

REGIONALIZATION OF SLOVENIA BY ESTABLISHING FUNCTIONAL REGIONS

Regionalizacija Slovenije z vzpostavljanjem funkcionalnih regij

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Abstract

Slovenia is a country with a plurality of municipalities that are (in most cases) too small in terms of development and in need of more inducements for tourism, greater investment opportunities, and the establishment of shopping and logistics channels. Of Slovenia's 212 municipalities, 111 do not meet the statutory minimum level for the establishment of a municipality, which is reflected in the uneven development in various parts of the country. A similar problem has been faced by other countries (e.g., Austria), but they have resolved this problem to a satisfactory level, particularly by applying the concept of functional networking. The design and development of uniform regions, their connectedness, and their openness to cross-border cooperation are all crucial for the effective development of Slovenia as a whole, which will stimulate regional development based on functional integration. The purpose of this article is to examine whether it is possible to establish a functional region in Slovenia; we will explore the legal foundations, methods, and effects of such an establishment.

Keywords: regional development, functional region, establishment and effects of functional regions in Slovenia

Izveček

Slovenija je država, ki bi morala biti zaradi velikega števila premajhnih občin – zlasti v razvojnem smislu – bolj zanimiva za turizem, naložbene priložnosti ter vzpostavljanje nakupovalnih in logističnih verig. V Sloveniji imamo 212 občin, od katerih jih kar 111 ne dosega zakonsko določenega minimalnega praga za ustanovitev občine, kar se odraža na neenakomerni razvitosti posameznih delov države. S podobnim problemom se soočajo tudi druge države, npr. Avstrija, kjer pa so ta problem zadovoljivo rešili, zlasti s konceptom funkcionalnega povezovanja. Trdimo, da so oblikovanje in razvoj funkcionalnih regij, njihova povezanost in odprtost za čezmejno sodelovanje ključnega pomena za učinkovit razvoj Slovenije kot celote, pri katerem bodo gonilo razvoja prav takšne regije. Namen članka je preveriti, ali je možno vzpostaviti funkcionalno regijo v Sloveniji; zanimali nas bodo pravne osnove ter načini in učinki vzpostavitve.

Ključne besede: regionalni razvoj, funkcionalna regija, vzpostavitev in učinki funkcionalne regije v Sloveniji

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Naše gospodarstvo / Our Economy

Vol. 60, No. 1–2, 2014

pp. 26–36

DOI: 10.7549/ourecon.2014.1-2.03

UDK: 332.14(497.4)

JEL classification: H70, H83

1 Introduction: Defining the problem

The increasing decentralization and devolution that mark the building of modern countries and the development of cooperation in Europe serve to increase the role of regions and municipalities, indicating that the institutional framework is getting ever closer to the needs of the regional economy. European trends reflect the general belief that economic growth, self-sustainable recovery,

the quality of public services, and citizen's democratic participation are more effective if the universally authoritative institutions are not generally centralized (Lindstrom, 2005; Vlaj, 2008). Nevertheless, since its independence in 1991, Slovenia has been considered one of the most centralized countries, even without a regional administrative level between the central government and the large number of mostly small municipalities (212 as of 2013).

In looking comparatively at the Slovenian position relative to indicators of competitiveness among the European Union (EU) member countries, it becomes evident that development in Slovenia is quite unbalanced (Kovačič, 2006). In accordance with applicable legislation and the rapid introduction of the reform of local government in Slovenia, we have municipalities that are small, fragmented, and dependent on the state while also being functionally insufficient as smaller municipalities are incapable of performing numerous tasks. Consequently, this role has been taken over by the state, to which power, influence, and centralization accrue. With the concentration of economic activities and population in a few areas, divergent conditions for life and work have been created. Differences have emerged in the spatial distribution of jobs, unemployment rates, and the educational structure of the population as well as in inadequate transport links. These problems are particularly evident in the structurally less-developed and economically weaker areas with a predominantly agrarian orientation, in areas with demographic problems and low per capita income as well as in economically and socially unstable areas. The development of a particular area depends on its characteristics and potential utilization of a defined area over which they can exploit the potential. A diverse country like Slovenia is difficult to control exclusively from the center; thus, decentralization, subsidiarity, and partnership represent primarily economic categories and not simply political categories.

In this brief article, we seek to highlight the complexity of any solution to the problem of regionalization in Slovenia and present the integration and design of functional regions. Over the course of the article, we propose answers to the key questions necessary for the effective establishment of functional regions in Slovenia—namely, how to connect small spatial units while taking into account their diversity and heterogeneity, which international comparisons (within the EU) to consult, and which are the key parameters for the design (model). To this end, we first introduce regionalism in Slovenia as a basis for further reading in the second chapter. At the same time, we provide an example of how a similar issue was resolved in Austria. In the third section, we present the definition of functional regions. We continue with the legal basis for the establishment of a functional region, and in the fifth chapter we present the processes and mechanisms that we propose for the establishment of functional regions in Slovenia. We conclude with the anticipated effects of the establishment and discussion.

