap.

2 Green finance mechanisms: an overview

Climate change has been at the forefront of public debates for decades. Started with the Montreal Protocol (1987)¹, it continued with the introduction and ratification of the UN Framework Convention on Climate Change (1992)², from which the annual forum named Conference of the Parties (COP) has drawn its roots. COP meetings have set the foundations for the Kyoto Protocol (UNFCCC, 1997) and the Paris Agreement (UNFCCC, 2015). Ever since the Kyoto Protocol entered into force, followed by the Paris Agreement, efforts to strengthen and enforce climate commitments have surged among European countries, both through the influence of multinational organisations and through the country level as well (Muchiri et al., 2022: 11; Workman et al., 2019: 593).

Climate commitments to this date have best been shown through the green financing process. Green finance does not have a single definition accepted by all parties concerned, but papers that have dealt with this topic allow us to withdraw the working definition. As the International Finance Corporation has stated (IFC, 2017), financial institutions, governments, and international organisations tend to define green finance (and sustainable finance) in different ways based on their underlying goals. According to several authors (Berrou et al., 2019: 32; Muchiri et al., 2022: 2), the term ‘green finance’ refers to the supply of financial services for green investments and policies, such as the promotion of ecologically friendly products and the mitigation of carbon damage through the issuance of green financial instruments. Udeagha and Muchapondwa (2023: 639)

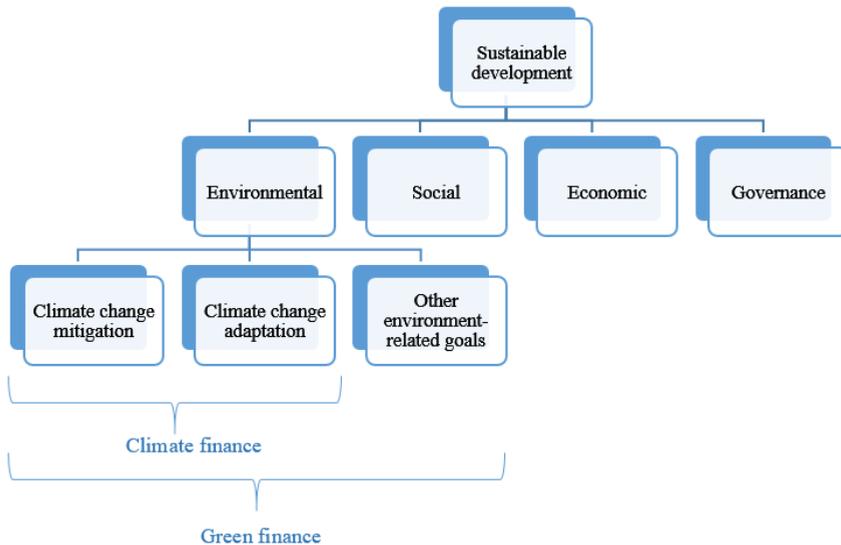
define green finance as an economic endeavour that, in theory, supports environmental enhancement and deals with climate change mitigation and adaptation, while at the same time promoting conservation of the resources.

As noted by (Lindenberg, 2014: 1), there is no common definition of green finance but rather several different ones. Höhne et al. (2012: 7) gave the following definition of green finance:

[...] a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green finance includes climate finance but is not limited to it. It also refers to a wider range of other environmental objectives, for example, industrial pollution control, water sanitation, or biodiversity protection. Mitigation and adaptation finance are specifically related to climate change-related activities: mitigation financial flows refer to investments in projects and programs that contribute to reducing or avoiding greenhouse gas emissions (GHGs), whereas adaptation financial flows refer to investments that contribute to reducing the vulnerability of goods and persons to the effects of climate change.

