
ECONOMIC FACTORS OF RURAL AREA DEVELOPMENT OF THE REGION, FINANCIAL SOURCES AND HUMAN RESOURCES

Sanela Ravlić¹, Jerko Glavaš², Željko Vojinović³

*Corresponding author E-mail: zeljko.vojinovic@ef.uns.ac.rs

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ABSTRACT

The complexity of borders and border area in terms of European Union, cohesion policy, implementation of cross-border program 2007-2013 in urban and rural areas of Hungary and Croatia, monitoring the impact of invested funds and their comprehensiveness, the attitude of beneficiaries of infrastructural and human resources development projects are discussed in this paper. All in the light of given possibilities and untapped opportunities that can bring significant benefits to this area. The primary survey is conducted in the observed area after the implementation of all approved cross-border projects. Besides, available data sources and implemented research in the cross-border area of Hungary and Croatia are also discussed. The paper seeks to contribute to the discourse on the subject of monitoring the overall impact of the implemented activities in the cross-border area because there are no similar studies that comprehensively approach this complex problem for areas of cross-border cooperation in the European Union.

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Introduction

Borders are complex phenomena. They are multifaceted, multilevel, interdisciplinary institutions and processes transecting spaces in not only administrative and geopolitical but also cultural, economic and social terms. Also, borders are inherently ambiguous, paradoxical and contradictory in nature. They either confirm differences or disrupt units that belong together by defining, classifying, communicating and controlling

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- 1 Sanela Ravlić, Ph.D., Lecturer, CES RO Osijek, Kneza Trpimira 2, 31000 Osijek, Phone: +385.91.789.9235, E-mail: ravlic.sanela@gmail.com, ORCID ID (<https://orcid.org/0000-0002-4959-7835/>)
 - 2 Jerko Glavaš, Ph.D., Associate Professor, Josip Juraj Strossmayer University of Osijek, Faculty of Economics, Trg Lj. Gaja 7, 31000 Osijek, Phone: +385.31.224.400, E-mail: jglavas@efos.hr, ORCID ID (<https://orcid.org/0000-0001-9227-1227>)
 - 3 Željko Vojinović, Ph.D., Assistant Professor, University of Novi Sad, Faculty of Economics in Subotica, Office 5 (Novi Sad) Office 37 (Subotica), Phone: +381.24.628.030, Phone: +381.21.485.2905, E-mail: zeljko.vojinovic@ef.uns.ac.rs, ORCID ID (<https://orcid.org/0000-0002-2685-5504>)

geopolitical EU aspects but also sociocultural, economic and biophysical aspects, processes and power relations within the Union (Haselsberger, 2014; Anderson et al., 2003). Descriptions as “bridge”, “wall”, “tunnel”, “opportunity”, “threat”, “borderless”, “re-bordering”, “de-bordering”, “part barriers, part bridges”, are only some of the interpretations given as terms concerning borders and border regions, indicating that this discussion has only just begun (O’Dowd, 2002a; Topaloglou et al., 2005) and that their role and definition is inevitably changing (Gualini, 2003). Boundaries are becoming more permeable to the movement of goods and people, and diffusion of ideas and transactions (Newman, 2013). As a result of these processes and the socio-economic dynamics generated, border regions have been put in a state of flux and their socio-economic role significance and power relations are transforming (Topaloglou et al., 2005, Popescu, 2008; Jakubowski, 2018). Or, more concisely „they are shifting under established political institutions, practices, and concepts“ (Anderson, 1996). These developments have encouraged a limited but widespread revitalisation of research on borders across a range of social science disciplines (O’Dowd, 2002b), increasingly sociologists, anthropologists and political scientists that use spatial categories in a metaphoric/concrete sense when reflecting the increasingly complex spatiality of the world (Paasi, 2002). Over the last decade, the conventional cartography of nation-states delineated by hard borders has been challenged by the emergence of new cross-border co-operation (CBC) patterns (Boman, Berg, 2007). The changing function of boundaries does not by definition mean a „borderless“ world. Whereas in the past border regions were primarily seen as marginal areas, because of the many administrative, political and cultural obstacles faced by local populations and institutions (Nelles, Walther, 2011), also not to disregard the widening disparities in the development levels of the ‘nucleus’ and the ‘periphery’ (Anđelković-Stoilković et al., 2018), border regions have gained a stronger (Jusić, Obradović, 2019) and a more prominent place in the territorial cooperation discussion due to funding through various EU programs, which create opportunities for cross-border organizations to attract resources and funding (Medeiros, 2015). In this way, through cooperation, areas across the border can find a common answer to a mutual issue (García-Álvarez, Trillo-Santamaría, 2013). The cohesion policy of the European Union (EU) is directed primarily at the enhancement of the economic, social and territorial cohesion, through reducing disparities in the development levels of the European regions, mainly by supporting the underprivileged areas which are peripheral in the socioeconomic sense and mostly rural. If we look back, in the years 1989-2013 the cohesion policy towards border areas evolved noticeably, both with respect to its objectives and financial means allocated to it. However, it should be remembered that the financial resources assigned to cross-border cooperation are only a small part of the cohesion policy so their capacities are limited (Miszczuk, Jakubowski, 2015), but it has contributed to greater cohesion and integration by reducing the impact of national, economic and cultural barriers (Mairate, 2006). The reason is that funds can be awarded only to organisations in a border area and should directly tackle and resolve common issues which makes it highly important for that CBC region. Also, border regions are very often considered periphery or are mainly