2 Regionalism in Slovenia

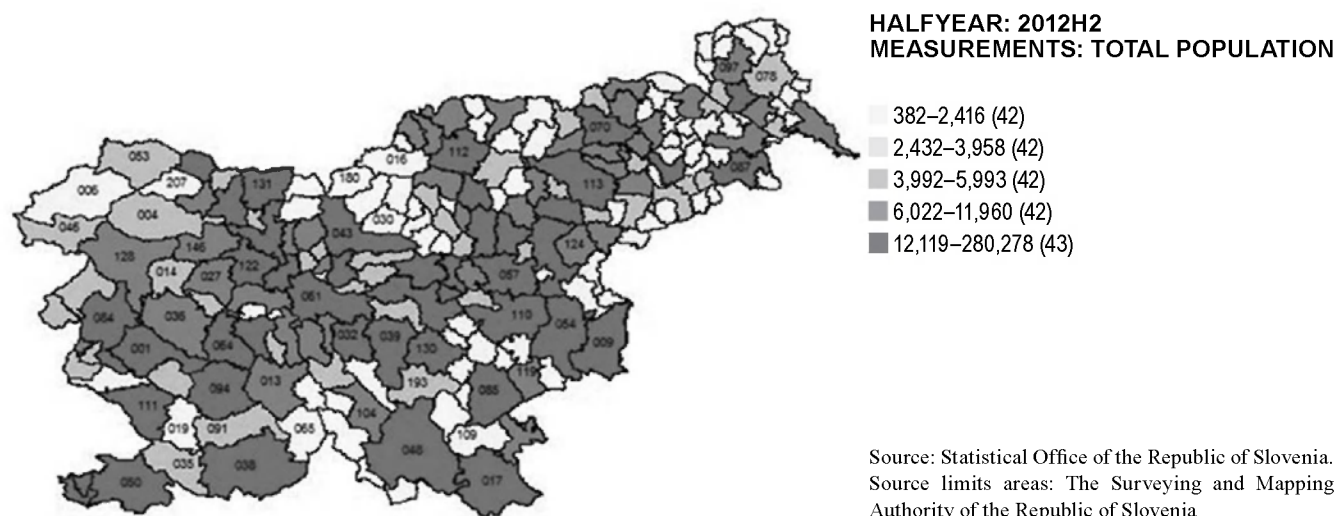
After reviewing the history of Slovenia's regionalization, it becomes evident that the regionalization process was undertaken by numerous experts. Dirnbek and Haček (2008) analyzed various existing regional divisions in the areas of government administration, public administration, and the civil society sphere. By analyzing the so-called territorial elements used in constituting regions, they established that a variety of factors leads to the formation of specific areas that can be defined as regions (in the field of civil society organizations, the wider public sector and public administration). At the same time, they found that organizations at the regional level are organized differently as a result of specific activity units at various levels coordinated by the headquarters. Slovenia is an extremely diverse country, and in thinking about the regionalization of Slovenia as an administrative organization, each physical geographical dimension gives rise to questions and doubts (Perko, 1998; Vlaj, 2008; Vrišer, 2008).

The very process of regionalization in Slovenia has long been present, but it is far from being complete. With the reform of the Slovenian local self-government (1994), we acquired a large number of small municipalities, most of which are dependent on the state as they are unable to perform many tasks, which then devolve to the state and consequently serve to enhance centralization instead of regionalization. Today we have small, fragmented and mostly unbalanced municipalities, especially in eastern Slovenia, which is evident from the cartogram depicted in Figure 1. This cartogram shows the population by municipality in Slovenia according to each dimension, from which it is evident that the majority of municipalities with populations below the statutory minimum threshold (at least 5,000 inhabitants) are in the eastern part of Slovenia.

The efficiency of the municipality depends on the financing of tasks in accordance with the constitution and the law, performed by municipalities and regulated by the Law on Local Government Financing (Financing of Municipalities Act, ZFO, Ur.LRS 32/2006). Municipalities in Slovenia independently address local matters of public interest (original work), which is regulated by the act or determined by law. For a local community to do so effectively, it must achieve a level of autonomy in the area of finance, where there is a need for a diverse range of financial resources with which to cover the cost of public goods. Brezovnik and Oplotnik (2003) compared the system of financing municipalities to the regime of financing schemes in the EU accession countries and in some EU member states. They concluded that the current model of financing for municipalities in Slovenia is unsuitable for the further development and even the existence of municipalities in the future European environment.¹

