

# Comparative Analysis of the Regional Development Institutions of the Visegrad Countries – Enabling or Hindering Local Development?

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- Widening regional development differences have emerged in the Visegrad countries in the past ten years
- The general reasons behind:
  - economic transformation processes
  - outstanding development in the capital regions
- Different trends in these countries' regional economic processes



- Pre-accession process (EU Commission):
  - multi-level governance, devolved decentralized governance
  - effective regional development (administrative) systems
- Various territorial self-government and regional development systems (Bruszt 2007)
- Possible linkages between the individual countries' institutions and between the regional development trajectories



- Shift of attention: competitiveness is increasingly focusing on the regional/local level
- Territorial capital: localized source of economic development in the globalized world
- The role of institutions in economic development (Acemoglu and Robinson 2012, North, Wallis and Weingast 2009)
- Regional development policy focused on institutions – Regional Competitiveness Index
- The key element in the economic development of the regions is the “ability to evolve in order to adapt”

## Regional development institution systems in the Visegrad countries - central institutions

- Poland: the Ministry of Regional Development established in 2005 operating until 2013 with the same portfolio
- Czech Republic: the Ministry of Regional Development established in 1996, and operating then on with the same portfolio
- Slovakia: the Ministry of Regional Development and Construction established in 1999



## Regional development institution systems in the Visegrad countries - central institutions; Hungary

- The portfolio had been established in the Ministry for Environmental Protection and Regional Development in the middle of the 1990's,
- In 2008 it was moved to the Ministry of Rural Development in 1998.
- In 2002 it was transferred to the Prime Minister's Office,
- In 2006 the Ministry for Local Governments and Regional Development was taken over the responsibility.
- In 2008, the portfolio was on the move again to the Ministry for Economy and Development.
- In 2010 the responsibility for regional development had been split among three ministries: the Ministry for National Development, the Ministry of Interior and the Ministry of Economy.
- In 2014 the Prime Minister's Office has taken over some of the portfolio, while other ministries are still having some responsibilities.



## The territorial system of regional development in Poland and the economic development processes of the regions

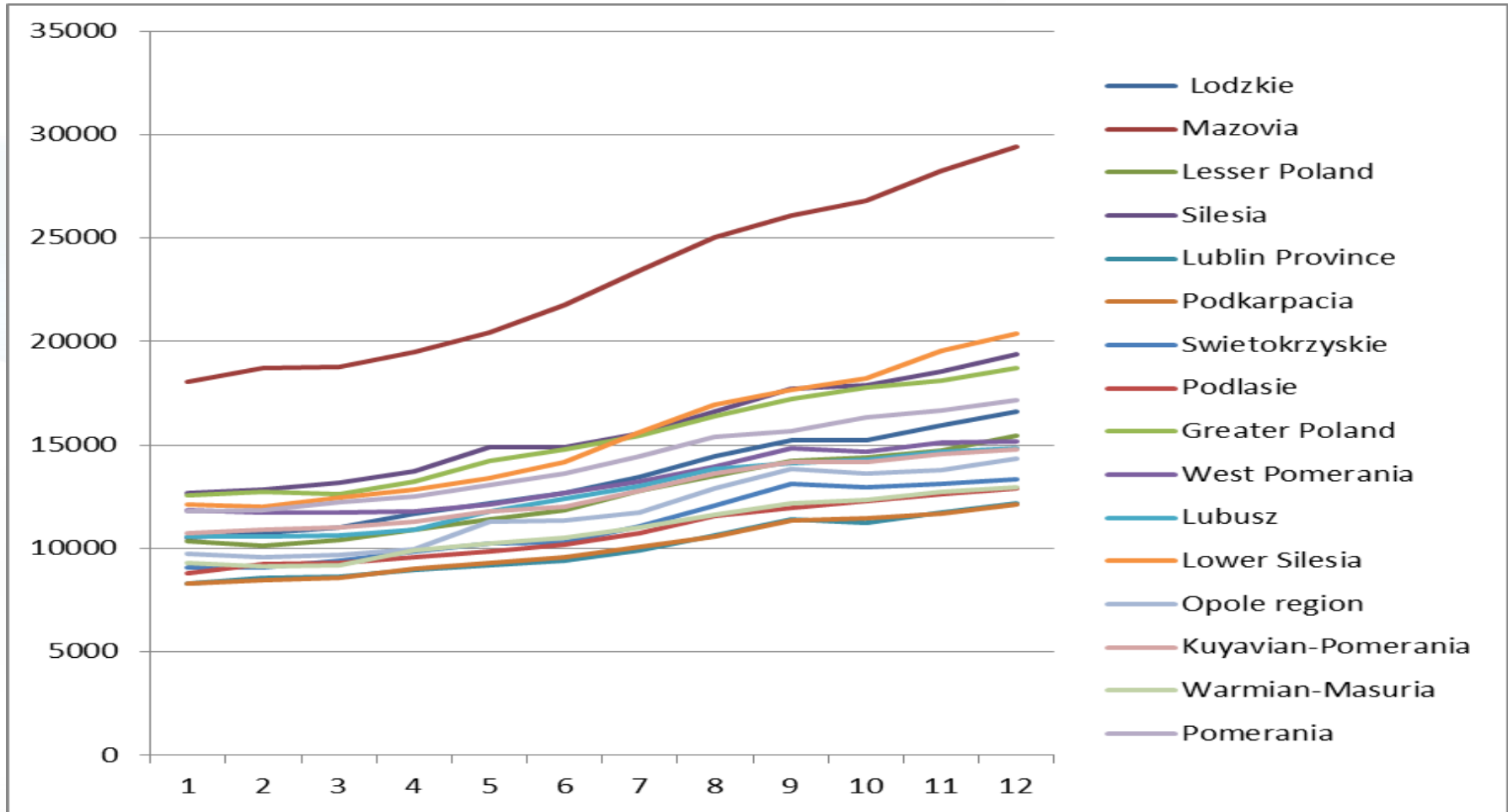
- The 1999 administration and local government reform has created 16 voivodships at the NUTS II, regional level
- Responsibility for regional development planning, for the implementation of the plans, having their own regional development agencies
- The single regional operational program (2004-2006) had been managed and implemented in cooperation with the voivodships and the Ministry for Regional Development
- 2007-2013: all the voivodships have implemented their own regional operative programs
- 25% of all the EU funds in regional programs