rural areas. Predominantly rural regions occupy more than half of the EU territory (52%), include 23% of the EU population and account for 21% of the employment (EC: DG AGRI, 2013), so it is clear that territorial rural development is important in many aspects and is highly important for the future of the Union. Especially after the Eastern Enlargement (Bryden, 2002; Vidovic et al., 2011) and the fact that the new Member States have increased significantly following their accession to the EU (Tevdovski, 2012), so it is out of utmost importance to continue and to build upon further on these positive impacts. The main idea behind the territorial cohesion concept is to contribute to European sustainable development and competitiveness and to turn Europe's „diversity into an asset for all places, thus ensuring a harmonious and balanced territorial development and contributing to a sustainable Europe“ (ESPON, 2011). What is missing is a more systematic take on integration processes in border regions. To date, the literature has mainly concentrated on case studies, conceptual debates, or a small scale research that involve a small number of cross-border cooperation's (Michalek, Zarnekow, 2012; ESPON, 2020) with few illustrative examples, besides series of guidelines for the impacts assessment procedures (EC, 2005) and ESPON (ESPON, 2013) that has produced series of models. Some of them are TEQUILA, TEQUILA 2, EATIA, TERCO or TARGET_TIA. They intend to assess the efficiency of a given European policy to improve territorial cohesion, encompassing impacts across regions by applying a multi-vector approach on predefined territorial cohesion dimensions (COTER, 2020). Digital transformation is present in many sectors, but it has not been embraced fully (Vojinović et al., 2017; Zelenović, Vojinović, 2017) in the sense that available digital data still are not being used to add true value to lives and for the understanding the processes to improve service, product or in this situation, usage of a vast amount of invested funds. Still, territorial impacts of policies often suffer from a lack of awareness. In contrast to mandatory assessments, for various actions from policy to project development, a “territorial impact assessment” is not mandated by any EU policy (COTER, 2020). ESPON only investigates the possible and/or potential territorial impact of policies and not the direct and indirect impact on policies and governance systems and practices within the Member States (Zonneveld, Waterhout, 2009), nor has the necessary depth of reach of a particular effect at all observed levels (personal, local, regional or national). Therefore, there is a need for more comparative qualitative and quantitative studies focusing on the drivers and barriers of cross-border integration processes (Makkonen, Williams, 2016; Hansen, 1976), especially people, which could shed light on the actual effects of the undertaken actions in the short and long period for all included factors of an area. We need to analyze how they function to understand obstacles to cross-border cooperation, how networks of trust can be established, and how the democratic governance of cooperation might be achieved (Anderson et al., 2003).

In the case of Croatia, which is in the focus of this paper, highly dependency on borders is linked to its shape. Also, close to 80% of Croatia's land area is classified as predominantly rural (EU-27 average - 52%) with 56,5% of the total population (DG AGRI, 2013).

Physical terrain and political boundaries still matter, of course, but neither - and especially not political boundaries – matters as much as people preferences (Ohmae, 1995), their willingness to collaborate, to make the best use of all of the territorial assets in a coordinated and sustainable way (CEC, 2008), to learn through networking or solve common issues that is artificially split between two countries and have same obstacles, threats and opportunities. With this in mind, CBC activities can be defined as a series of project interventions to create better living conditions in general. In that sense, we can observe project management as a success factor for a wide range of activities and economic entities (Melecký, 2016).

