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**Perspectives for Regional Development  
Regeneration challenges in war affected areas  
(Vukovar, Croatia)**

Authors:

Dr Marijana Sumpor

Dr Ljiljana Blažević

Dr Irena Đokić

Tiroler Bildungsinstitut Grillhof

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# Regional development in Croatia

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- 20 counties + City of Zagreb (dual administrative status)
- Two NUTS II regions – Continental and Adriatic region
- Significant differences between counties based on development index → composite index, weighted average of five indicators: income per capita (30%), budget revenues (25%), unemployment rate (15%), population change (15%), degree of education (15%)
- Differences between NUTS II regions still evident, even with new regional planning approaches
- New Regional Development Act adopted in December 2014, in force as of 1st January 2015)
- Strategy on Regional Development in the course of preparation (analytical background prepared)

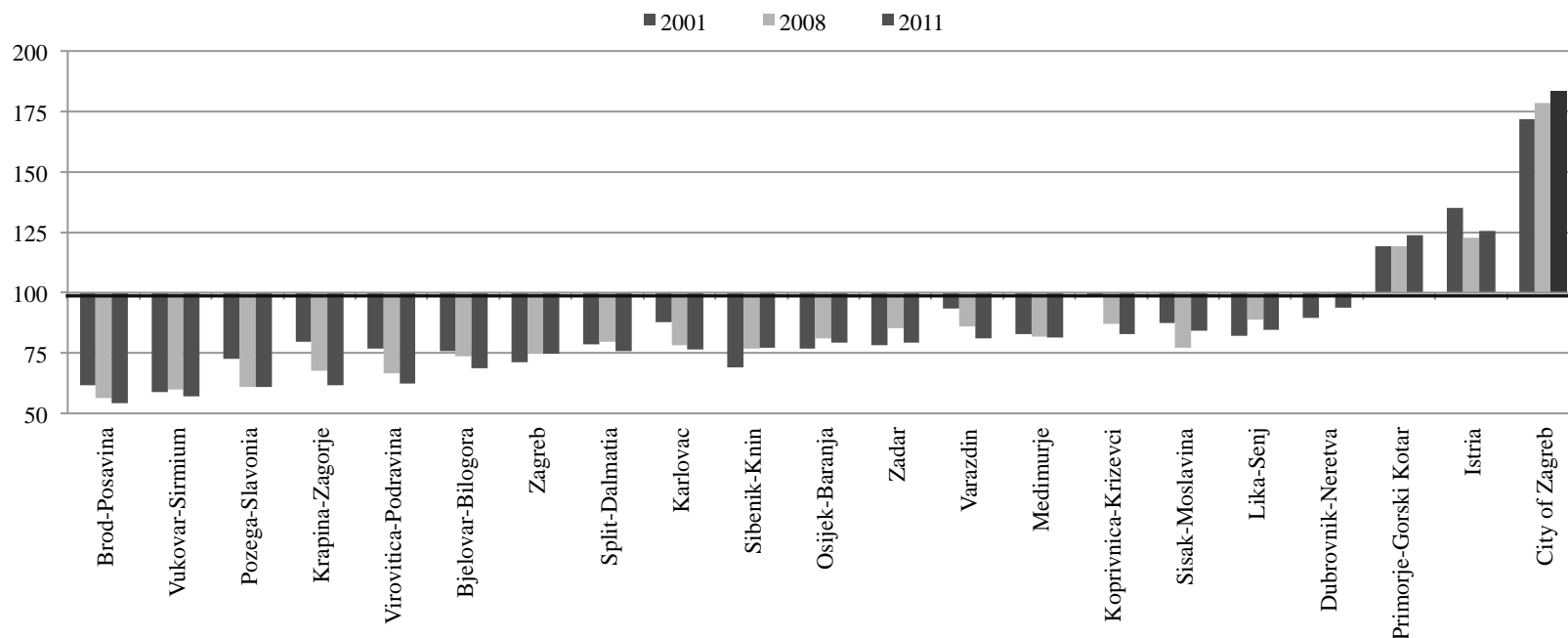
# Differences in development based on GDP/capita