- The formation of territorial self-governments and the creation of the regional development system went hand in hand in a coherent manner
- Institution building process
- Subsidiarity principle observed (fiscal autonomy)
- Political and social consensus



# Change in GDP / head in the Polish Regions Between 2000 and 2011, in USD and in Purchasing Power Parity - PPP



## The territorial system of regional development in the Czech Republic and the development processes of the regions

- EU accession's significant role in the making of a devolution process in the Czech Republic
- The large number of local governments had created coordination problems
- Spontaneous solutions: the Ostrava-Kravina agglomeration's social and economic council
- The establishment of the territorial self-governments: a long process lasted until 2000 (political and social consensus)

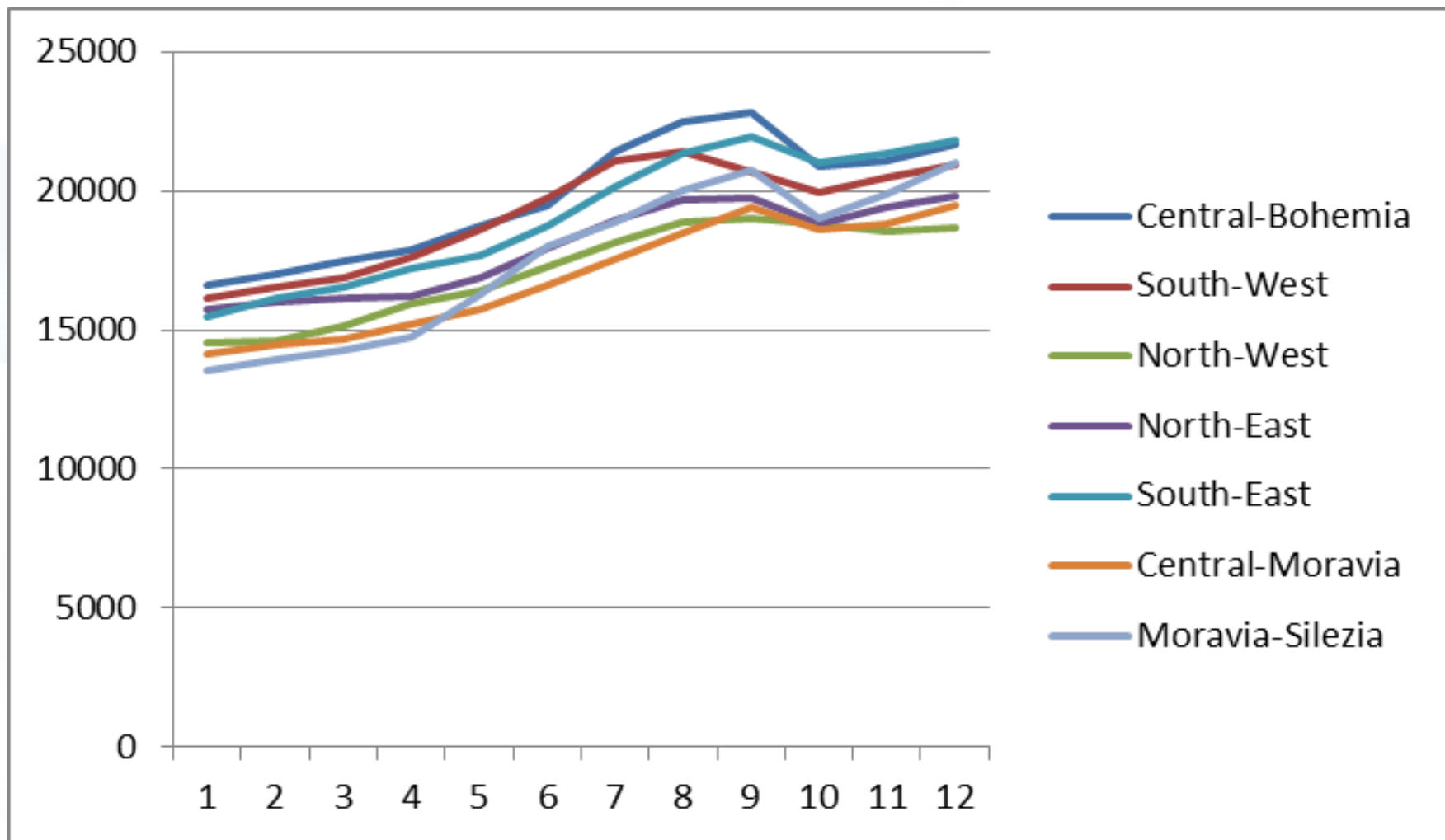