Regarding the position of Croatia, cooperation was sporadic until the pre-accession period and had a somewhat slow pace, so these funds represent an open window and new platforms for joint development, by building new relations based on common interests and needs, investments in local public services and regional economic development for a more comprehensive growth of small rural areas in the border regions (Davey, 2003; Đokić, Sumpor, 2011). This is of great importance since regions with reduced infrastructural and human capital endowments have higher rates of long-term unemployment (Crescenzi et al., 2015) and are highly sensitive to any negative occurrences such as crisis and recovery takes much longer which will be shown in the presented data.

Even human resources and above stated should be highly ranked and investment in it should not be seen as less important than investment in infrastructure, despite much evidence indicating that human capital externalities and social increasing returns may be important together with their prominence in policy debates - little effort has been spent in investigating what underlies these phenomena (Acemoglu, 1996). The question of competent human resources who implement projects and the number of people in the CBC area that will be trained according to their interests are two very important fields that should be monitored, but it is also rarely even mentioned by the scholars. One study of the sustainability level of rural development in the EU countries for the 2000-2012 period showed that there are large disparities between the Member States regarding social development. The research pointed out that countries that joined the EU recently - Romania, Croatia, Poland and Lithuania – had the worst results (Đokić, 2019).

Within this paper, another question of human resources, those that work in a non-profit organisation or other similar forms will be examined. Mostly in the form of their preparedness and their position in regards to public body institutions and other institutions. We will look into gathered primary research data to examine if their usually very agile position as the „closest“ to local community members is used to the highest possible extent and in the most appropriate manner. Also, primary research obtained data will show partially the potential that was created for members of local communities, mostly their skills and competences through different trainings and educations, whose empowerment and active participation (Díaz-Puente et al., 2008) is much needed for appropriate usage of local space based on natural resources. Contribution to the discussion on rural development that was created in implemented CBC Hungary – Croatia 2007 – 2013 will be put in the context of already collected and presented data for this period and area (Eurobarometer, 2015; Eurostat, 2020).

The objective of the paper is to provide an insight into the created impact of allocated financial resources but with an accent on the effect that was not thoroughly examined nor approached in a more holistic manner so that created impact could be detected and issues approached.

The main aim is to present conducted primary research at the level of institutions (lead beneficiary and project partners), those who were in constant contact with the target group members but also to connect implemented research with results of a scarce research implemented in the cross-border area during the IPA CBC HU – CRO 2007 – 2013 or later.

Main results – Investment in a sustainable environment, tourism, and development of economic cooperation, infrastructure and common human capacities have a significant impact in the region which is seen from obtained results of the questionnaire but it has to be put in the context of the 2008 economic crisis in order to comment properly.

Materials and methods

The findings are part of the research that was conducted in 2018, (2018-04-01 – 2018-05-31). Collected data are from projects that were implemented along the south-western and southern border of Hungary (Zala, Somogy and Baranya County) and the northern and north-eastern border of the Republic of Croatia (Međimurje, Koprivnica-Križevci, Virovitica-Podravina, Osijek-Baranja, Varaždin, Bjelovar-Bilogora, Požega-Slavonia and Vukovar-Srijem County) (IPA CBC Programming document, 2013).

A questionnaire was used as a method. The survey was comprised of 38 questions (41 variables). The corrective method for this research was the interview method. Data were first analysed using descriptive statistics, then compared by using a t-test to determine the likelihood of correlation between variables. The paper shows obtained results on a personal, organisational and regional level. The respondents were project partners that implemented projects during the 7-year period from 2007 to 2013, in accordance with the $n + 3$ rule, meaning that answers were collected after the entire project was implemented together with the final report submitted and during the sustainability period of the implemented projects. Of the potential 170, 102 respondents participated, representing 358 institutions (their project partners) out of a total of 581 institutions that took part in the projects under the 3 conducted Calls.

Results and discussion

Out of the 102 received answers from organisations, 42 of them were from public sector institutions, educational and research institutions, 24 out of 102 were from regional and local authorities (counties, cities and municipalities), 22 were from regional development agencies and other business support institutions, 9 answers came from non-governmental organisations who were places in the same group with other civil associations, employers' associations, professional associations, trade unions, agricultural associations and cooperatives. 5 survey responses came from local, regional or state-owned companies.