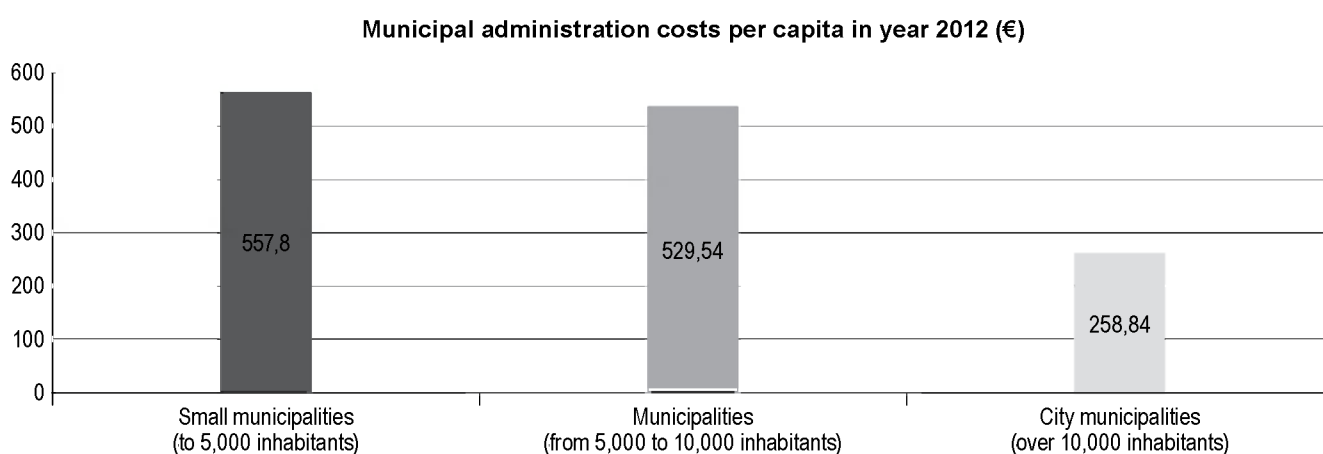
¹ For more on the financing of local self-government in Slovenia, see Oplotnik and Brezovnik (2012).

Figure 1. Number of people (by municipality) with regard to each stratum in Slovenia (Information relative to 01.07.2012—HALFYEAR 2012H2)



Source: Statistical Office of the Republic of Slovenia (SURS, 2013)

Figure 2. Municipalities' income in terms of population in 2012



Source: Statistical Office of the Republic of Slovenia, our own calculations (2013)

The establishment of a municipality (a small one) is usually associated with development and is a very good development tool, but only until financial problems arise, because the creation of a county carries with it considerable responsibility and liability. Accordingly, proposals have already been made to the government for combining smaller municipalities in the form of a citizens' initiative (Republika Slovenija, Vlada Republike Slovenije, 2013). At the same time, the Council of Europe Expert Group came before the Congress of Local and Regional Authorities to recommend the regulation of local self-government

in Slovenia. This indicated that the number of municipalities is still increasing and that stricter enforcement of the Slovenian Law on Local Self-Government, which sets a minimum of 5,000 inhabitants for the establishment of new municipalities, is desirable in order to avoid fragmentation, coupled with insufficient funding (Cokert, 2005).

It can be deduced from the graph in Figure 2 that smaller municipalities are more expensive; Figure 2 shows the cost of local government per capita in 2012 and municipal revenues to cover appropriate use in 2012. Using data from

Table 1. *National Structures (NUTS)*

	NUTS 1		NUTS 2		NUTS 3		LAU 1		LAU 2	
AT	<i>Gruppen von Bundesländern</i>	3	<i>Bundesländer</i>	9	<i>Gruppen von politischen Bezirken</i>	35	-		<i>Gemeinden</i>	2357
SI	-	1	<i>Cohesion region</i>	2	<i>Statistical regions</i>	12	Administrative units	58	Municipalities	210

AT: Austria, SI: Slovenia.

Source: European Commission, Eurostat (2011)

the Statistical Office of the Republic of Slovenia, we made our own calculations. The municipalities are divided into three classes: Small municipalities are those below the legal limit of (at least) 5,000 inhabitants, accounting for 110 municipalities in Slovenia. The next class is medium-sized municipalities, ranging between 5,000 and 10,000 inhabitants; 48 of these are in Slovenia. Finally, municipalities with more than 10,000 inhabitants account for 53 municipalities in Slovenia. Figure 2 clearly shows the highest cost per capita for municipal administration in the small municipalities—namely, €557.8 per capita—followed by medium-sized municipalities at €529.54 and larger municipalities at €258.84 per capita.

A similar problem arose in the neighboring country of Austria, where—compared to Slovenia—they have an even larger number of small municipalities. The problem was addressed by establishing what were called “small regions” (*Kleinregionen*). A small region can be founded by voluntary cooperation among several municipalities that are geographically contiguous and whose fundamental purpose is the effective implementation of municipal functions, use of synergies, development potential, and the creation of a regional consciousness (Andrieu, 2008).

