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# **Local Sustainable Development and Spatial Cohesion in the Post-transition Balkans: in search of a developmental model**

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# Local Sustainable Development and Spatial Cohesion in the Post-transition Balkans: in search of a developmental model

Vassilis Monastiriotis<sup>#</sup> and George Petrakos<sup>\*</sup>

## ABSTRACT

The transition process that started in the Balkans some twenty years ago, and the European association process to which it has been inexorably connected, has led to a radical transformation of the Balkan economic space across local, regional, national and trans-national levels. Amongst the other effects that this have had, was the emergence of new and acute socio-economic dichotomies (polarisation) and problems of persistent underdevelopment, peripherality-rurality and economic dependence. In this paper we review the policies that have been applied to address these issues and examine the relevance of contemporary concepts of local economic development for the mobilisation of cohesive and sustainable development in the Balkans. We examine how the main elements of the new regionalist developmental strategy relate to the basic dimensions of socio-spatial infrastructure in the Balkans and identify the key weaknesses of the latter. We conclude by proposing a wider regional strategy that will be able to resolve the existing deficiencies by means of a regional cooperation approach that will seek to maximise intra-regional synergies and develop local and regional comparative advantages and the provision of similar public goods

Keywords: New regionalism, regional cooperation, spatial connectivity, Balkan Development Strategy

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# **Local Sustainable Development and Spatial Cohesion in the Post-transition Balkans: in search of a developmental model**

## **1. Introduction**

Over the last twenty years the transition economies of the Balkans have experienced an unprecedented process of crisis and transformation. Together with the well-studied implications that this process had at the national level, on aspects of governance, demography, societal organisation and the economy, a significant but much less studied transformation has occurred with regards to the spatial organisation of these economies. The dual process of transition and European accession has altered radically the spatial organisation of the economy, leading to combined experiences of economic decline, rising inequality and polarisation. An immense concentration of human and physical capital in the main urban centres, coupled with a wider trend of de-industrialisation in the periphery and the collapse of ‘enterprise space’ (of one-factory towns – monoculture economies) has created urgent problems of local development and spatial cohesion. In the absence of a strong tradition for regional and local development policy and under the pressures emanating from EU conditionality and the urgent need for (national) economic development, attempts to address issues of sustainable development and economic cohesion

at the local, urban and regional scales have been at best limited.

Importantly, the limited efforts to address such problems have for their largest part concentrated on traditional concepts of regional development relating to infrastructure provision and redistributive transfers (Petrakos, 2002; Hughes et al, 2004; Monastiriotis, 2008a; Bartlett, 2008). Rather naturally, little attention has been paid to ideas and concepts deriving from relatively recent contributions in the literature of local and sustainable development, including concepts of cultural distinctiveness, local knowledge, regionalism, and functional-spatial connectivity. Such concepts, although developed effectively to address developmental issues in other contexts (especially in less well-off areas of the European ‘north’), may be much more pertinent to the case of the ailing localities and regional economies of the post-transition Balkans, where the pressures of inter-regional competition and the challenges of economic polarisation are much more immediate.

In this paper we engage in a preliminary but extensive discussion of the relevance of contemporary concepts of local economic development for the Balkan countries. Our point of departure is the uniqueness of the challenges faced by the region, both in terms of the processes that are taking place there as well as in relation to the policy options that the region faces for its local development strategy. On the one hand, the process of transition has been significantly more complex and cumbersome in the Balkans than elsewhere in Europe. The complexity of the wars in former Yugoslavia and of state-building

led to a multifaceted, delayed and ‘distant’ process of transition (Kuzio, 2001; Monastiriotis and Petrakos, 2008) – which has been made more complex under the EU association process and the actions on supranational regionalism that it has required. The process of differentiated integration that is taking place in the region (Economides, 2008) has made the transformation of the local economies both more painful and slower and has spurred antagonisms (‘race to accession’) thus hindering the very fundamentals of regional cooperation. It should be noted that all this is happening in a relevant vacuum of a historical tradition in regional policy and a general caution against localism, which is naturally perceived to be opening up to potential secessionist claims. On the other hand, these inherent problems to designing and deploying a successful local development strategy come to add to existing questions about the usefulness of regional (cohesion) policy at large, in a context of relative underdevelopment, where regional transfers may well hinder national growth and where local potentials may be insufficient to stand up to the requirements of traditional models of indigenous development.

To address these issues, we first review briefly the patterns of inequality, backwardness and polarisation in the post-transition Balkans and locate the wider national, regional and supranational processes that contributed to these. We then examine the relevance and effectiveness of traditional national and regional policies and interventions and investigate alternative strategies and policies for local economic development. In doing so, we ask what do concepts such as new regionalism, polycentricism, local distinctiveness, etc., imply for

spatial cohesion and local economic development in the Balkans; how is the Balkan spatial structure and ‘dual transition’ limiting the relevance and applicability of these concepts; and, finally, what is the way forward (and out) in terms of policy recommendations for local economic development in the region?