Table 1. Contracted and reported budget by partner country

	Lead beneficiary	N	Mean	Std. Deviation	Std. Error Mean
Total contracted project budget (EUR)	CRO	35	685440,27	1150979,703	194551,079
	HU	67	397606,33	531558,320	64940,185
Total reported project budget (EUR)	CRO	35	640203,84	1084309,858	183281,818
	HU	67	353078,28	486014,603	59376,134
Share of the reported budget	CRO	35	,8993	,08634	,01459
	HU	67	,8754	,08716	,01065

Source: Authors' calculations

Project beneficiaries from Hungary were in a somewhat advantageous position since they started to utilize EU program funds before Croatia so we could expect a higher number of projects awarded to partnerships with the lead beneficiary being from Hungary. When it comes to funds that are awarded to each project we see that it is not the case. It even seems that awarded funds are much higher in the latter case. For that matter, we have tested it by Levene's Test for Equality of Variances, t-test which is shown in Table 2. After further examination (Sig. Value) we can conclude that differences do not exist and are not as seen in Table 1., where projects with lead beneficiary from Croatia side had an average of 685440,27 EUR per project and with lead beneficiary from Hungary 397606,33 EUR. Here we have a case of high deviation among projects.

Table 2. Levene's Test for Equality of Variances

		Levene's Test		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Total contracted budget (€)	Equal var. assumed	6,886	,010	1,729	100	,087	287833,933	166442,817
	Equal var. not assumed			1,403	41,732	,168	287833,933	205103,266
Total reported budget (€)	Equal var. assumed	7,753	,006	1,847	100	,068	287125,555	155463,284
	Equal var. not assumed			1,490	41,277	,144	287125,555	192659,674
Share of the reported budget (€)	Equal var. assumed	,132	,717	1,322	100	,189	,02396	,01812
	Equal var. not assumed			1,326	69,664	,189	,02396	,01807

Source: Authors' calculations

Several projects with lead beneficiary from Croatia were infrastructural with high budgets so it is an extreme. There are no substantial significant differences in the projects being led by any of the participating countries. Human resources in both countries are equally prepared with an appropriate set of skills and knowledge for project implementation under IPA CBC Hungary – Croatia 2007 – 2013 which is shown by the percentage of the implemented projects that did not differ much among countries.

Table 3. Correlation - contracted and reported funds and size of the partnership

		Share of reported budget	Number of partners
Share of reported budget	Pearson Correlation	1	-,007
	Sig. (2-tailed)		,943
	N	102	102
Number of partners	Pearson Correlation	-,007	1
	Sig. (2-tailed)	,943	
	N	102	102

Source: Authors' calculations

Partnerships with more partners were examined in Table 3. To test if partnerships with more partners had a better possibility of transferring knowledge among partners, deal with any unforeseen situations, have better insight since more points of view are available, deal better with common issues – meaning that their absorption of funds in terms of the ratio of contracted and reported funds would be higher. The value goes from, the maximum negative correlation (-1) to the maximum positive (+1), with Sig. value also having importance. In this case there is no correlation. This might be particularly important since it shows that all of the project partnerships, whether it consisted of a low or high number of partners from both sides of the border, were agile enough and had substantial human resources to deal with all common issues, one being also the 2008 financial crisis in Europe which has left its toll on the economy in both countries.

Table 4. Contracted and reported budget by project type

	Project type	N	Mean	Std. Deviation	Std. Error Mean
Total contracted project budget (€)	Infrastructure	12	1767199,07	1679093,507	484712,544
	Education	90	326929,39	376531,059	39689,859
Total reported project budget (€)	Infrastructure	12	1615244,90	1575858,514	454911,169
	Education	90	296449,34	363009,233	38264,533

Source: Authors' calculations

Table 4. depicts the ratio of infrastructural and educational projects but also the amount of funds that were intended per type of project in the 7 years of the IPA CBC program. During the IPA CBC HU - CRO 3 Calls were conducted, with an accent on two priorities - (1) Sustainable environment and tourism and (2) Development of economic cooperation and common human capacities. Among 102 projects that filled the survey we have had 12 projects (11,8%) with mostly infrastructure component and 90 of them (88,2%) being oriented mostly on education ("soft-skills"). The infrastructure

component, even there are fewer projects, is much higher per project. This amount, or better their effect after the 7 years of project implementation, will once again be examined in the following pages.