Table 1 shows the dominance of small municipalities in Austria—that is, the less populous ones. According to data from 2011, this includes 210 municipalities in Slovenia and 2,357 in Austria (ratio 1:11, 22), while the population ratio is 1:4.1. The comparison is based on lower territorial units (municipalities), called local administrative units (LAU²), which are not subject to the regulation NUTS³ (SURs, 2012).

In this area, both Slovenia and Austria have pursued the EU development strategy and are trying to turn disadvantages into opportunities for development. To achieve this goal, the key structure of regional governance in this case referred to the need to develop innovative and inclusive regional structures for local governance, ones that will support the process of compliance with the EU Structural Funds, particularly the European Regional Development

Fund (Bobek, 2010). The goal of effective, proportionate development involves independent regions defined on the basis of functional characteristics, whereby they established the concept of a regional economy—namely, an area in which they operate markets that lead to the agglomeration of benefits and to subsequent networking sites (i.e., networking), the operation of competition, cooperation, etc.

3 Definition of Functional Regions

A functional region is a territorial unit, resulting from organized socio-economic ties, regardless of its geographical features or historical relations. From this, it follows that the functional integration of municipalities constitutes a functional region, which is characterized by strong, system-related spatial units marked by a high frequency of internal, regional economic interactions, such as trade goods and services, a well-developed internal regional infrastructure, job mobility, and other activities. Within the functional regions arise numerous economic and social interactions. Functional regions are mainly composed of one or more centers and their hinterlands. The size of a functional region is a very important indicator of the size and importance of the labor market (Konjar et al., 2010; Noronha, 1986; OECD, 2012).

Several authors have examined the potential establishment of functional regions. Drobne and others have analyzed the decentralization of Slovenia, using three approaches in terms of the demarcation of functional regions as follows: Based on daily commuters to work, the labor market method is to be used; the method involving areas of labor mobility and the multi-integration method follow. During the research they encountered many difficulties. They indicate that the choice of method is one of the key problems in the demarcation of functional regions; just because the method has been used successfully in many countries does not necessarily mean that it is also appropriate for Slovenia.

Slovenia shows the need for the introduction of regional planning and a level of regional local government, which would allow the decentralization and transfer of state powers to the region, as it will help considerably in striking a balance between local communities and the state (Drobne et al., 2010). This marks the starting point of our study as the process of building functional regions, as mentioned, brings together the interests of the population as well as sustainable development of national spatial policies. In a

² To meet the demand for statistics at the local level, Eurostat established a system of local administrative units (LAUs) compatible with NUTS (European Commission, Eurostat, 2011).

³ The NUTS classification (nomenclature of territorial units for statistics) is a hierarchical system for dividing the EU (European Commission, Eurostat, 2012).

simple and effective form, the establishment of a functional region allows municipalities to engage in strengthening cooperation, so that each municipality retains its autonomy and identity. At the same time, the establishment of a functional region increases the quality of services, works against state centralization, and provides a stimulus for regional economic development, as evidenced by international examples of successful development breakthroughs for companies, cities, regions, and entire countries.

One instance of development breakthrough among undeveloped areas with functional integration is Vulkanland in Austria. With the aim of promoting local, green, and high-voltage self-management, they functionally connected 79 municipalities through a regional project with the help of the umbrella brand. They have developed a competitive and sustainable business strategy and gained funding from the EU through the regional project. Vulkanland has become an attractive destination to live and work (Peer, 2010; Pfeiffer, 2010).

The aim is to enhance the functional integration of municipalities, specifically through the establishment of functional regions for several municipalities, the main objective of which is to link regional purchasing power and the domestic regional market—a link that can stabilize most of the sectors and development. Functional regions increasingly play an independent role in the knowledge economy. They represent a dynamic market, including other functional regions associated with the flow of information, knowledge, goods, and services.

4 Legislation

4.1 Slovenia

The history of the local government in Slovenia reveals the strong role of the Constitutional Court, which, with its audits in accordance with the constitution, has established an understanding of the principles of local self-government, and the concept of the county, as it was in the previous decade in the field of local self-government in Slovenia, is very dynamic. When Slovenia gained independence in 1991, the new constitution established a renewed basis for modern local government. Two years later, the Local Government law was enacted in the same year as the law on local elections and the 1994 Law on the Financing of Municipalities. These new municipalities (147) were established on January 1, 1995. At independence, Slovenia had 62 municipalities; today, it has 212, of which 111 do not meet the statutory threshold of 5,000 inhabitants because, in the process of their foundation, geographic, border, ethnic, historical, and economic reasons have prevailed. The period following the implementation of local self-government brought many changes as the number of municipalities increased. An increasing number of the smaller municipalities have not been able to perform many tasks, which has intensified the process of centralization, only deepening the differences between areas.