The structure of the paper is as follows. In section 2 we look at the main characteristics of the Balkan economic space, examining the spatial problems and characteristics of the local economies in the region as well as the spatial and regional policies that have been applied there. In section 3 we turn to theory and make some critical observations about the processes of spatial cohesion and local sustainable development, as they relate to existing theoretical and applied approaches. Section 4 presents our analysis of the interaction between local problems and proposed solutions, examining the relevance of what we indicatively label as ‘new sub-national regionalism’ for the Balkan context. The final section concludes with some thoughts about the possibility on the development of an integrated spatial-regional policy for the Balkans.

## **2. Spatial cohesion and regional disparities in the Balkan economic space**

Despite their differences, in terms of size, stage of relations with the EU, degree of internationalisation and level of development, almost all of the



transition countries in the Balkans face a series of common characteristics in relation to their spatial and regional problems. All countries have seen a notable process of spatial polarisation and a strengthening of the primacy of the main (often a single) metropolises. This is evidenced in the very steep rank-size rules<sup>1</sup> that characterise the spatial distribution of their population, with capital cities being often three or even five times larger than the second largest city (Petrakos et al, 2005; Arvanitides and Petrakos, 2008), but more importantly in the economic disparity that emerges between these capital cities and the regional peripheries – with disparities in total local GDP being often many times larger than in terms of population (Monastiriotis, 2008a). For the smaller states in the region, this signals a clearly worrisome development of city-state formation, where the whole national periphery integrates into a homogenous hinterland servicing almost exclusively the national centre (Monastiriotis and Petrakos, 2008). In the countries of Central and Eastern Europe this trend has to some extent been ameliorated due to the development of another dichotomy, namely the development of border regions which are adjacent to more developed European countries. In the Balkans these effects are much weaker – although still partly identifiable. Potentially, these can create yet another disparity of east-west peripheries.

Underneath these patterns that characterise the macro-geographies of these countries, other patterns of disparity emerge at the more localised level. Due to long-standing trends of depopulation and concentration in the centres,

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<sup>1</sup> This is less so in countries such as Albania and Montenegro, perhaps due to their relative backwardness. The trend there too, however, is clearly towards increased polarisation.

disparities tend to become much localised. In some countries as much as three quarters of cross-regional disparities are located within very small areas (below the NUTS3 level), resulting in very weak patterns of geographical concentration and thus of potentials for generating and exploiting agglomeration and specialisation economies and spillovers. This reflects and reinforces another characteristic of the Balkan economic space, namely the very weak spatial connectivity at the local, regional and cross-national levels. Evidence for Bulgaria suggests that spatial spillovers are negligible (Monastiriotis, 2008a), while similar is the picture obtained from information concerning commuting patterns across the region (ETF, 2005; CPESSEC, 2009) and productivity spillovers emanating from FDI firms (Monastiriotis and Alegria, 2009). In the absence of such linkages and spillovers, issues of local economic development and spatial cohesion become particularly complex while the continuing trend of polarisation becomes particularly difficult to tackle.

As a consequence, policy for local economic development and spatial cohesion in the region faces a number of acute challenges. These concern not only the patterns described above (of polarisation, weak connectivity, and the geographical scale of economic disparity), but also a number of other exogenous and endogenous factors. One such factor concerns the spatial allocation of resources. The patterns of out-migration and peripheral depopulation (urbanism) clearly need to be reversed. It is less clear however if similar efforts should be placed with regards to the spatial allocation of capital.

The spatial concentration of FDI and of domestic investment in the capitals may be extremely important for the development of agglomerations and thus for national development, even if this is at the expense of spatial (and thus also social and economic) cohesion. Another factor concerns the level and quality of infrastructure, not only physical, but also human and social. Connecting places is clearly important (but costly), but perhaps more important is to develop locally the skills (human capital) and attitudes (entrepreneurship) that can support the development of centripetal forces and diffusion effects emanating from the developing agglomerations in the metropolitan centres. For this, a third factor is clearly important, namely coherent and efficient forms of governance, both at the regional and central levels. The patterns of decentralisation that have prevailed, partly as a response to EU pressures, have often led to local antagonisms and counter-productive competition between localities (Brusis, 2002; Hughes, et al., 2004) – while the administrative division of space that has resulted (again, in response to EU and Eurostat pressures) has little resemblance (and relevance) to the economic division of space and the underlying economic geographies of each country. Given its distance from the large European markets, these factors act to reinforce the economic duality and peripheral underdevelopment that characterises effectively the whole of the Balkan economic space.

In this context, the mixture of national, regional and spatial policies that have been applied in the Balkans shows a number of deficiencies and limitations. First is the focus and design of centralised policies for national development.

Almost invariably, in all countries these seem to prioritise on economic restructuring and national growth. While this is understandable, given the acute needs for national convergence, it happens however at the expense of regional convergence and cohesion as it clearly favours concentration into a single agglomeration, normally around the capital. Moreover, the developmental strategy that is being pursued, focusing on the speedy internationalisation of the national economies (EU association/accession, WTO membership, etc) exposes the less developed regions within the national economies to acute competition. A strategy that would be focusing more on the development of cross-regional comparative advantages and the provision of relevant public goods would be more appropriate for the balanced development of the Balkan economic space (Monastiriotis, 2008b; Monastiriotis and Petrakos, 2008), but this is often seen as (and in some respects it probably is) antagonistic to the objective of the European perspective of the region, at least in the short-to-medium run. In this context, any initiatives for regional cooperation obtain a skewed form, targeting not the development of regional public goods and synergies but rather servicing the European objective. For example, the development of transport infrastructure obeys more the logic of the European Corridors than the actual needs for intra-regional connectivity.