## The territorial system of regional development in the Czech Republic and the development processes of the regions

- The territorial self-governments are responsible for regional development
- Among the established 14 regional governments just Moravia-Silesia and Central Bohemia meet European NUTS II level criteria, the other regions grouped into pairs (8 regions)
- Fully in charge for the management of their EU funds based development programs (management authority and intermediate body)



## Change in GDP / head in the Czech Regions Between 2000 and 2011, in USD and in Purchasing Power Parity - PPP, without Prague



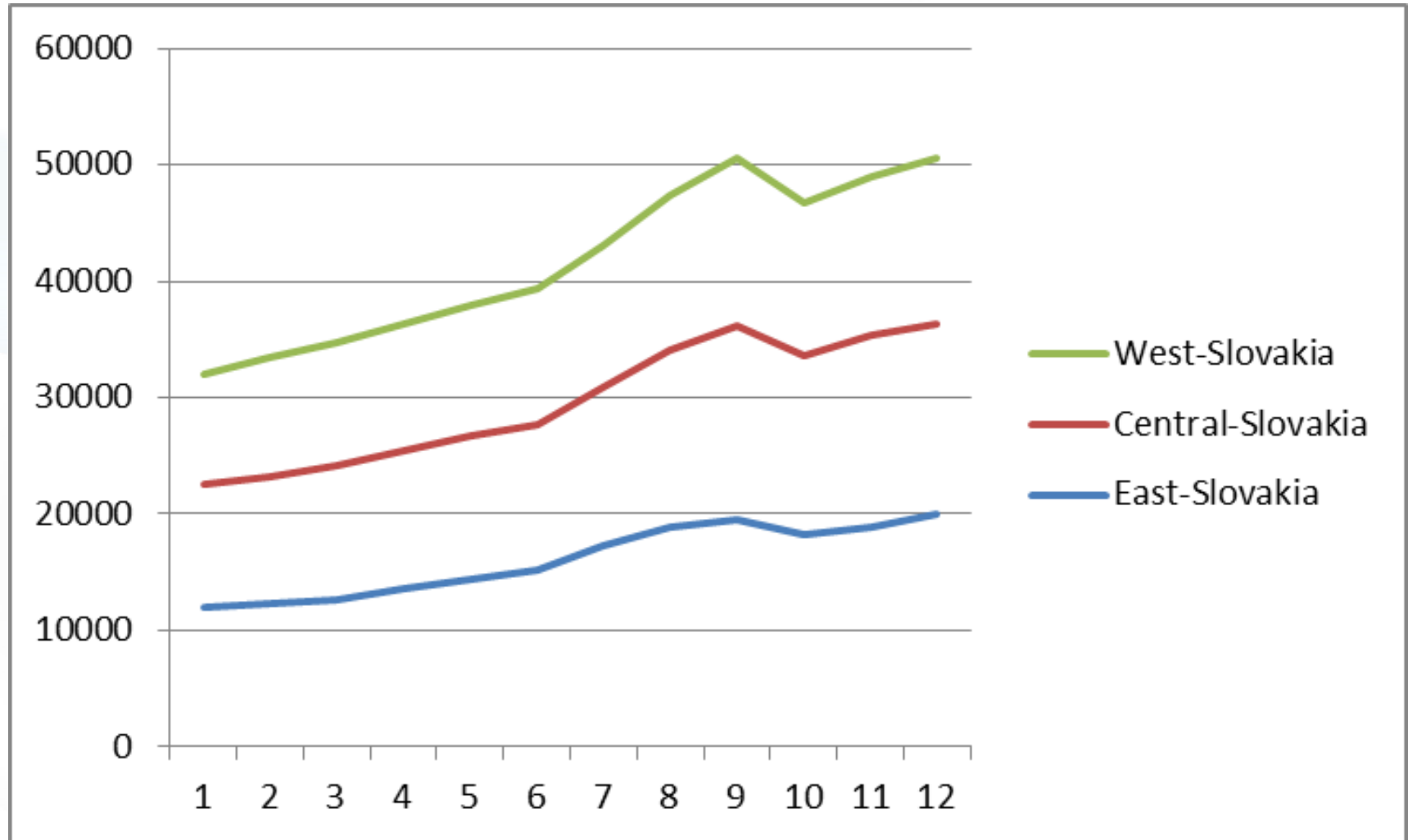
- Slovakia's eight county governments were established in 2002
- The creation of the territorial self-governments was not entirely consensus based
- The counties' fiscal autonomy is limited
- They are not having the same level of competencies in regional development like their Polish and Czech territorial self-government counterparts