In accordance with the applicable legal criteria for the establishment of a municipality in Slovenia, there have to be at least 5,000 inhabitants. In certain circumstances, for geographic, border, ethnic, historical, or economic reasons, a municipality with fewer than 5,000 can be established, but not one with fewer than 2,000 inhabitants. As the basic local governments within the frame of the constitution and the law, municipalities independently execute their affairs and exercise functions that are transferred to them by law (Local Government Act, ZLS, Official Gazette of RS, no. 71/93). Twenty-six municipalities in Slovenia have fewer than 2,000 residents, which is below the statutory threshold (the smallest is Hodoš, which lists 381 inhabitants, according to 2012 data; we considered the average population of municipalities in 2012 according to SURS).

In Slovenia, the so-called “development regions” do not have legal effects as autonomous regions do as they do not have their own regional legislation or even regional budget.

The legal basis for the establishment of functional regions in Slovenia is already enshrined in the Constitution of the Republic of Slovenia (Official Gazette of RS, no. 33/1991), which states that people exercise local self-government in municipalities and other local communities (Constitution, Article 138). The municipality comprises the settlement or several settlements associated with common interests and the needs of the population (Constitution, Article 139). With prior consent from the municipality or wider self-governing local communities, the state can transfer by law to the municipality or wider self-governing local community individual tasks under national jurisdiction as long as it also provides the necessary assets. In matters where the local authorities have received such transferred tasks from the state, the state authorities also provide supervision over their proper and professional work performance (Constitution, Article 140). Municipalities are free to decide to join the wider local community or the region to regulate and manage local affairs of wider importance. With the state's agreement, they can transfer certain matters under state jurisdiction in their original jurisdiction and determine the participation of these communities in proposing and performing under national jurisdiction. Such principles and criteria for the transfer of power as discussed herein are regulated by law (Constitution, Article 143).

In addition, the constitution is the basis for the establishment of functional regions in the Law on Local Self-Government (Official Gazette of RS, ZLS, no. 94/2007), which states that the local self-governing communities should work together on the principles of solidarity and voluntary action; to this end, they can combine means and establish joint bodies, organizations, and agencies to address common issues. Local self-government is also involved with the local communities of other countries and with international organizations and local communities (ZLS, Article 6). For this purpose, the establishment of associations can pool resources and, in accordance with the law, establish joint

authorities and joint municipal authority administration as well as set up and manage funds, public institutions, public companies, and institutions. We are dealing with public institutions and enterprises; the founder is the state or the local government. State and local governments are territorial systems whose duties, powers, funding, decision-making bodies, etc., are determined by the law.

Financial incentives for the association of municipalities in terms of establishing a municipal government are set out in the Act on the Financing of Municipalities (Official Gazette of RS, ZFO, no. 123/2006). Municipalities are to be provided with additional funds from the state budget for co-financing (implementation of specific tasks or programs, investments, joint municipal administration task performance) (ZFO, Article 18). This indicates that the municipalities, with the cooperation of public services or the activities of their contractors (joint public institutions and companies), must (Milatovič et al., 2002, p. 126):

- ensure the implementation of the statutory duties of municipalities (including public services);
- implement the founder's rights and obligations; and
- ensure the mutual congruency of decisions.

4.2 Austria

After Austria's accession to the EU in 1995, the Federal Chancellery, together with the provinces, succeeded in developing an innovative and inclusive regional governance structure for local consistency, particularly the European Regional Development Fund. In small organizations, associations, or societies (members of these associations include municipalities, businesses, and individuals) for regional management, they have managed to establish thousands of projects in the region to meet the needs of the population at the local level and regulate the balance between the city and country (European Commission—Panorama, 2012).

The legal basis for the functional regions is Law § 20 on Spatial Planning (Raumordnungsgesetz 1974). Furthermore, the cooperation between municipalities falls under the guidelines of the Association Law, meaning both associations of municipalities (*Gemeindenverbänden*) and administrative communities (*Verwaltungsgemeinschaften*) can be formed (Gesetzesstand ROG, 1977).

In Austria an ideal structure for a functional region is a group of 6 to 12 municipalities, with approximately 19,000 to 38,000 inhabitants, which can cope effectively with future challenges. In Slovenia, in terms of population, an ideal structure would consist of two to four municipalities; however, in every case there can be a different number of participants. The design concept of functional regions is voluntary and represents a path toward and incentive for the more intensive integration of municipalities. This kind of cooperation is an effective form of municipal regional governance at the local level, thereby meeting needs at the local level. At the same time, such an association aims to ensure a fair balance between the central and peripheral parts of the country.