NO REGIONAL PLANNING  
AT NUTS II LEVEL

GDP/capita in EUR		2001	2005	2010	2011
Republic of Croatia		5.797	8.110	10.057	10.325
Continental Croatia		5.914	8.170	10.147	10.514
	<i>Continental Croatia without the City of Zagreb</i>	4.654	6.027	7.026	7.332
	<i>City of Zagreb</i>	9.956	14.569	18.645	18.503
	<i>Gap or difference in GDP/capita between Zagreb and remaining Continental Croatia (capital city)</i>	5.301	8.542	11.620	11.171
Adriatic Croatia		5.551	7.985	9.876	9.941
	<i>Gap or difference in GDP/capita between Zagreb and remaining Adriatic Croatia (capital city effect)</i>	4.404	6.584	8.769	8.562

- Gap between Zagreb and rest of Croatia gets wider
- Lagging regions have the tendency to lag even more
- Zagreb: the only metropolitan area in Croatia, needs a tailor-made approach (link between capital city and Zagreb region)
- National regional policy needs to consider intraregional specificities of the NUTS II regions

# GDP per capita, NUTS3 regions (Croatia=100), 2001, 2008 and 2011



Source: authors' calculation based on Croatian Bureau of Statistics data, 2001-2011

# Composite development index

- 21 counties (NUTS 3), 2010 and 2013

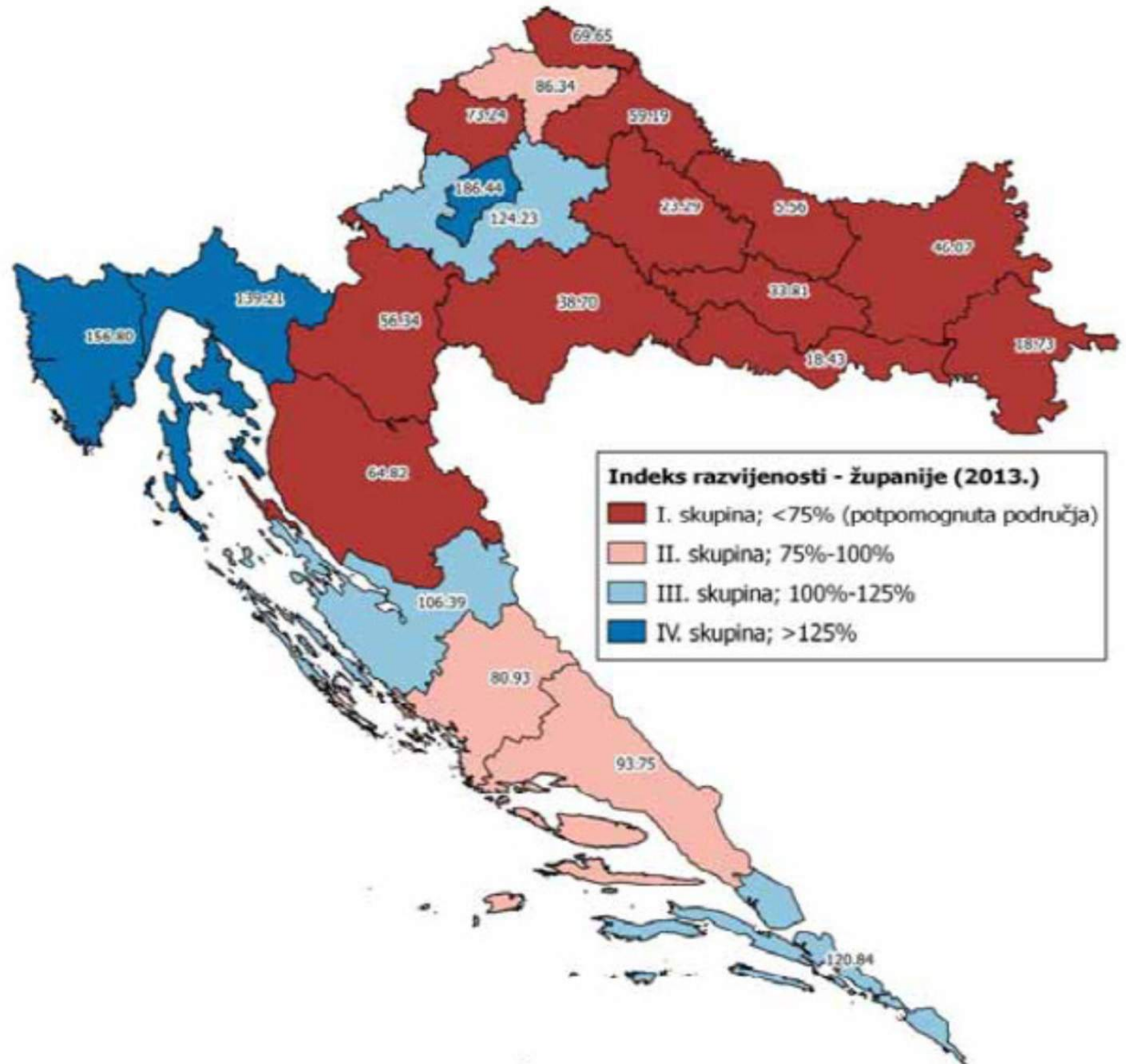
Note: Coastal Counties are marked

Source: MRDEUF, 2014

County	2010	Development Category	2013	Development Category	Development index change 2013-2010
City of Zagreb	187.5	IV	186.4	IV	-1,1
County of Istria	156.1	IV	156.8	IV	0,7
County of Primorje-Gorski Kotar	142.3	IV	139.2	IV	-3,1
County of Zagreb	123.2	III	124.2	III	1,0
County of Dubrovnik-Neretva	107.9	III	120.8	III	12,9
County of Zadar	75.6	II	106.4	III	30,8
County of Split-Dalmatia	89.1	II	93.8	II	4,7
County of Varazdin	96.3	II	86.3	II	-10,0
County of Šibenik-Knin	63.3	I	80.9	II	17,6
County of Krapina-Zagorje	87.7	II	73.2	I	-14,5
County of Medimurje	75.1	II	69.7	I	-5,5
County of Lika-Senj	55.5	I	64.8	I	9,3
County of Koprivnica-Krizevci	64.3	I	59.2	I	-5,1
County of Karlovac	54.5	I	56.3	I	1,8
County of Osijek-Baranja	52.9	I	46.1	I	-6,8
County of Sisak-Moslavina	48.5	I	38.7	I	-9,8
County of Pozega-Slavonia	44.0	I	33.8	I	-10,1