Creating a green finance system would help advance technology in the areas of energy efficiency, renewable energy, and environmental preservation. According to Chenguel and Mansour (2023: 2), the primary goal of the green financing process is the maximisation of the beneficial effects of green investments while limiting their negative effects to align financial flows with climate objectives. Furthermore, Benedetti et al. (2021: 848) argue that numerous green financing tools can be greatly used for measuring and managing risks associated with and caused by the climate change surge. Hence, it is a crucial tool for addressing issues with energy consumption and advancing sustainable development from an economic standpoint (Zhang & Wang, 2021: 3436). Additionally, green financing aims to advance a green economy in which the funded industries are predicted to reduce carbon emissions dramatically (Cai & Guo, 2021: 2). Because inclusive green financing helps to reduce and increase resilience to the negative effects of climate change, it can be used to create equitable green growth (Desalegn & Tangl, 2022: 2). Figure 1 represents a schema for understanding the scope of green finance mechanisms.

Figure 1: The scope of green finance



Source: Prepared according to UNEP (2016).

As shown in Figure 1, green finance comprises climate finance within itself but also deals with other environmental issues. The tools through which green finance covers the mentioned scope are numerous and diverse. Green finance includes but is not limited to the following instruments: green bonds, green loans, green funds, green indices, green project financing operations, and green asset-backed securities (Berrou et al., 2019). From the EU's stance, green bonds, loans, and green project financing operations play the most important roles. In the next section of the chapter, the role of the green financing process in the context of local development will be explained; particular significance will be given to the role of the EU in the above-mentioned process.

3 Nexus between green finance and local development: the role of the EU in scaling up the level of mobilised funds

Understanding the environmental efforts which the EU has shown throughout the last couple of decades, it becomes clear that the utmost goal is to connect these efforts to the objectives that have been ever-present, and these include development, high-quality jobs, as well as highly developed competitiveness on the local level. Consequently, the European Commission states that one of its main aims is to 'achieve sustainable development based on balanced economic growth and price stability and a highly competitive market economy with full employment and social progress' (The Treaty of Lisbon, 2009)³. To fulfil this, the EU's strategy has been to openly quantify

environmental targets to make it easier to track results and eventually allocate more resources (Marini, 2019: 120). Particular significance here can be given to the role in which green finance accelerates local development.

Local development *per se* is a concept that can be analysed from different angles; it thus lacks the unequivocal grounds for a proper and precise definition. It has been defined from many different aspects in different papers, which has only put an additional emphasis on its complexity and deepened the need to address it in a more precise manner.

Adamowicz (2023: 5) defined local development as a series of political, social, cultural, and economic reforms that raise the standard of living for all citizens. In other words, the author defines development as the process of transitioning from one condition to another that is more complex and advanced, or even more ideal in certain ways. Key components of the local development process, pointed out by the OECD (Kamal-Chaoui, 2019: 2), include leadership, strategic capability, and the dedication of local actors to collaborate and coordinate efforts to articulate a shared vision of their community's future. Kamal-Chaoui (2019: 15) also indicates 'good practices' for local development and explains the criteria according to which they can be considered as such.

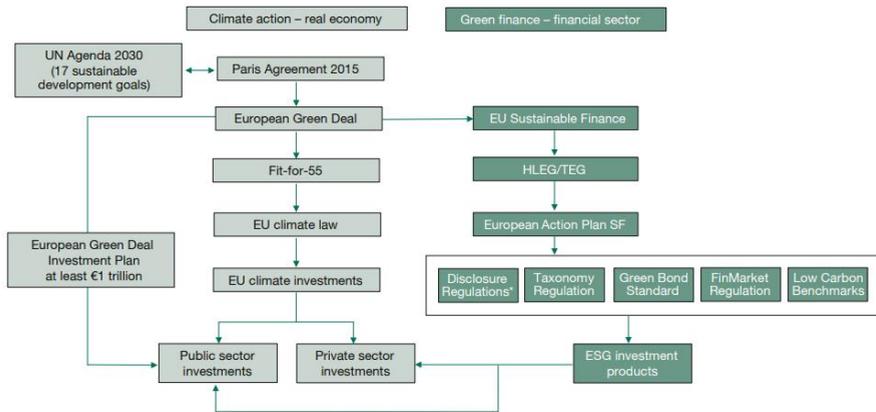
Overall, local development can be regarded as a multifaceted network of political, social, economic, and environmental efforts that bring well-being to the habitants while simultaneously establishing infrastructure that provides conditions for sustainable and long-term economic growth.