On the other hand, regional policies targeting specifically regional development and convergence also exhibit some inherent limitations. An important factor here, besides the apparent subordination to national economic objectives, is the role of ethno-political considerations in the design and implementation of

policies. This is most emphatically evidenced in the case of Bosnia, where developmental strategies and economic links are still developing across ethnic lines, clearly hindering the organic integration of the country's economic space. Another important constraint comes from the fact that in most cases the model for regional policy employed emulates rather uncritically the EU model of financing<sup>2</sup> (co-financing, subsidiarity), which in the Balkan context favours effectively the more developed regions (as these are the ones that possess the necessary capacities and resources to benefit from the available funds) and thus results in less redistribution than would be needed or intended. The model of decentralisation and administrative division of space that has been adopted under the EU association process produces inconsistent geographies and conflicts between the various tiers of governance. For example, funding for investment projects is administered at the NUTS2 level but planning for regional development is at the regional level (NUTS3) while the design of projects is at the local level. While this policy model may be suitable for the backward regions of France or Germany, it has clear limitations for the backward regions of countries such as Serbia or Albania.

A third factor relates to the weak appreciation of the nature of regional and local developmental problems facing the countries in the region. Research on issues of spatial cohesion, economic backwardness and regional interactions is

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<sup>2</sup> This is not only due to external constraints (e.g., EU conditionality) but also due to internal limitations (Monastiriotes, 2008a). The absence of a tradition in national regional policy has resulted in the importation and transposition of the EU model for regional development into a national model for regional development *without* the development of a parallel national policy for regional development, as is the case in the old Member States of the EU.

unsurprisingly limited in the region and thus also limited is the understanding of the true nature of the regional problems and of the appropriate solutions that should be favoured. This is further hindered by the limited historical and institutional capacities of the relevant administrations (Ministries for Regional Development, Regional Development Agencies, etc). As a result, the objectives of regional policy are in most cases not well defined: they remain abstract and sometimes conflicting, showing little engagement with the processes that are essential for balanced local economic development, such as diffusion effects, spatial linkages and spillovers. Consequently, policy interventions are often ad hoc, unconnected and largely ineffective.

Similarly, spatial policies (targeting spatial cohesion and balanced development) also appear to emulate uncritically models that have been developed for different spatial contexts. A trend towards polycentricism for the development of a system of cities is evident in some countries, especially in the Eastern Balkans, but this is largely done without a solid basis for the development of economic linkages. Spatial planning is often done independently of area designation and zoning, thus producing more inconsistencies and further differentiation. Last but not least, throughout the region there is very little effort to produce a spatial planning system that will run *across national borders* and thus address jointly the problems of polarisation, unconnectedness and peripherality that characterise the whole of the region. Ethno-political conflicts (e.g., Kosovo, Bosnia), territorial disintegration (Serbia, Montenegro) and policy differentiation (east-west

Balkans) are characteristics that affect directly the design and implementation of regional and spatial planning policies and limit their effectiveness.

In summary, the deployment of a coherent and effective regional policy in the region faces significant challenges and problems. Problems of peripherality, polarisation and underdevelopment are acute but the policy responses are largely constrained by both internal weaknesses and external constraints. The processes of transition and European integration may appear to be supportive for the design of new policies, but they largely constrain the extent to which policy can prioritise on regional convergence as well as the basis (and scale) on which the design and delivery of policies can be implemented. The process of transition favours concentration of economic activity and centralisation of political power, while it pushes towards a prioritisation on national objectives at the expense of regional convergence. The process of European association pushes on the one hand towards the adoption of a policy model that is alien to the Balkan context and to the local developmental needs and capacities, while on the other hand subordinates further the regional developmental objectives to the national objectives for internationalisation and European integration. Structural weaknesses are also present, including the weak human and financial capital and the destructive consequences of deindustrialisation; the limited socio-cultural infrastructure relating to entrepreneurialism, a participatory culture, and civil societies; the similarly weak public administrations and financial capacities; the tradition of statist corruption and clientelism; and the absence of a tradition for regional policy, which is in some cases coupled with

an aversion by the localities to ‘central planning’ and by the central administration to localism. All these problems call for a radical reconsideration of the spatial developmental strategy for the whole of the region. In the next two sections we offer a preliminary approach to this, first examining the range of concepts and policy tools that have recently gained currency in the regional development literature and then by examining how these relate to the specificities and limitations of the Balkan context.