Table 5. Project type and the type of the organisation (Cross-tabulation)

Project type		Type of the organisation					Total
		Institution	Regional/local govt.	RDA	NGO	State/local govt. owned company	
Infrastructure	Count	4	4	2	0	2	12
	%	9,5%	16,7%	9,1%	0,0%	40,0%	11,8%
Education	Count	38	20	20	9	3	90
	%	90,5%	83,3%	90,9%	100,0%	60,0%	88,2%
Total	Count	42	24	22	9	5	102
	%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Authors' calculations

In Table 5. A disproportion of projects implemented by institutions, regional development agencies (RDA), NGO sector and state/local government-owned companies in both types of projects is shown, which also influences on the human resources being in charge for projects meaning that the NGO sector, which is usually the most agile and can very rapidly answer to the specific need in the local community is not in the same position as other organisations. It is also a question of the organisation strength since it has to be proven and points are awarded for it, so the partnership was usually led by the strongest organisation with the most stable finances which are usually state-funded institutions, budgetary users.

Table 6. Number of participants in educational activities

		Projects	Projects with the education component
N	Valid	102	86
	Missing	0	16
Mean			263,67
Median			60,00

Source: Authors' calculations

Calculation in Table 6. gives insight into educational activities and their distribution. Answers ranged from 3 to 10000 persons in the 86 projects that reported the number of participants. The average is 264 people, but the median indicator is more suitable in this case, meaning that within 50% of the projects 59 or fewer participants were educated and the other 50% of the project educated 61 and more participants. When we put in perspective the percentages that were awarded to each project with a strong educational component and also the amounts of funds that were awarded to “soft-skills” projects we can see that the funds allocated for actual activities which aimed at raising skills, knowledge and expertise of the human resources in CBC area, both target group members and final beneficiaries, reached substantial amount. Together with

infrastructural projects the first impulse was supposed to move on so that organisations in the cross-border could move forward in their quest to tackle common issues within the two priorities and beyond.

Table 7. Usage of the organisation knowledge and skills for the development of new projects

	Frequency	Percent	Valid Percent	Cumulative Percent
I disagree	2	2,0	2,0	2,0
Neither agree nor disagree	22	21,6	21,6	23,5
I agree	44	43,1	43,1	66,7
I strongly agree	34	33,3	33,3	100,0
Total	102	100,0	100,0	

Source: Authors' calculations

Together with the values from Table 7. that clearly state organisational human resource readiness to use acquired knowledge and skills, meaning also networks created in the CBC area, in order to build upon them and implement further activities in the local communities. In other programs, the sustainability period is thoroughly checked but for this program it was not actually monitored by the contracting body, so collected answers from project implementers (33,3% strongly agree and 43,1% agree with the statement) have an even higher value and show actual interest and willingness to work together in the future on mutual challenges. Several weak spots were detected during our research that were not detected prior to this research nor was it highlighted in the ex-ante evaluation of the entire program. Out of 102 respondents to our survey, an extremely high percentage (72,5%) stated that they wanted to submit additional projects within IPA CBC HU – CRO 2007 – 2013, some implementers even up to 20 additional projects. Such a high percentage gives us a very good overview of the missed chances reported by the project planners, but also about the readiness of the human resources that implemented the project activities who have clearly recognized an actual need in the local communities of the cross-border area and wanted to respond adequately. This can be seen as a great loss, both in human resource development in all the institutions that would take part in these projects (possibly also employment which is highly under the EU average in the cross-border area) and natural resource management because most of these projects were dealing with a sustainable environment, tourism and development of economic cooperation. The planned number of projects that could have been implemented during the period 2007-2013 is certainly a good basis for the new Interreg V-A Program Hungary-Croatia 2014-2020 which will offer more possibilities in terms of more allocated funds. Also to be noted, project implementers from both sides of the border highly agree that the program influenced regional development. Mean value for Croatian side is 4,17 and for Hungarian side is 4,06 (Ravlić et al., 2019). We can observe that statement in regards to human resource management and their positive attitude toward created impact in their local communities. We will always come back to people and their readiness to collaborate, tackle common issues and work more for the benefit of the local area and the inhabitants. The survey was implemented in the sustainability period meaning that the project implementers objectively since the