What has been stated previously by Garofoli (2009: 232) is that without the ability to mobilise resources and capabilities and without the coordination of different actors at the meso-economic level, it will not be possible to obtain high social and economic performances at the national level. In other words, national economic competitiveness and quality of life at a national level depend highly on the extent to which it is possible to exert effective local development strategies in the best part of national territories.

In such a framework, allocating resources to fund the environmental transition while keeping economic development at the desired level has proven challenging. To understand the significance of the actions the EU has already taken, it is important to assess how different institutions have helped shape the EU's green agenda.

The EU's policies and efforts, which took an exponential surge after the Paris Agreement, can be seen in Figure 2.

Figure 2: The interaction between climate protection and green finance in the EU

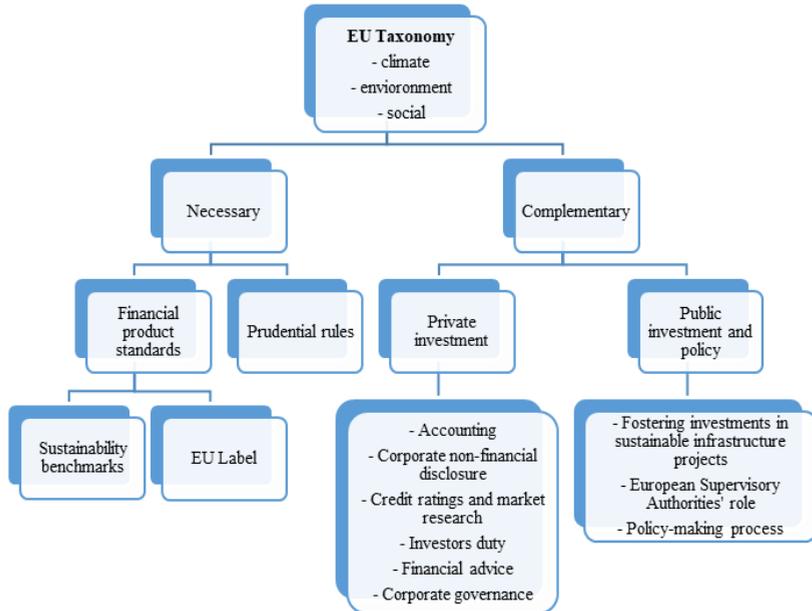


Notes: SF = Sustainable Finance, HLEG = High-level Expert Group, TEG = Technical Expert Group, *Sustainable Finance Disclosure Regulation, Non-Financial Disclosure Regulation, Corporate Sustainability Reporting Directive.

Source: Brühl (2021: 324).

Apart from tools and mechanisms shown in Figure 2, a pivotal role in green financing enhancement has been attributed to the European Investment Bank, established in 1958 to provide funding for projects that foster the process of achieving EU aims, both within and outside the EU. The EIB’s products and services are arranged into three pillars: lending, blending, and advising. Lending, as a primary service, refers to the loans aimed at supporting jobs and growth, and aligning with EU goals; blending refers to allowing clients to combine EIB financing with additional investment, while advising refers to technical assistance. The role EIB has taken in the green financing process lies in the issuance of Climate Awareness Bonds (CAB), the first green bonds ever issued. As per the latest evaluation (EIB, 2021: 47), EIB CABs mobilised and raised EUR 33.7 billion in 17 currencies from 2007 to 2020. Considering that the green bond market is growing steadily, the EIB, the leading green bond issuer in the EU, will remain a focal intermediary in green fund mobilisation. What can particularly be challenging from a local perspective is that local governments and organisations may not exert the necessary expertise and resources to plan, implement, and monitor green projects effectively. Furthermore, finding reliable partners on the local level and ensuring the funds reach their intended targets represents another challenge. Thus, it is necessary to create cohesion on the local and regional levels, when it comes to (1) local capacities and infrastructure (know-how); (2) monitoring and proper evaluation of the implemented green projects, and (3) regulatory frameworks.