### **3. Concepts for regional and local economic development**

Traditional regional development theory places elevated emphasis to external stimuli for the promotion of regional development. Thus, public investment in infrastructure (supported by the central administration), incentives for the attraction of private investment (through area designation, tax breaks, etc), and measures to stimulate external demand (e.g., through technological upgrading or advertising and export promotion) obtain a central role for regional development (Armstrong and Taylor, 2000). The main objective here is a redistributive one, namely to direct economic activity to ailing regions. This is largely a top-down policy approach, reflecting the belief that regional development is the responsibility (and competency) of the state. In this context, regions are in one way or another in direct competition (for resources) with each other – but they are otherwise isolated from one another: spillovers are largely seen as either detrimental or secondary. Indeed, regional growth is seen



in this approach as the regional equivalent of national growth, with little emphasis being placed on connectivity, interdependencies and spillovers. In this context, significant questions about the usefulness of regional policy can, and have, been raised not least by the literature of regional convergence (Barro and Sala-i-Martin, 1991) which is inspired by the neoclassical growth model, but also by other equilibrium approaches such as those deriving from the Harris-Todaro model of urban unemployment (in development economics) or the Stolper-Samuelson theorem of factor price convergence (in international trade theory). Critiques to regional policy emanating from such literatures identify significant policy failures having to do with deadweight loss, adverse incentives, economic distortions, aid dependency and the like.

Given these concerns, and often the apparent ineffectiveness of policy interventions to address chronic regional problems, a large battery of new concepts has been developed. Since the early 1990s the relevant literature has seen the emergence of concepts such as ‘indigenous growth’, ‘learning regions’ and, more recently, ‘city-regions’. Theories of indigenous growth aim at enhancing endogenous potentials, by identifying local competitive advantages, seeking to exploit local resources and create synergies among local actors (creating industries and markets), and helping regions to develop their own economic profile and relevant ‘niche’ specialisations. The concept of ‘learning regions’ puts more emphasis on the social role of education and human capital, on the connections between knowledge production and business activity (e.g., through university hubs), and on the role of information and communication

technologies, R&D and innovation – and thus of knowledge diffusion, knowledge accessibility and knowledge-sharing networks, which help transform abstract *knowledge* into locally relevant *learning*.

More recently, largely under the auspices of the British government, the concepts of Core Cities and City-Regions have developed and gain increasing currency in the literature (Parkinson et al, 2004). This represents a shift away from the singular attention on knowledge and learning towards a wider emphasis on issues of *functional connectivity*. A key objective here is the organic connection between core cities (i.e., cities that possess sufficient competitive advantages that can support their function as growth poles) and their hinterlands. This is believed to help with the addressing of demand and supply shortages at the very local level by exploiting complementarities and market size / potentials across urban areas. In this sense, city-regions encompass whole micro-systems of urban hierarchies and aim at identifying, strengthening and utilising economic complementarities across diverse and heterogeneous localities. As we argue below, this links directly to the concept of new (sub-national) regionalism, which has emerged around the same period. It also relates, however, to more relational concepts of local economic development, such as the concepts of local identity and *branding*.

Key role in these approaches plays the *psyche* of each individual locality, the extent to which it can appreciate, connect with, and promote its distinctive features (Beer et al, 2003; English Heritage, 2005). Consequently, the

development of a regional identity becomes central: a sense of attachment and belonging to one's place and to its historical characteristics and idiosyncrasies. This in turn requires the strengthening of local networks and civic participation, which thus help with enhancing the sense of *citizenship* (and thus of belonging), but also the formation of actual civic-business links. But it also requires the identification, development and *branding* of local trademarks, as well as enhancing and emphasising cultural and historical characteristics (heritage), which can subsequently be exploited by such links. Of course, the role of social capital is crucial here (Raagmaa, 2001), as this is essential for building social networks, both within (bonding) and across (bridging) groups of social actors. At the policy level, this requires at least some degree of devolution of power – and perhaps fiscal decentralisation – so that local governments and stakeholders can be empowered and local resources can be mobilised while subjected to a 'locally-owned' decision-making process.

Two broad streams of policy action connect these concepts of local economic (and social) development. On the one hand are those that derive from recent research in urban economics and economic geography, relating to Buzz Cities (Storper and Venables, 2004), Resurgent Cities (Turok and Mykhnenko, 2008), the Creative Class (Florida, 2002), etc. These approaches identify the role and responsibility of policy, as well as of local actors, for turning disadvantages into local trademarks (e.g., turning traffic congestion into a congestion charge!) and thus developing area 'brand names' and local identities, as well as for creating critical masses of interaction – both business and cultural – as a means

to enhancing and exploiting agglomeration (urbanisation-localisation) economies at the urban and regional scales. On the other hand stand those approaches deriving from the new spatial planning literature on polycentricism (CPS, 1999; ESPON, 2005 – see also Meijers and Sandberg, 2008). Here, development is seen explicitly as a *spatial* process – happening both *in* and *across* places – and thus necessitating the development of networks of areas that are linked through economic, social and physical activity and encompass the trans-national, national as well as regional / local levels. A primacy of the core urban areas is identified, although these networks are mainly of non-hierarchical nature, based on functional synergies than on simple vertical linkages. The emphasis is on turning intra-region competition (as well as extra-regional antagonisms) into a knowledge-sharing collaborative framework of relations, which can enhance territorial cohesion and economic development.