5 Processes and Mechanisms in the Establishment of Functional Regions in Slovenia

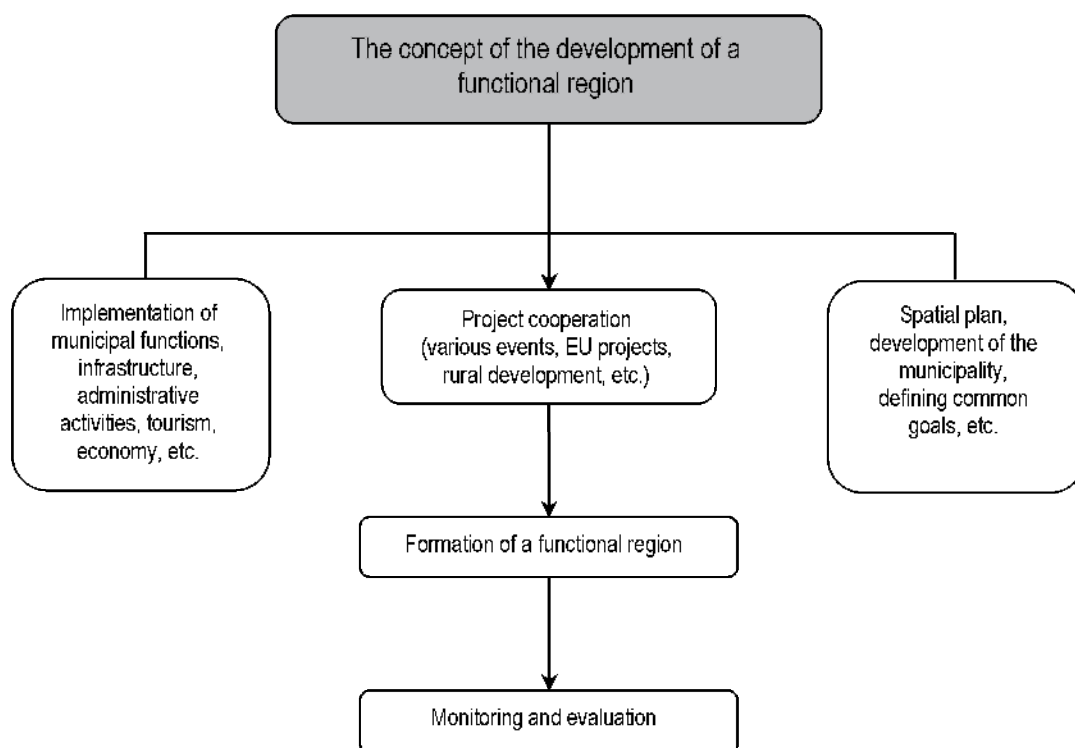
The discussion on the origins of future landscapes in Slovenia has stalled, and through the article we provide new solutions—namely, new processes and mechanisms of cooperation between municipalities, establishing functional regions (i.e., the implementation of the regional economy) that would not view specific areas (e.g., industry, energy, agriculture, forestry, tourism, marketing, services) separately, but as more integrated. A regional economy equates living space with commercial space, so that in a small diverse country like Slovenia, integration based on functional characteristics is crucial for the competitiveness of regions within the country, which is reflected in the European court. With the development of functional regions, the borders of municipalities are exceeded and cooperation within the newly created regions with the help of external assistance explores and takes advantage of unused potentials.

The concept of the development of functional regions includes measures affecting economic areas, tourism, agriculture, and infrastructure as well as the field of supply, waste disposal, and energy. Spatial planning is beyond the boundaries of municipalities. In this way, it can take inter-municipal needs into account and can promote the integrated development of functional regions. The concept of the development of functional regions requires extensive discussion among the municipalities involved in the functional region and the construction of a basis for positive development in the future.

Based on strategic planning through the concept of the development of functional regions, such regions can also plan for the continuous implementation of common tasks. This includes community management (human resources, procurement, supply resources, information technology) and economic development agencies, such as entrepreneurial centers or structured cooperation in the field of tourism. In addition, a functional region can include the construction of infrastructure, such as schools, roads, and childcare facilities.

Each functional region consists of those municipalities combined in various fields. Such integration can only succeed if it is voluntary and based on a careful discussion of the potential in each functional region.

Each municipality elects its mayor as the leading authority of the functional region, where decisions are made. This body then appoints the chair, which is the external representative of the functional region. This representative is expected to alternate, but the continuity of this function demands at least a few years. Important decisions involving functional regions can be made in a joint meeting of all members of municipal councils/municipalities that comprise the functional region.

Figure 3. *The concept of the development of functional regions*

Source: Authors

Critical to the quality of partnerships and the sustainability of functional municipal regions is the monitoring of and support for the process. In the framework of the development and implementation of functional regional development, a concept for functional regional development and professional support for municipalities in implementing the development concept must be provided. This process of monitoring competences is adapted to an individual functional region; county authorities can then gain professional know-how through seminars and courses. To assist in ensuring the exchange of experience and the achievement of goals arising from the participation that contribute to a common municipal consciousness, annual events can be observed (e.g., Functional Region Day).

Priority should be given to cooperation projects among municipalities in terms of creating functional regions involving region/province/country (in the case of Slovenia, which does not yet have the management level in place, this role should be taken over by the state). For these purposes, it would be necessary to develop programs for advancing the formation of functional regions, which would provide additional incentives for the creation of such projects.