County of Bjelovar-Bilogora	35.2	I	23.3	I	-11,9
County of Vukovar-Srijem	33.4	I	18.7	I	-14,6
County of Brod-Posavina	20.6	I	18.4	I	-2,1
County of Virovitica-Podravina	20.5	I	5.6	I	-15,0
Range	167.0		180.9		13,9
Standard deviation	44.87		48.81		
90 <sup>th</sup> /10 <sup>th</sup> percentile	4.26		7.44		
75 <sup>th</sup> /25 <sup>th</sup> percentile	1.99		2.75		
Highest/lowest ratio	9.1		33.1		

# Development index per counties

Source: Ministry of  
Regional  
Development and  
EU Funds, 2014



# Vukovar-Sirmium county

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- The most eastern county in Croatia (ca 2500 m<sup>2</sup> surface, ca 200 000 inh.)
- Good geographical position
- Rich with: forests, fauna, natural resources
- Cultural heritage, tourism potential
- Opportunities to develop: water transport, energy efficiency projects, industrial production
- Bordering countries: Bosnia & Herzegovina, Serbia

## Vukovar-Sirmium County *cont.*

- Census 1991. – 231.241 inhabitant
- Census 2011. – 179.521 inhabitant (86.682-male, 92.839-female)
- Average age – 40,6 years
- Ageing index (Percentage of the population aged 60 and over in the population aged 0 –19) – 98,3% (the third in Croatia, the worst one, Ličko-senjska 166%)
- 5 towns (Vukovar, Ilok, Vinkovci, Županja i Otok) and 26 municipalities
- Specificity of the county: large number of villages counting a few thousands inhabitants
- Cooperation with Euroregion Dunav-Drava-Sava, with Working Community of Danube Region
- Participation in preparation and implementation of EU Strategy for the Danube Region
- In 2007. County established County Development Agency HRAST– coordination & stimulation of development at the territory of the whole

# Town of Vukovar

- In the North-East of the County
- Near border with the Republic of Serbia
- Small river Vuka and Danube
- Rich natural resources (water, flatland, fields)
- ca 100,0 km<sup>2</sup> surface, ca 4% of the county surface
- Among oldest Croatian towns → rich archaeological and historical heritage, cultural monuments