This array of concepts and policy prescriptions can be summarised well under the overarching thesis of ‘new regionalism’.<sup>3</sup> Following Wallis (2002), new regionalism can be defined as a broad developmental strategy that emphasises the centrality of place, of internal social relations and networks, and of functional external links (multi-polarity) for the promotion of even and

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<sup>3</sup> It has to be noted however that this ‘synthetic’ interpretation of the concept of ‘new regionalism’ has already attracted some notable criticism in the literature (see Hadjimichalis, 2006 and Lagendijk, 2007). Specifically, a number of well-intentioned reservations have been expressed about the linking of concepts and approaches with fundamentally different methodological and epistemological origins under this term – and more specifically about the opening-up of the original ‘new regionalism’ concept (which has its origins to critical geography) to approaches originating from the neoclassical / equilibrium tradition. We are sympathetic to these critiques but we feel that in the context of the problem that we are addressing in this paper the amalgamation of the various literatures on local economic development and spatial cohesion under the concept of new regionalism is particularly productive. We believe this is evident in the discussion of the relevance of new regionalism for the Balkans, which follows in the next section.

cohesive development across space. The successful implementation of this strategy involves a set of necessary conditions that have to be observed, or created. These include (a) visioning and leadership by the local actors and administrations, (b) benchmarking for the attainment of clearly specified targets, (c) civic participation for the creation of social networks and the utilisation and enhancement of local social capital, (d) a conscious adherence to processes of consensus-building and reconciliation, and (e) administrative decentralisation with devolution of power. A key characteristic of this strategy is the emphasis on governance versus government, on processes versus structures and on organic collaboration versus superficial coordination between authorities and actors. This is in effect a bottom-up approach to local development which sees regional economies and localities as open systems (rather than as closed self-contained entities) and thus aims at local empowerment at the expense of central control and at the establishment of trust at the expense of formal accountability. Learning, functional linkages, the branding of local distinctiveness and the development of local comparative advantages can all be strengthened and best served with this approach. It is an approach that goes beyond the simple (and largely problematic) claims for redistribution-based approaches to regional development, where the centre (or some other external actor) has the overall responsibility for stimulating local growth, and instead emphasises the indigenous development of economic potentials not in isolation for each locality but in collaboration with the wider regional system to which it belongs (or to which it can be made to belong). In

the next section we examine to what extent such an approach to local economic development can be applied in the Balkan context.

#### **4. Local regionalism for the Balkans**

Although it is not always explicitly appreciated, local economic development in the Balkans over the last twenty years, if not earlier, has followed the traditional model of externally-stimulated redistribution, either in the form of direct state interventions of a regional character or in the form of regional funds originating from the EU. In many respects the process of assisting regional development has been a mere replication of the policy model for national development, namely the development of domestic infrastructures (human and physical) and the channelling of resources into the most needy (or, more often, more profitable) sectors and regions. As we saw earlier, this was in many respects a natural consequence of the internal deficiencies and the external constraints that have characterised the Balkans at least since the beginning of transition: on the one hand weak domestic capacities, increasing and resurging local antagonisms, and a problematic relationship between the central administrations and the local authorities; and on the other hand an almost uncritical emphasis on European adaptation, internationalisation and fast (but uneven) convergence to the European core.

The spatial and social polarisation and widening economic disparities that have been observed in the Balkans, as in all other European transition countries, over

the last two decades show, if nothing else, the limitations of this developmental model in securing balanced and thus sustainable and equitable growth. Consequently, new concepts and models for local economic development have started infiltrating policy circles in the region thus influencing policy design at both the local and regional levels. In this context, as an example, under the auspices of the EU, the concept of polycentric development has recently been applied in countries such as Bulgaria and Romania, while it is also gaining currency in the Western Balkans.

Despite the positive potential of this approach, we see this as a partly problematic development given the relative lack of discussion and understanding about how well such new models fit the Balkan spatial context of local development needs and about how such models should be translated and applied in this context. We offer a preliminary examination of this in what follows. We do so by juxtaposing what we see as some key dimensions of socio-spatial infrastructure against the main elements of the new spatial theory – and examining the deficiencies and peculiarities characterising the Balkans with regards to these. Among the they key policy elements, as mentioned previously, we identify those of (a) Vision, leadership and participation, (b) Trust and empowerment, (c) Management of local development as an open and dynamic process, and (d) Functional and financial independence. Along the critical dimensions of socio-spatial infrastructure we identify the following: (a) Civil societies, (b) Local governments, (c) Economic and administrative connectivity, and (d) Structures and Infrastructures.

**Table 1 Balkan deficiencies and new spatial policies**

	<b>Civil societies</b>	<b>Local governments</b>	<b>Connectivity</b>	<b>(Infra-) structures</b>
<b>Vision</b>	-Immature; partisan representation; interests linked to elites & clientelism	-Lack of admin capacities/resources -Undemocratic elites and lack of 'own initiative' culture -Sub-ordination to national planning	-Inability to 'think big' and 'think bold / positive' -Weak extent & appreciation of synergies and complementarities	-Weak comparative advantages and human resources -Urgent priorities ('roads') limit bolder vision
<b>Involvement</b>	-Weak social capital (bonding v bridging) and civic networks	-Suspicion against central / local govt -Control over policy -Dependency on central govt for priorities/funding	-Weak linkages b/w hinterlands & centres -Hierarchical administrative structures	-Weak economies => competition & singular objectives -Emphasis on infrastructure
<b>Openness</b>	-Inward-looking; weak civic networks; lack of trust; competition; localism	-Local antagonisms -Zero-sum-game culture -Historical role of central govt in setting agendas / policies	-Weak linkages across regions / urban centres -Hierarchical admin systems	-Dualism limits econ synergies -De-industr/tion => 'creativity' a competitive game
<b>Independence</b>	-Limited local financial resources -Not mature enough to develop innovative strategies	-Devolution & EU co-financing limit functional independence -Functional independence also hindered by lack of capacities/knowledge	-Lack of economic linkages implies lack of synergies / incentives for financial collaboration among local administrations	-Weak economies => low tax-bases => low local service provision => dependence on nat'l investment and redistribution