6 Expected Effects of Establishing Functional Regions

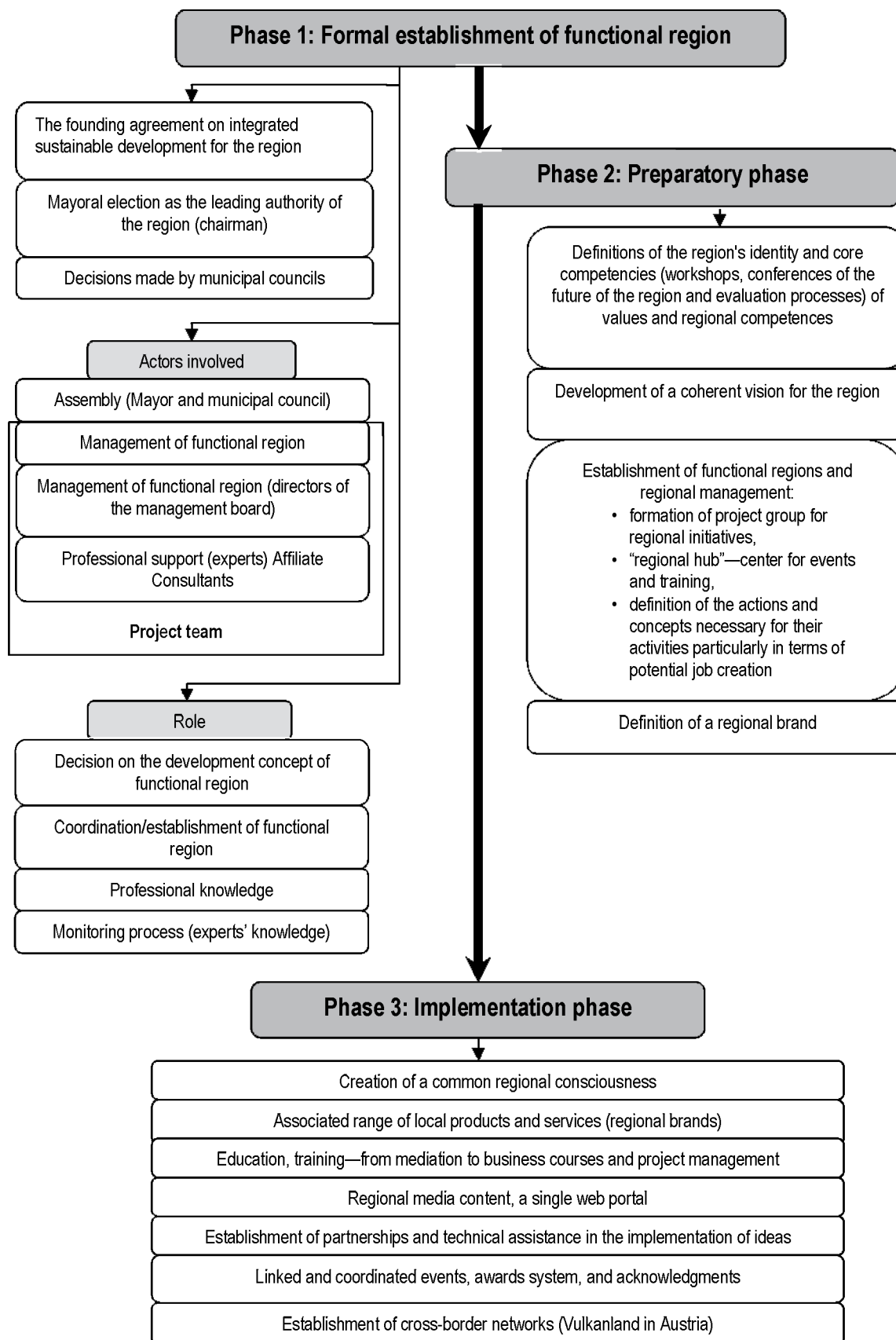
The development of a functional region also implies the formation of regional identity, which will have a sustainable positive effect on further development in the region.

To ensure the better use of resources in a functional region, the first task is to emphasize and highlight the existing infrastructure, schools, municipal buildings, etc., and any pre-existing cooperation. One outcome of the establishment of a functional region and its development concept is the creation of regional brands and products. For the general population in the region, a new consciousness of regional identity, new ideas, and products based on these regional brands and products will be developed from the bottom up. By building on new regional identity, added value will later accrue; such value will be impossible to ignore after a few years. The formulation of a wholesome corporate identity (logo, website, etc.) is therefore a logical consequence of such development.