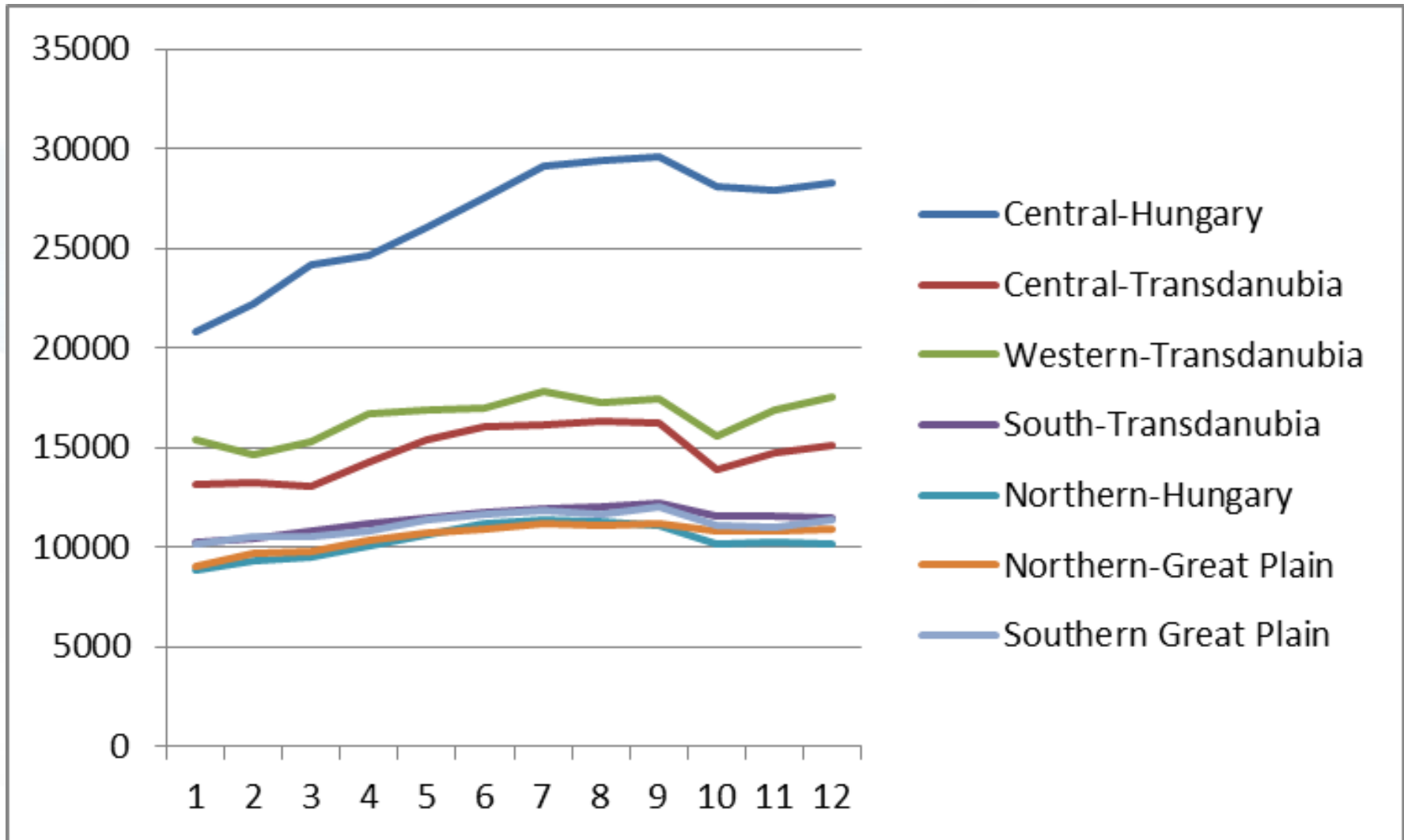
- In the 2007-2013 period Slovakia is implementing four regional operational programs
- The managing authority is the Ministry for Agriculture and Rural Development
- The counties are operating only intermediary body organizations (among others)
- The Ministry for Regional Development is responsible for all the EU funds