Following from the discussion of section 2, we argue that the Balkan economic space presents some key weaknesses across all of these dimensions: concerning the role of civil society, the region is characterised by a lack of trust and social entrepreneurship; similarly, concerning local governments, the region is characterised by a lack of financing and relevant resources and capacities; in terms of connectivity, as we have already discussed, the regional economy suffers from weak spillovers, segmented micro- and macro-geographies and spatial polarisation, while the regional administrations suffer similarly from a segmentation across the levels of policy-making and from counter-productive local antagonisms and competition; finally, socio-economic structures are also deficient due to low human capital, low domestic demand and the process of



de-industrialisation, while physical and social infrastructures are also deficient not least due to the low levels of economic development. But how do these deficiencies limit the applicability of the new concepts on regionalism and local economic development? We consider this in the reminder of this section. Table 1 presents this in a schematic form.

***Vision and leadership.*** As mentioned earlier, a key element of the new regionalist developmental model concerns the establishment of a clear vision and a strategy that is based on leadership and consensus-building. Naturally this concerns all dimensions of the local socio-spatial infrastructure, namely the civil society and the local government as well as the local and regional (infra)structures and connectivity. Civil societies in the Balkans, however, are characterised by fragmentation and low levels of maturity or development. Social capital is weak and more often than not of the bonding type, relating to narrow interest representation and partisanship. This of course links to wider problems and pathologies of the region such as the dominance of financial or other elites in the social net and the extensive presence of corruption, cronyism and clientelism, both in the formal sphere (government) and in the informal economy. On the other hand, local governments lack the administrative and technical capacities to inspire and manage a local *vision*. This is not only due to the lack of resources or the actual subordination of regional policy to national planning and objectives but, importantly, also due to the region's past and more recent history of undemocratic elite-dominated administrations that has resulted in a deep-rooted culture of aversion against one's 'own-initiative'. In this sense,

allocating additional financial resources or restoring democratic representation and self-governance at the local level is, strictly speaking, *not sufficient* to allow the emergence of local leadership and vision. In addition to these, the development of leadership and vision is also hindered by the very weak economic and administrative connectivity that characterises the Balkan economic space as well as by the weak social and physical infrastructures. The lack of actual synergies and complementarities across the local economies and the limited extent of comparative and competitive advantages – as well as the inability, at least partly, to appreciate the existing ones – hampers the administration's ability to 'think big' and thus also to 'think bold' or 'think positive': local administrations and social actors cannot connect either with their localities or with one another. To the extent that they are willing to do so, the urgency of some local problems (e.g., for road-building) limits the development of a bolder vision (e.g., for 'creativity' and 'local branding').

***Involvement, participation and trust.*** Weak social capital, especially of the bridging type, also hinders the development of civic networks and thus of participation and trust. A chronic antipathy and suspicion towards both central and local government (representing state control and elites-based corruption, respectively) is also playing a role here. The involvement of relevant actors in the design of a broader developmental initiative is thus also obscured. Participation, however, is also obscured by existing attitudes, not only towards, but also *by* local governments. These include a culture of dependency on the central administration for the provision of funding as well as for the prioritising

of policy initiatives (partly linked to the role of party politics) and an almost path-dependent need to insulate policy design and implementation from the immediate influence of 'the public'. While the former only tentatively allows the central administration to occupy the space that should be filled by local actors, the latter directly blocks local actors from obtaining a more participatory approach. On top of this, the weak linkages between centres and hinterlands (economic connectivity) discourage the equitable participation of all relevant actors while the hierarchical administrative structures (administrative connectivity) limits the extent of horizontal cooperation across actors and organisations (e.g., between Regional Development Agencies and local administrations). The role of (infra)structures is also particularly important here. Low levels of development (structures) and the unavoidable emphasis on physical investment (infrastructures) imply a narrow structure of interests, weak structures of returns and thus fewer investment opportunities. In this context, rent-capturing becomes an optimal strategy, thus leading to direct competition between various elites and interest groups, while local administrations are pushed towards the pursuit of singular objectives (e.g., to attract FDI), thus also engaging in direct competition with other localities. Both developments result in exclusion and mistrust and hinder the wider participation of the local communities in the development project of the region.