Within a functional region, solutions for regional tasks and issues become decentralized and are based on direct contact with citizens. As citizens will work together in finding solutions, over time the importance of these regions will increase. The key effects of the establishment of functional region are therefore as follows:

Cost savings (saving plans). For the cost-effective performance of tasks within the jurisdiction of municipalities (water supply, sewerage, waste disposal, flood prevention, etc.), it makes sense to go beyond municipal borders and unite efforts with other municipalities facing the same challenges. At the same time, an important source of savings is the use of renewable energy sources as risky imported energy, resource scarcity, and climate conditions will even-

Figure 4. Successive building activities of functional regions



Source: Authors

tually take a toll at the global, national, and regional levels. Energy savings and the use of renewable energy sources (wind, forest, the sun) will have positive effects not only on the environment, but also on the budget and the regional economy.

Establishment of logistics and shopping channels. The regional center is an effective instrument for joint interurban action in the transport sector as increasing mobility, the growing volume of traffic, and the need for a safe and quality-oriented habitat are major challenges for municipalities. Long-term measures will be needed to maintain mobility through regional means of transport in the way of preserving the habitat and with the participation of several municipalities and counties.

Obtaining EU funding. Because of the need for the long-term, active support of the regional government, as well as businesses and NGOs (non-governmental organizations), an "entrepreneurial center to attract EU funding to the region" should be established.

Providing jobs. Especially for large projects, cooperation between the public and private sectors is increasingly important. It is crucial that communities focus on broad objectives as cooperation with other municipalities has great potential and, with proper financial management, can make the best ideas into reality.

7 Conclusion

Slovenia is a land of varied historical, geographical, demographic, economic, cultural, and linguistic dimensions. Consequently, the regionalization of Slovenia since the preparation of the Constitution of the Republic of Slovenia has been a real scientific problem. Proportionate development is a fundamental societal challenge; it is necessary to reduce the differences and activate endogenous potential countries to encourage municipalities to connect in order to promote competitiveness and maintain identity—not just in the region, but in the country as a whole.

Individual parts of Slovenia have unequal positions, so integration is necessary because only together can we reduce the gap between the more developed and less developed parts of Slovenia. Many international comparisons, the European Union documents, and research offer guidance to fill the gap between the (too) small municipalities and the state and the establishment of functional regions (i.e., regions with their own indigenous identity); we can create an environment that will enable the implementation of the principle of subsidiary in order to achieve an effective development of the country. All of this will not be possible without the activation of social capital in the community. Perhaps it is the time of economic crisis that will draw us to our potential, thereby allowing a greater sensitivity to community-connecting projects. The desirability of integration enables the establishment of a functional region, which represents not only a strongly related spatial unit with a high frequency of internal regional economic interactions, a well-

l-developed regional infrastructure, but also an execution of the so-called regional self-sufficient economy, which represents the basis of scientific, technological, and entrepreneurial knowledge in the form of knowledge in companies and other organizations as well as the human factor that functions in a functional region.

Integration into the European space requires regions that act decisively and are able to identify their competitive advantages. The basic instrument for enhancing regional development and, thus, competitiveness is fundraising. Slovenia, as an EU member, has the opportunity to obtain financial incentives from the EU Regional Development Fund and therefore fulfill the needs and interests of the regional population. It is necessary to bear in mind that we are talking about long-term development and creating a more competitive environment, which is a fertile space for the persistent and the innovative. The process of the creation of successful regions is closely linked with a clear vision and an appropriate regional marketing. In this process, a key role is played by the management of municipalities that act as initiators of an innovative and effective approach. The policy of the regional economy equates the habitat to economics, but always bears in mind the nature that is the foundation of all actions. The lives of the residents of the region are closely linked with nature, sustainable development, quality (bio) products, and mutual cooperation.

According to the characteristics of Slovenia, it is possible to create many functional regions as spatial planning and development should not be limited exclusively to individual municipalities, but groups of municipalities. Accordingly, they must develop a common infrastructure, as business decisions and decisions of foreign investors also depend on the flexibility and offers of the best infrastructure. The future is based on strengthening the mutual cooperation of neighboring municipalities apart from the fact that each municipality retains its autonomy and identity.

The aim is to strengthen communities through the establishment of functional regions in which several municipalities will be included. Through functional regions, municipalities can adopt a simple and cost-effective form to:

- provide a higher quality of their services;
- act against centralization in the country;
- give a joint initiative for regional economic development;
- contribute to the synergy effects of inter-municipal cooperation in all fields; and
- maintain identity as a community and as a region.

Through the joint development concept, creating functional regions to promote regional cohesion is stimulated. The joint concept has positive impacts on regional development, quality of life, and the more efficient execution of the tasks and ultimately on helping to overcome the challenges of the future.

The functional regions have to represent the central concept of the landscape as they understand the needs, opportunities, and threats of the region and are able to effectively shape the future. The functional region will create a permanent base for cooperation, which is independent of the current arrangements and programming periods. The functional region in Slovenia represents an entirely new phenomenon. Based on the positive experiences from the neighboring Austria (Vulkanland) and the presented formal-legal aspects of the establishments in Slovenia, it is reasonable to claim that the functional region can be model of Slovenia in practice.

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