

Annual Gala Meeting

of the County Council for European Integration, County of Karlovac
Thursday 7 May 2009

Croatian Chamber of Economy, County Chamber Karlovac
Kralja Tomislava 19b, 47000 Karlovac

Speech of **Prof. Dr. Franz Schausberger**
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„The Role of Karlovac County in a Common Europe“

Dear Mr Željko Štajcer, President of the County Council for European Integration.

Europe Day

It is a great honour for me to be invited to this festivity on the occasion of the Europe Day on 9 May. The Europe Day is an annual celebration of peace and unity in Europe.

On 9 May 1950 the first move was made towards the creation of what is now known as European Union.

That day in Paris, against the background of the threat of a Third World War, the French Foreign Minister Robert Schuman read a declaration to the international press calling France, Germany and other European countries to pool together their coal and steel production as "the first concrete foundation of a European federation".

What he proposed was the creation of a supranational European Institution, charged with the management of the coal and steel industry, the very sector which was, at that time, the basis of all military power. The countries which he called upon had almost destroyed each other in a dreadful conflict which had left after it a sense of material and moral desolation.

Everything, therefore, began that day. That is why during the Milan Summit of EU leaders in 1985 it was decided to celebrate 9 May as "Europe Day".

Every country which democratically chooses to accede to the European Union endorses its fundamental values of peace and solidarity.

These values find expression through economic and social development embracing environmental and regional dimensions which are the guarantees of an adequate standard of living for all citizens.

Europe Day is an opportunity for sharing European identity. National, regional and local authorities; universities and schools; clubs and associations; all could use the 9th of May to bring people together: Direct contacts are always the most efficient way to allow people of different countries to understand each other and learn from their differences. That is why Europe Day is a day for popular festivities, which bring the citizens and cultures of different countries and regions in personal contact with each other. So it is most gratifying that the assembly of European Integration in Karlovac is celebrating this Europe Day.

The historical European importance of Karlovac

Karlovac from the very first beginning of its foundation had European importance.

Karlovac was built in 1579 in order to strengthen Austria's southern defences against Ottoman attacks. It was founded as a six-pointed star fortress built on the Zrinski estate near the old town of Dubovac at the confluence of the Kupa and Korana rivers. It was originally known as Karlstadt, after Archduke Charles II of Austria, upon whose orders construction began on 13th July 1579. Karlovac and other fortresses in the county like Ogulin, Ozalj, Slunj, Cetin, Ribnik and others had to defend Europe against the Ottoman Empire.

The forces of the Ottoman Empire laid siege to Karlovac seven times, the last time in 1672, but failed to occupy it. Karlovac suffered much damage during the Croatian War of Independence (1991-1995). The southern sections of the city were close to the front lines. Karlovac has a unique location within Croatia. The County of Karlovac is situated in the central part of Croatian state territory and is one of the largest among 20 counties existing in Croatia. Because of its transit, traffic and geostrategic position, the County of Karlovac is one of the most important counties in the whole country. Karlovac County is an intersection and major junction of the most important roads between Europe and the Adriatic coast and has a crucial geostrategic importance in Europe.

Croatia 2008 progress report

The European Council of June 2004 granted the Status of Candidate Country to Croatia. Accession negotiations with Croatia were opened in October 2005. The Stabilisation and Association Agreement between Croatia and the EU was signed in October 2001 and entered in force in February 2005. On 5 November 2008 the European Commission has presented the Croatia 2008 progress report¹. I cannot and I should not give a lecture about the whole report. I only want to pick two topics out of the progress report:

- Regionalisation and decentralisation because we are in a regional and local entity and
- The small and medium-sized enterprise (SME) sector because we are at the County Chamber Karlovac of the Croatian Chamber of Economy and
- Because there is a tight connection between the regional and local level and SMEs.

¹ http://ec.europa.eu/enlargement/pdf/press_corner/key_documents/reports_nov_2008/croatia_progress_report_en.pdf

Decentralisation and Regionalisation

The progress report stresses, that “there have been considerable delays in the implementation of Croatia’s programme for decentralisation. Currently there is insufficient capacity of public administration at national, regional and local level to manage decentralisation reforms, and to ensure that such reforms actually meet their objectives. The Decentralisation Commission has not become the driving force for the decentralisation process. The local government level is not properly organised and their interest organisation - Association of Towns and Municipalities (SAVEZ) - remains weak.” (p. 8)

This is the reason why the Committee of the Regions of the EU recently drew attention to the delays in regionalisation in Croatia, and stressed that improving the capacity of local and regional administration is key to a successful transfer of responsibilities to the local and regional level. Thus the CoR called on the national authorities to set up procedures that allow the counties and municipalities to be adequately represented in the legislative process. We have to note that the financial resources available to local and regional authorities are inadequate to fulfil the numerous, demanding tasks resulting from the urgent need for regionalisation. Therefore it is necessary to improve the financial situation of local and regional authorities.