Apart from the abovementioned, the milestone of the EU’s efforts in this field is marked by the *Action plan for financing sustainable growth*. In Figure 3, the role of EU taxonomy is presented.

Figure 3: Role of the EU taxonomy in the Action Plan for sustainable growth

Source: European Commission (2018: 14).

In the action plan (European Commission, 2018: 2), the authors have stated that the plan is laid out with three main goals: (1) reorienting capital flows in the direction of sustainable investments to be able to accomplish growth labelled as sustainable and inclusive; (2) managing financial risks arising from climate change, environmental degradation, and social issues; and (3) fostering transparency and long-term in both financial and economic activity.

To achieve this, the EU must make particular efforts, in various segments of the green financing process. According to Brühl (2022: 259), to attract more money for sustainable investments, a taxonomy that accurately defines sustainability objectives, the categories, and technical standards for sustainable operations is necessary. However, taxonomy is rather undeveloped in the area of sustainable financing. Various definitions and approaches exist, though no particular officially accepted definitions have been set out. That refers both to the definitions of green finance, as well as to what can be considered a green activity and what cannot. Having a clear definition and the distinction of various activities will lead to more successful measurements and proper monitoring of the green finance activities, as well as their impact on the aims set out in the action plan. Furthermore, what can be drawn out from the action plan are the EU's intentions to give clearer standardisation of green financial instruments and enhance climate benchmarks and disclosure requirement guidelines.

The EU's action plan on climate change and green financing is closely tied to local development efforts within its member states. By promoting sustainable finance practices and facilitating investments in environmentally friendly projects, the EU contributes to the growth of local economies while simultaneously addressing climate change. These initiatives create opportunities for local businesses and communities to participate in the transition to a low-carbon economy. For example, the development of renewable energy infrastructure not only reduces greenhouse gas emissions but also stimulates job creation and economic growth at the local level. Similarly, sustainable building projects and energy-efficient renovations improve the living conditions of residents while reducing energy costs and environmental impact. By aligning green financing with local development goals, the EU supports a holistic approach to addressing climate change that benefits communities, economies, and the environment alike.

Successful examples of green financing mechanisms that enhance local development are numerous. Tax incentives under the green financing framework have been introduced in various EU countries, including Germany (Zhao et al., 2021: 3) and Spain (Cobos, 2023). Furthermore, the French cities of Lyon and Paris have introduced detailed plans on how green financing mechanisms (particularly green bonds) will be used to tackle climate change mitigation and adaptation. These papers thoroughly examine areas for which green financing funds are being (or will be) used, as well as the monitoring and reporting plan (Direction des finances, 2022: 9; Mairie de Paris, 2017: 3).

However, even though the significance of the green financing mechanisms for local development is well understood and confirmed through the above-mentioned practices and initiatives, proper addressing of challenges present in the process is also needed. Identified challenges include, but are not limited to, poorly developed taxonomy on sustainable/green finance, non-standardised Environmental, Social, and governance (ESG) disclosure requirements, and a general lack of information in the general public regarding the extent of the benefits for local development that can be drawn from green financing mechanisms. The next section of the chapter presents the main challenges identified in the process and proposed action toward their neutralisation.

4 Challenges present in the mobilisation of the funds and the means to solve them

Understanding the extent of the need to address climate change mitigation and adaptation issues and its indisputable connection to local development, it is crucial to define ways to reduce the effects of climate change, implement adaptation measures and assess the challenges present in that process.