## Demographic trends (CBS, Census 2011)

- 95,35% of population – in Vukovar urban area

	1991.	2001.	2011.
Town of Vukovar	46.735	31.670	27.683

# Vukovar – before the war



# Vukovar – after the war



# State of Vukovar economy

- War devastations (Homeland war) left severe negative economic consequences
- Damages estimated to 605 MEUR
- Biggest direct damages to companies: Borovo (250 MEUR), Vupik (171 MEUR) and Vuteks (118 MEUR) → basis of Vukovar economy
- Majority of firms have undergone liquidation processes or in the process of privatization (indebted, loss of markets, significant devastation of facilities, outdated equipment, labour suffix, deficit of qualified labour)
- Small number of „healthy” firms, however limited number of new jobs
- Need: opening of new firms and attracting investments
- Deficit of free construction parcels (unsolved property-legal rights, lack of free zones, business facilities and highly qualified labour)
- In the last couple of years, increase in number of firms, number of employed persons and other indicators



# Spatial planning framework

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Spatial management of the Town is based on the following spatial-planning documents:

- Spatial plan of Vukovar-Sirmium County
- Physical spatial plan of the Town of Vukovar
- Master Plan of the Town of Vukovar
- Detailed spatial plans
- Urbanistic physical plan of wider town center
- Urbanistic physical plan

# Urban development efforts

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- Town of Vukovar – significant role in reconstruction and development of Vukovar, with financial support from the Fund for reconstruction and development of Vukovar (Fund)
- The Fund supported various development activities:
  - adoption of spatial planning documents
  - elaboration of digital maps and update of cadastre and land books
  - establishment of development agency Vukovar (VURA)
  - establishment of Entrepreneurship zone Priljevo and Business zone
- Program of overall development of the Town of Vukovar (including 3 interest groups) and Strategy of reconstruction and development of Vukovar until 2020

# Developmental potentials

## International perspective:

- in the centre of macro region of central and south-east Europe
- link to Adriatic micro region and regions of northern and western Europe
- transport position on Danube, vicinity of the biggest railway node of wider region (in Vinkovci), road and railway corridors X & Vc, pipeline Rijeka-Sisak-Novi Sad and airport Klisa
- Construction plan of multifunctional canal Dunav-Sava
- Tourism (elite hunting tourism, cuisine, wine region, heritage)
- EU Strategy of Danube region

## Spatial perspective:

- Urban town culture → harmonised with orientation towards modern technologies
- Town identification: Town on Danube with rich cultural heritage and high transport importance
- Conservation of space and development of those that contribute to improvement of overall quality of life in town

# Case of Borovo - historical notes

- „Bata“ company (from Zlin, Czech Republic, owned by Ignac Kavec) – 1st time in 1921 in Yugoslavia (full name „Bata, shoes and leather Ltd Zemun – Zagreb“)
- Until 1930 – more than 60 shops around country, key shoe importing company in YU
- Increase of customs → decision on construction of production plant in YU
- Competition of towns with the most favourable conditions
- Vast surface, vicinity of railway and river transport possibilities → Vukovar
- Production (ca 50 employees) starts on 7th June 1931 in old workshops of sailing Czech agency (right side of Danube, vicinity of town docks), in parallel with building of new workshops
- Purchase of additional land (*Borovo* neighbourhood) – 1932 – 1938 construction of new industrial town with modern production plants, housing for workers and supplementary social standard facilities

# Borovo – before the war



# Borovo factory - before the war



# Borovo - products



# Borovo as a business

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- Until 1st January 1990 Borovo consists of 61 legal entity (separate book keeping services, balances, registrations of all daily business transactions on 620 business relations among units within system) - multiplication of problems
- 76 ha of industrial and built land, 620 sale points (owned or rented)
- From 1st January 1990 Borovo becomes a business complex with 16 firms, 22 500 employees – business activities in 9 fields, 20 branches and 91 sub-activity
- Production starts to deteriorate – serious crisis (bankruptcy processes, lack of financial sources for repro-material...)
- Beginning of May 1991 aggression on Croatia – production until mid of September 1991
- 28th October 1991 fusion of all firms → Borovo (owner of 7 companies in Croatia and abroad)