***Openness and collaboration.*** As mentioned earlier, the contemporary approaches to local economic development, here bundled together under the term 'new regionalism', place increased emphasis on the management of local

development as an open and dynamic process, which requires the exploitation of synergies and the support of collaboration not only inside the developing region but also between such regions across the national and trans-national economic space. In the Balkans, civil societies are only to a limited extent geared to perform this function. At large, civil societies are inward-looking and based on weak civic networks. There is a general lack of trust and a culture of competition and localism, sometimes even based on ethnic or somehow perceived historical lines. Thus, collaboration across the national, let alone trans-national, space is limited. Local governments suffer also from similar antagonisms. In many respects a culture of inter-municipal competition can be observed, reflecting to some extent the culture of localism and mistrust mentioned above but also the view of the development process as a zero-sum-game – where winners are created at the expense of losers.<sup>4</sup> Moreover, the over-reliance on the central administration, with its historical role in setting agendas and policies, also hinders the direct interaction between local administrations and thus the exchange of ideas and the identification of common needs and common or synergic competencies. Such interactions are further limited by the weak economic linkages that exist across regions and across urban centres (economic connectivity), which is at least partly the result of duality and polarisation (structures): lack of interactions and economic dependencies at this level imply a lack of common interests and objectives and thus fewer incentives for dialogue and the exploration of shared interests or

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<sup>4</sup> Strangely enough, the low levels of development and the low potentials (see point above about weak structures of returns and the resulting incentives to rent-seeking) make this attitude seem reasonable.

responses to common challenges. On top of this, the urgency of the problems of restructuring (de-industrialisation, traditional agricultural production in the less populated areas, etc) creates a competitive environment for a ‘race to creativity’: as places strive to get out of their relative economic backwardness, sharing ideas and resources may appear as sharing, and thus diluting, one’s own competitive advantages. This again is a view of development as a zero-sum-game – which however in the short-run may not be too inaccurate a description of reality. Similar is the case with regard to the development of physical infrastructure: the almost singular emphasis on infrastructure investment increases the competition for it and thus also its cost – and lowers its returns (e.g., lower tax revenues due to more generous financial incentives to potential investors).

***Functional and financial independence.*** The issue of tax revenues is important, because much of the very idea of new regionalism is based on the premise that localities have both the functional and the financial independence to engage in the development and branding of their own distinctive features and comparative advantages as well as in the exploitation of synergies with similar or neighbouring localities. Local administrations in the Balkans, however, face invariably acute difficulties to finance such projects. On the one hand, the process of financial devolution that has taken place in many Balkan countries, partly following EU conditionality, as well as the EU-inspired model of co-financing that they have adopted, limits significantly their functional independence and leads to notable divergences across regions with respect to

their ability to generate tax revenues and finance local development initiatives. These divergences, coupled with the inherent weaknesses in terms of knowledge and resource management (administrative and technical capacities), are then responsible for the development of antagonistic non-cooperative attitudes. Civil societies are largely unable to fill the vacuum created by the local administrations, as they have limited ability to mobilise financial resources internally and lack the knowledge and attitudes (e.g., entrepreneurship) to devise innovative strategies for local economic development. Again, the weak economic connectivity of most parts of the Balkan economic space, both within and across the national borders, plays a negative role as the lack of crucial economic linkages and spillovers implies lack of synergies and incentives for financial collaboration, across localities, among local administrations, businesses, and other stakeholders. These problems interact strongly with the structural problem of relative underdevelopment. Low tax revenues lead to low levels of local service provision, making the concerned localities less attractive (and thus less suitable as potential partners for other neighbouring localities) and at the same time increase their dependence on national investment and redistribution mechanisms – thus creating a vicious circle of prioritising on traditional forms of regional development at the expense of the more relational and collaborative forms discussed here – especially as the mere scale of infrastructural needs at the local level is such that cannot be addressed by sole reliance on the local resources.

It follows from the above that the application to the Balkan context of concepts and development tools such as those falling under the umbrella term of ‘new regionalism’ – or of particular facets of this, such as polycentricism, city-regions, resurgent cities, etc – faces significant constraints that are too big to be overlooked. Although the over-reliance on traditional methods of regional development, namely redistribution and external assistance, may not be able to resolve the main regional problems and needs, the superficial implementation of contemporary developmental models without the careful examination of the domestic context and its limitations may have even more negative effects – possibly exacerbating more the problems of polarisation, underdevelopment and dependence described earlier. This does not imply, however, that the application of such concepts should be seen as prohibitive. We reflect on this observation in the concluding section.

## **5. Conclusion**

The transition process that started in the Balkans some twenty years ago, and the European association process to which it has been inexorably connected, has led, for better or worse, to a radical transformation of the Balkan economic space at all levels: local, regional, national and trans-national. Amongst the other effects that this have had, was the emergence of new and acute socio-economic dichotomies, largely taking the form of a core-periphery model of development (polarisation), but also exhibiting other negative features such as

persistent underdevelopment, peripherality-rurality and above all economic dependence.