project was implemented several years ago and also the 2008 crisis happened some years ago. Their answer, now in the sustainability period of the project when all the final reports of the implemented projects have been submitted, is based on their clear point of view and stand regarding the entire situation and how they have responded to needs, organised their human resources, activate their local and regional but also cross-border area. Moreover, it should not be disregarded that project implementers work in organisations that are involved in implementation of various strategies on the local and regional level, take part in the preparation of different action plans, are well informed about national strategies and other relevant documents for the area and scope of their work, work closely with target group members and other beneficiaries so they have insight in many different aspects of life and follow the situation on the local and regional level in their regions. Most of them were implementing the projects before and after the 2008 crisis which has to be considered when examining their answers within this survey. We have observed GDP values per inhabitant (PPS per inhabitant, % of EU average) in all of the regions NUTS 3 level that took part in the program, 2006 – 2015. (Eurostat, 2020b). We can clearly pinpoint the moment when all the regions simultaneously started to feel the effects of the crisis and until 2015 we see the very different pace at which all regions return to pre - 2008 levels of GDP. It was a long way and for some regions it still is but human resources within various project implementers obviously see that situation as a possibility to apply different projects in local and regional areas in CBC space to stimulate regional development further. Even the IPA CBC program is not the only program being implemented in the area we can still see the context of the awarded funds where the loss would be even greater if the funds would not be available.

When discussing obstacles it is necessary to mention another research (Eurobarometer, 2015), whose results broaden our view of the cooperation (N=602). The results clearly state that collaboration (doing business, traveling to visit family and friends, tourism purposes) is very low. Around 90% of people never travel abroad. Out of the total number of respondents between 70 and 86% would feel comfortable to have a manager, work colleague, neighbor or family member from Croatia or Hungary. What is very indicative is the question “Generally speaking, would you agree or disagree that most people can be trusted?” where 46% stated “yes”, 53% stated “no” and 1% “I do not know”. The answers imply that social capital is not on the adequate level which might be a very important prerequisite for successful cooperation, especially the cross-border one which was not very stimulated in the previous years. From all of the collected answers we clearly see a low level of collaboration and eagerness to cross the border for any of the categories: On the other hand, we see that there are not many actual obstacles for that, neither as a hesitance of the inhabitants (human resources), nor there is an actual “physical” barrier. This should be recognized as an opportunity and invest more funds in this direction, to encourage collaboration and networking among people, thus to invest even more in human resource development and “people to people” activities, in order to produce the desired cross-border impact.

Conclusion

The obtained results from primary research, but also other sources gave the possibility to get an overview of the different aspects that influence the absorption of awarded funds for the CBC area, but also showed the complexity of the territorial cooperation process. Even the observed area benefits from impressive natural resources and a fertile agricultural sector, the main resource is the human capital of its people (Arandarenko, Bartlett, 2012). As seen, cross-border collaboration does not derive from the mere opening of national borders that it supposedly helps at the same time to remove but stems from the strategic behaviour of actors who actively mobilize borders as resources (Sohn, 2014), bringing in their specific expertise and resources and shaping the cooperation (Zumbusch, Scherer, 2015), but with new types of assessment, new ways of determining a clear impact (Capello et al., 2018a, Capello et al., 2018b), since the cost of missed opportunities are clearly visible (Camagni et al., 2019). Even we did not see quantitative growth in terms of GDP, when taking into perspective the 2008 financial crisis that hit hard entire EU and especially the less developed rural areas across the EU, we still can see, within the primary research results, that human resources in the area are ready for collaboration, have ideas and prepared projects as measures to tackle common issues even there is still a long road ahead of them. Positive changes on all levels are possible and a great prerequisite is seen in terms of willingness to collaborate and absence of fear from people that come from “the other side of the border. With this paper, we aimed at bringing to scholars attention to all the possible levels that should be examined and included in the future more holistic approach that will give us thorough insight and base for further actions in the specific targeted area. Also, as seen, the availability of comparable data on cross-border, data is poor and there is space for improvement (Knippschild, Wiechmann, 2012). New data and indicators that are both comparable across the Member States, regions, and localities available at the lowest possible spatial level are needed. This may sometimes seem like an unattainable goal, but the failure to address it remains a fundamental weakness in EU policymaking for rural areas (Bryden, 2002). The measures should be more tailor-made in order to grasp the overall influence on the region, every city, town and community and its unique local conditions that can either help or hinder the economic development of that specific location. Also, effects that were achieved on the level of target group members (Ravlić et al., 2019) should be closely monitored, so that proper measures could target actual weak points on all the mentioned levels. The relevance of the identification of all the achieved results on all levels would allow any of over 60 CBC programmes in the EU to reach their full potential. Research is needed especially in those border areas where social and economic stagnation is visible (McCall, Williamson, 2000), which is the issue in many of the high number of cross-border areas in the EU.

Conflict of interests

The authors declare no conflict of interest.

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