Table 1: Challenges in the Green Finance Mobilisation Process

Identified challenge	Envisaged action/Proposition towards the solution of the challenge
Development of a more detailed EU taxonomy of green finance	Taxonomy is rather undeveloped in the area of sustainable financing. Various definitions and approaches exist, though no particular officially accepted definitions have been set out. This refers to both the definitions of green finance, of what green financing activities are comprised, and what can be considered a green activity and what cannot. Having a clear definition and the separation of the activities will lead to more successful measurements of the green finance activities, as well as their impact on the aims set out in the action plan.
ESG disclosure framework enhancement	Local development could be further enhanced with green financing initiatives through the establishment of the proper ESG disclosure framework which would require financial institutions and companies to disclose their environmental, social, and governance (ESG) performance. The EU should continue to develop and enforce consistent ESG disclosure standards to enable investors to make informed decisions about the sustainability of their investments.
Lack of information/awareness about green financial instruments and practices	The EU can encourage the issuance of green bonds and other sustainable financial products to provide investors with opportunities to support environmentally friendly projects and initiatives. It can do so by raising awareness among the broader public and by capacity-building initiatives on the local level.
Lack of local/regional collaboration initiatives	Given the global nature of environmental challenges, the EU can enhance local development using green finance mechanisms by collaborating with international partners to promote sustainable finance practices globally, aligning efforts with other regions and initiatives. Furthermore, authorities should encourage a shift from short-term profit-driven perspectives to long-term sustainability by offering incentives such as tax benefits or reduced regulatory burdens for sustainable investments.

Source: Author's work.

The challenges and solutions presented in Table 1 provide a foundational framework for guiding the efforts of scaling up the green financing funds on the local level. However, the proposed actions should be viewed as dynamic and adaptable.

Moreover, ongoing monitoring and assessment of the impact of green financing initiatives will be essential to ensure that the allocated resources drive the intended outcomes. As the EU and its member states commit to ambitious sustainability goals, the resilience and adaptability of green finance strategies will be pivotal in shaping the future of local development, fostering sustainable growth, and preserving the environment for generations to come.

5 Discussion and conclusion

The objective of this chapter was to shed light on the importance of green finance for local development, by explaining the nexus between green financing mechanisms and the EU's development on the local level. To this extent, a thorough analysis has been done to explain the state-of-the-art in the area of green finance, the main tools in the green financing process, the level to which these have been implemented in the EU so far, and the role of the EU governance in the process of scaling up green finance. The focal point of the chapter is the challenges that the EU faces in this process. The main challenges that have been identified are connected to the lack of regulation and standardisation, as the whole concept of green and sustainable finance is a nascent and nebulous one.

The future success of green finance initiatives on the local level in the European Union largely depends on establishing robust regulatory frameworks and incentives that promote environmentally sustainable investments. This includes setting clear guidelines and standards for green finance products, offering tax incentives or subsidies for green projects, and ensuring that financial institutions adhere to environmentally responsible lending practices. Additionally, effective communication and education campaigns to raise awareness among local communities about the benefits of green finance and its impact on the environment are crucial. Public support and understanding can drive demand for green financial products and services to facilitate it and scale it up.

Furthermore, a comprehensive ecosystem that integrates sustainable infrastructure development, access to affordable green loans, and technical assistance for project implementation must be established to unleash the full magnitude of green finance's potential for local development. This involves collaborating between government, businesses, and environmental organisations and creating dedicated green investment funds and platforms that connect investors with local green projects. Moreover, ensuring transparency and accountability in the allocation of green funds and monitoring the environmental impact of financed projects is vital to building trust and credibility in the green finance sector.

Finally, constant improvement in financial literacy and education, specifically geared towards EU2040 objectives, would be beneficial. This encompasses educational initiatives that highlight how green finance can contribute to achieving EU2040 climate and sustainability goals. Local communities should be well-informed about the long-term economic and environmental benefits of sustainable finance choices aligned with EU2040. Furthermore, research and innovation in green financial products and technologies should prioritise solutions that directly support the EU2040 agenda, fostering a vibrant ecosystem of green finance options across the EU.

Notes:

¹ <https://www.unep.org/ozonaction/who-we-are/about-montreal-protocol>.

² <https://unfccc.int/process/the-convention/history-of-the-convention#Essential-background>.