Given the rather natural prioritising on national growth and the European perspective (as well as on state building), in many cases such problems went unobserved for years and became well embedded in the new economies. The policy response, in adherence to the EU principles of regional policy, was the development of a dual system of administrative decentralisation, in most cases without a corresponding process of financial decentralisation, and of top-down economic assistance, which often – but not always – had a redistributive character (Monastiriotis, 2008a). This policy response has failed to produce the anticipated results. This may be due to the scale of the problems that the policy sought to address (i.e., extent of disparity). It is at least equally possible, however, that the inability to contain – not to mention reverse – the increasing inequality and polarisation in the region is due to an inherent inconsistency between the main objectives of policy. In a context of accelerated growth and catch-up convergence, regional disparities are naturally amplified. Servicing the objective of regional convergence hits upon the objective of establishing ‘national champions’ and strongly localised agglomerations. This inconsistency creates two logical options for the backward regions of the Balkans. One is a ‘wait and see’ strategy, largely consistent with a neoclassical convergence story, which justifies the widening of disparities at present in return of faster growth (and regional convergence) in the future. The other derives from a view that sees economic disparity and polarisation more critically and anticipates a



cumulative causation process that has to be tackled as early and as fully as possible. This view calls then for a different developmental model, which will be able to mobilise local resources, create synergies across localities, and develop comparative and competitive advantages that can generate positive net returns to the local economies. Such is the strategy advocated by the new regionalist thesis.

Although new regionalism, at least in the interpretation used here, is a relatively new concept that has not been openly discussed as a potential local development strategy for the Balkans, elements or concepts similar or compatible to new regionalism, such as polycentricism, are slowly but steadily entering the policy and academic debates in the region. Polycentric development models are already being implemented in the eastern part of the Balkans and similar developments can soon be expected in the countries of the Western Balkans that are closer to EU accession. In light of this, we feel that a careful consideration of the ‘fit’ of such concepts to the Balkan context, of their potential benefits and their possible shortcomings, is necessary in order to set-out the discussion for the future development of the local and regional economies across the region. In this paper we offer a preliminary discussion along these lines, by sketching out a simple model that juxtaposes the key elements of the new regionalist strategy with the key dimensions of the socio-spatial infrastructure that is called to support and implement this strategy – such as civil society, local administrations, economic structures and infrastructures, etc.

Our analysis proposes a series of problems in the application of the new regionalist strategy in the Balkan context. Problems of economic connectivity and development, local antagonisms, an under-developed civil society, and many more, all make it particularly difficult to envision the deployment of a coherent developmental model, across the region or in any single Balkan country, that will be based on the premises of local leadership, participation, openness, and independence. This, nevertheless, does not mean that the region should revert to traditional models of regional development and abandon uncritically any attempts for the deployment of local development strategies consistent with the concepts and tools of the contemporary literature. Instead, we see the preliminary examination that we offer here as a first attempt to identify the key weaknesses that policy (and polity) should address in order to promote such a contemporary developmental strategy. Amongst the many factors that we identify here, we believe that the issue of connectivity and (intra-regional) openness, both economic and administrative, is of elevated importance. Of course, upgrading local administrative capacities and strengthening the civil society is a necessary sine-qua-non for local and regional development. But while a necessary condition, this is not by itself a sufficient condition for attaining the objectives of sustainable and cohesive development.

We have argued elsewhere (Monastiriotis, 2008b; Monastiriotis and Petrakos, 2008) that national development in the Balkans cannot be achieved without a true and well-designed process of regional cooperation that will be based on an

explicit development plan for the whole of the region. We extend our argument here by maintaining that to achieve sustainable and equitable *sub-national* development the region needs a specific *spatial development plan* that will be the product of genuine and deep cooperation across the countries of the region at all levels: local, regional, and national. The countries in the region are too weak and too much geared towards the objective of EU accession to be able to support by themselves, and in isolation, the objective of regional convergence. Neither traditional regional policies for diffusing national development, nor indigenous processes for mobilising local development, are sufficient in this context. Instead, spatial cohesion and local economic development will have to come from the exploitation of trans-national regionalism as a tool for mobilising local as well as national economic development. Such a process exists (SEE regional cooperation) and is in line with the region's European perspective. What is left is the transformation of this process into an explicit Balkan Development Strategy, which will include a spatial development plan covering both the micro-, meso- and macro-levels. We believe that this can act as a means to promote a wider strategy and vision for the region – which will act as a seed for the promotion of similar local visions and leaderships. It will utilise the existing fora of regional cooperation to engage local and regional actors and promote the objective of local and regional development as a central axis in the pursuit of modernisation and catch-up convergence. It will allow the countries in the region to deploy polycentric development as a trans-national strategy that will truly integrate the Balkan economic space. It will create 'local

identities' – some of them shared, some of them uniquely distinctive – around the main urban hubs in a way that allows the creation of competitive city-regions – rather than of competing metropolises. It will thus enhance the existing metropolitan functions and create new complementary ones. It will finally help build inter-communal trust through cross-national cooperation.

A process of supra-national new regionalism is already established in the Balkans. Its sub-regional counterpart is still in its infancy – if at all with us. The appreciation of the problems of relative underdevelopment, socio-economic disparity and spatial polarisation facing the localities of the region calls urgently, we believe, for the amalgamation of the two processes into a holistic developmental strategy for the region that will encompass all administrative levels and geographical scales. Devising an integrated local development strategy for the region will enhance the supra-national process of regional cooperation; while the re-direction of the latter towards servicing long-run regional objectives, besides the issue of EU accession, will be key for providing the local and national economies of the region with the tools and competencies to escape their economic backwardness and dependence.

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