# Change in GDP / head in the Slovak Regions Between 2000 and 2011 , in USD and in Purchasing Power Parity - PPP, without Bratislava



## Change in GDP / head in the Hungarian Regions Between 2000 and 2011, in USD and in Purchasing Power Parity - PPP





## The territorial system of regional development in Hungary and the development processes of the regions

- „The regional development policies adopted since 1996, has not been able to slow down the growth of any regional disparities”
- „The ever governing political forces have used the changes in development institutions for their own short term political purposes by creating and serving rent seeking coalitions, while claiming that all the restructuring were necessary because of “European principles””
- „The Hungarian regional policy instead of gradual Europeanization, has become the more and more provincial. This condition makes hopeless the modernization of the county's spatial structure...”



# The territorial system of regional development in Hungary and the development processes of the regions

- In 1990, with the establishment of the local governments, the previous territorial development and coordination role of the counties had been abolished.
- The counties (NUTS III level) while kept their role in providing territorial public services, had no taxation powers and relied entirely on transfers from the central budget, without any fiscal autonomy.
- No incentives in place for the local governments for cooperation, small associations as alliances of the villages against center town of the area.
- A great leap forward: adoption of the law on regional development and spatial planning in 1996.
- „Pragmatic political regionalization“



## The territorial system of regional development in Hungary and the development processes of the regions

- 1996-1999: regional development councils at NUTS II level had been established, development planning gained momentum
- Membership of the councils: representatives of the counties, business organizations, and representatives of the central government
- The representatives of the central government had outnumbered the county representatives, and the other sectors rights had been scaled back to consultations only
- Reinforcing the region and to reduce the counties' role even further



# The territorial system of regional development in Hungary and the development processes of the regions

- 2004-2006 a “unified” regional program: The regional development councils were include into the decision making process and their regional development agencies were participated into the planning and acted as intermediary bodies in the program
- 2007-13 the role of the regional development councils had been scaled back, governmental representatives are outnumbering the elected ones.
- The councils had a right to decide over 47 billion Ft domestic funds between 2007-2011, they can only be consulted with about the 1252 billion Ft EU funds in “their” regional development program
- The entire development council system had been wind up, at January the 1<sup>st</sup> 2012.
- The only players among the local governments with reasonable fiscal autonomy are the bigger towns, with appropriate business tax income, but they are under the „critical mass”.



- In the Czech Republic and in Poland regional development policies have been integral part of the consensus based decentralization processes
  - regional disparities have not grown.
  - regional institutions have been able to mobilize endogenous resources and the regions are showing signs of economic resilience

- Slovakia is having diverging regional development pathways, but even the most underdeveloped Eastern Slovakia is above the 50% EU average development level.
- Regional development in Hungary is highly centralized and as a consequence the most ineffective among the Visegrad countries.
  - Hungarian regions are falling into the “ineffective reorganization” regional growth pattern.

Thank you for your attention

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