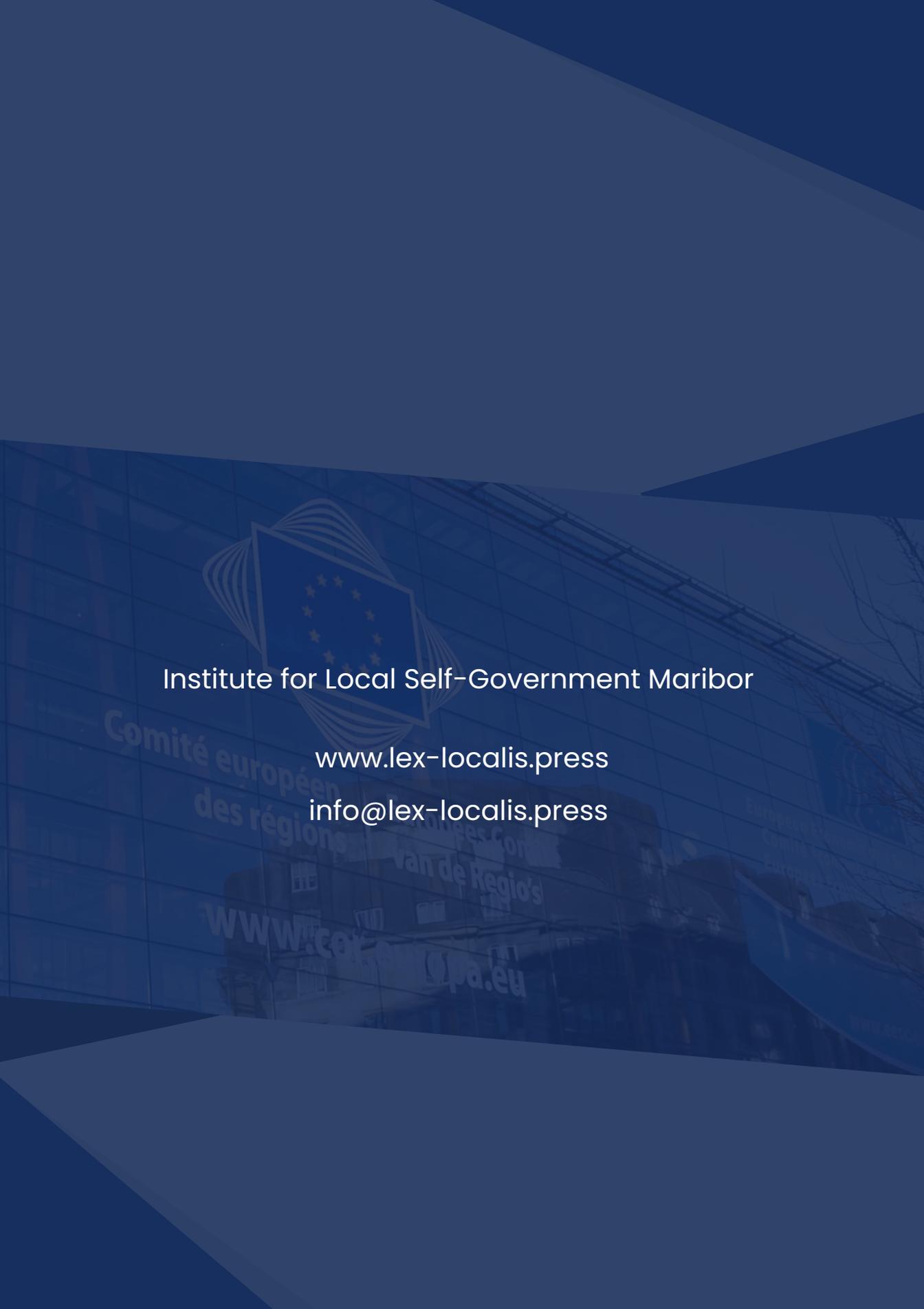
³ <https://www.europarl.europa.eu/factsheets/en/sheet/5/the-treaty-of-lisbon>.

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Institute for Local Self-Government Maribor

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info@lex-localis.press