Small and Medium-sized Enterprises

The report of the European Commission underlines the importance of the SMEs: This economic sector “continued to grow in 2007, representing more than 40 % of the corporate sector’s total assets, 66.2 % of total employment and 65 % in total investment. SMEs generated more than 45 % of GDP and accounted for an increasing share (above 40 %) of total exports. The government decided to extend the existing support schemes for SMEs by adopting a new medium-term programme (2008 – 2012). However, the sector continued to suffer from a cumbersome regulatory framework and inefficiencies in public administration. Access to longer-term financing remained difficult, particularly for newly established businesses. Overall, the SME sector has gained in importance, despite the remaining administrative obstacles.” (p. 25)

But the report admits that – regarding the SME policy - Croatia continues to implement the actions and guidelines of the European Charter for Small Enterprises². Croatia has made considerable progress in all areas of the Charter. The implementation capability in this field is relatively well structured. Croatia has made progress in further aligning with the EU SME definition but full alignment still needs to be ensured. The initiatives of the Croatian government to speed up company registration and to cut regulatory burdens on SMEs are encouraging and require further strengthening. Despite these initiatives, Croatia has to make further efforts in order to reduce costs and time of registration and licensing. (p. 48)

Small enterprises are the backbone of European economy. As I mentioned: more than 66 % of the total Croatian employment is guaranteed by SMEs. Most of the SMEs are situated in the regions, in the cities, in the municipalities. So we have to enable the regions and the local authorities to support their SMEs, to strengthen them, to hold them in the region, they provide the regional and local level with jobs. They give young people a future, so they can stay in their homeland-region. In this way we can counteract the increasing centralisation, we can counteract the depopulation of the outlying regions and municipalities. The Croatian counties should have stronger decentralised legal, administrative and financial powers for their own effective regional economic policy, to be successful in a fair economic competition with other regions and to be prepared for cross boarder regional economic cooperation. Such frameworks would help the SMEs enormously.

² http://ec.europa.eu/enterprise/enterprise_policy/charter/docs/charter_en.pdf

Karlovac as a member of the IRE

On 7 September 2, Karlovac County became a member of the Institute of the Regions of Europe (IRE). The aim of the IRE³ is to strengthen the political and economic position of the regions of Europe by supporting the creation of networks and cooperation. The IRE organises events that offer political and administrative representatives of the regions and municipalities the opportunity to meet with representatives of the EU, the economic sector, investors and other experts. The selection of the topics for these events is – first and foremost – adjusted to the demands and needs of the member regions. Moreover, we try to keep our members up-to-date on matters important to them in the scope of European integration.

So in February 2009, we organised a conference on the current topic „Regional and Local Financing in Times of Crisis. Possibilities, Problems and Chances“ in Vienna. A delegation from Karlovac participated in this conference. Now we are preparing our annual big conference, taking place on 13 and 14 September at Salzburg Congress, dealing with „European Regions and Cities and the Economic Crisis“. I very much hope to be able to welcome a strong delegation of Karlovac.

Regional Operational Programme

The authorities of Karlovac, on the top Zupan Ivica Horvat and especially the Head of Administrative Department for Development and European Integration, Ms Eva Maria Sobotik-Pavan, are intensively interested in European affairs in benefit of Karlovac County. Karlovac is involved in several European programmes and has elaborated a Regional Operational Programme 2005 – 2012 to prepare the county for the future. The Croatian counties have to prepare Croatia's accession to EU. Now Croatia has also access to pre-accession funds.⁴ After joining the EU Croatia will have the access to EU Structural Funds. These are mostly delivered on a regional level. It is thus vital that regional governments are capable of effectively and efficiently using these funds. The basis is the Regional Operational Programme.

Local and regional authorities must be well prepared to take on the obligations of future EU membership, as well as to benefit from the opportunities it offers. Therefore I believe that local and regional authorities in Croatia and their associations must be more involved in the process of implementing the Community Acquis (total body of EU law), and should be regularly informed about the progress made towards membership.

The Trend towards Decentralisation and Regionalisation in Europe

Undoubtedly in Europe a process of decentralisation and regionalisation of political competences and public bodies is going on. Regional and municipal self-administration is being increasingly strengthened also in countries that so far had been considered as centralised states such as France and the United Kingdom for example. To this process the ongoing European integration has surely contributed considerably and this tendency will still be enhanced by the Reform Treaty of Lisbon with its emphasis on the principle of subsidiarity. National states have reached limits of their administrative and political capacities and many have recognised that political decentralisation of responsibilities, competences and powers adds to a relief and therefore to a strengthening of the whole state.