# Borovo - after the war

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# Borovo today

- (Still) big business entity
- Main activity: production of leather and rubber shoes, distribution and retail
- 99,9% owned by the Republic of Croatia, 0,01% own shares
- 865 employees
- Indebted – undergoes pre-liquidation process (finalization expected in 2014)
- Devastated facilities that should be completely demolished, plants that should be renovated, outdated technology - it all requires financial resources

Next period: strengthening of competitiveness through:

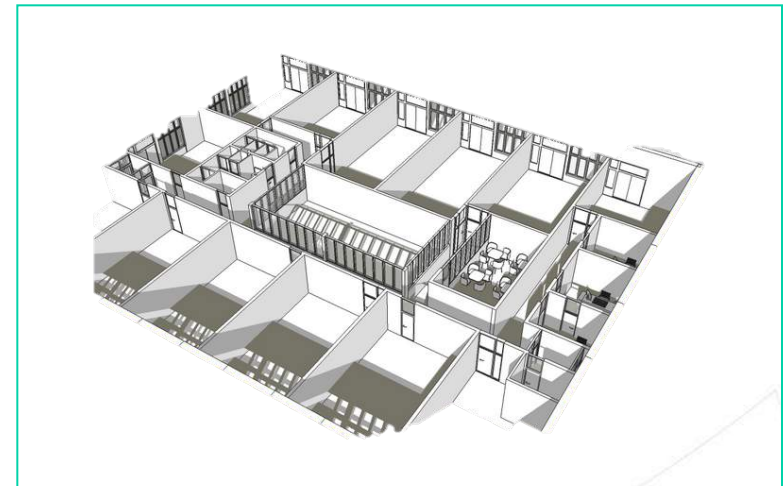
- Development of IT system
- Re-branding
- R&D centre
- New projects of production and energy efficiency incl. renovation and revitalization of industry complex → optimization and increase of production, cutting of costs, environmental actions, economic and socially accepted use of spatial, construction and historical values, and potential of complex

# Current activities/projects

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- Demolishing of 12 buildings devastated during the war
- Managing waste generated before and after the war
- Entrepreneurship incubator Vukovar in cooperation with Vukovar business zone: Project of construction of Business innovation centre „BIC – Vukovar“
- Centre of innovative entrepreneurship, Education and Production centre and Entrepreneurship incubator
- 1st phase of reconstruction of building Poly (Borovo) – financed through Fund for reconstruction and development of Vukovar
- Objective: creation of 500-1000 jobs, 25-30 entrepreneurs

# Business Innovation Centre - Vukovar



# Business Innovation Centre – Vukovar (BIC)

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- Project funded through IPA IIIC (pre-accession EU fund)
- Duration: 18 months
- Objective: development of innovative entrepreneurship incubator with space and services for SME start-ups
- Purpose: stimulation of growth and development and enhancing employment possibilities in Vukovar
- Main support in ICT, renewable energy resources, biotechnology and metal manufacturing
- Pre-incubator space, business zones for business beginners, laboratories (renewable energy testing), conference room, virtual incubator

# Key project activities

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1. Construction and equipment of BIC building
2. Development of management model, including education for management level
3. Setting up of virtual incubator, including services and workshops for potential users
4. Promotion and visibility of the project – conferences, promotion material, web site, media coverage

## Expected results:

- Opening of 30 new small and medium firms
- Creation of 120 new jobs

Total project value: ca 910.000 EUR (ca 727.000 EU contribution)

Project completion: end of 2015

# Project: Development of a full concept for support to innovative and technology oriented entrepreneurship – BIC Vukovar"

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Project start: October 2014

Project activities:

- Full interior decoration and complete equipping of building of ex factory Borovo Poly (gross area surface 9700 m<sup>2</sup>), roof with solar energy plant
- Three centers:
  - Production centre: medium size and big companies, 11 business facilities
  - Centre of innovative entrepreneurship, small innovative firms, 15 business facilities
  - Education centre

Expected results:

- Opening of 30 new small and medium firms
- Creation of 120 new jobs

Total project value: ca 2.802.000 EUR (ca 2.378.000 EU contribution)

# Open questions

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- How to approach to development of the Town?
- Endogenous – egzogenous factors of regional (county) development
- Industrialize-deindustrialize-reindustrialize?
- Innovation driven economy?
- SME based development?
- What about agricultural resources?
- Human resources limitations?
- Which theoretical approach to accomodate/apply?

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Danke!