³ www.institut-ire.eu

⁴ <http://www.auswaertiges-amt.de/diplo/de/Europa/Erweiterung/Kroatien.html>;
<http://europa.eu/scadplus/leg/en/lvb/e50024.htm>

After all, the financial and economic crisis shows that globalisation and centralisation are not really able to protect prosperity. Decentralisation and regionalisation of a state is an incentive for municipal, regional and cross-border cooperation, which, under the circumstances of the global financial crisis, is yet another way to attract both domestic and foreign investments. The future frame of EU, on which a huge discussion is going on right now, is going to strengthen the principle of subsidiarity and proximity and thereby also regions and communes significantly.

It is not the competence of the EU to dictate the member states how to regulate their internal political and administrative structure. But EU is intensively interested in good governance and credibility of politics within the member states respectively candidate or pre-candidate countries. In order to reach good governance and enhanced trust of citizens in politics, it is necessary that not only national but also regional and local political authorities get assigned with competencies and that they get instructed so they can fulfil their responsibilities. And the bodies at the sub-national level need required financial bodies to fulfil the expectations of the citizens.

For generally establishing credibility in politics it is necessary to devise decisions close to citizens as well in a transparent and comprehensive manner. Therefore it is crucial to leave as many decisions and political competences as possible to the regional and local level and if necessary to transfer them to those levels.

So first of all let me say that for good governance and for credibility of politics three preconditions are important:

- Decentralisation of public tasks to regional and local entities,
- Fitting those with sufficient financial strength as well as
- Human capacity and qualification of acting persons.

The EU shows that over 20 European states adopted some solution for regionalisation, while the process is underway in others. Sweden, Holland, Germany and Great Britain adjusted the existing institutions according to the regional division. In France and Greece, authorities of the region are responsible for fields such as education, culture and economic development. The major progress was made by Italy and Spain whose regions have certain political autonomy and participate in the establishment of central organs of power.

Regional and Local Elections

In 10 days regional and local elections will take place in Croatia. It will be the first time that Croatian voters will directly elect their local mayors and their zupans (county prefects). This is a significant step towards more direct democracy. A high voter turnout is not only an important demonstration of democratic maturity and therefore a helpful signal to the European Union but also strong legitimacy for your local and regional authorities to accomplish the interests of the county or the municipality. Please don't forget, that the first free elections in Croatia date back not even 20 years.

To be well prepared for EU accession

Croatia is successfully on the way to its EU membership. It is audibly knocking at the door of the European Union and rightly so. Most of the EU-member states are very convinced supporting the accession of Croatia, especially Austria and Germany, only a few are sceptic. The European Union is like a family in which all the members have to agree for a decision. And: For the accession certain criteria have to be fulfilled, the so called Copenhagen criteria. Croatia has made good progress in many acquired chapters but there are still some open fields.

Croatia was behaving relatively well in the present global economic crisis, unlike some other countries in the region that have been hit hard, the vice president of the World Bank said on 12 March 2009. This was partly thanks to the Croatian financial sector, which was not hit at the start of the crisis, and so Croatia was a relatively stable country. Commenting on the Croatian government's package of anti-recession measures, notably on the planned budget revision, the World Bank representative supported the government's efforts.

Speaking of the importance of the tourist industry for Croatia's national economy and government budget, he said that countries from which tourists were coming to Croatia were in economic trouble, which could affect the success of the tourist season. That's why it's good that Croatia started to think about it early on and decided to revise the budget.⁵

Croatia's reduced budget is 'adequate' for the current economic situation, but the country faces further risks and the government must remain ready for more spending cuts, the International Monetary Fund said one month ago.⁶

When the European Commission's annual progress report 2008 on Croatia's candidacy was published, enlargement commissioner Olli Rehn stated that the country should complete accession negotiations by the end of 2009, with membership following by 2011 at the latest. In 2009 it was reported that Iceland may join the European Union. Usually the EU prefers two countries joining at the same time rather than individually. If Iceland applies shortly and negotiations are rapid, Croatia and Iceland could join the EU coevally in 2011.

10 days before, on 27 April the Council of the European Union and the Stabilisation and Association Council between EU and Croatia met in Luxembourg. Both councils dealt with Croatia's accession negotiations. The EU council recalled the importance and urgency attached to this issue since the whole timeline of the process is at stake, and this has not only implications for Croatia but also for the whole region. The SA Council commended Croatia for the considerable efforts it has invested over the past year and the good overall progress made. The negotiations have now entered a decisive stage.

Although I personally appreciate the accession of Croatia as soon as possible I want to tell you that it is not so important to join the EU half a year earlier or later. It is much more important to join the EU well prepared. Croatia's EU accession cannot be avoided. Croatia is such a strong European Country, the European Union needs it. Whatever the IRE can do in order to support your efforts, we will do in our approved cooperation. In this sense I wish you all, the city and the county of Karlovac and the Republic of Croatia, much success.

www.institut-ire.eu

⁵ <http://english.peopledaily.com.cn/90001/90778/90858/90865/6612388.html>

⁶ <http://www.finanznachrichten.de/nachrichten-2009-04/13572577-imf-says-croatia-budget-is-ok-but-risks-remain-020.htm>