New Approaches to the Development of the Least Developed Regions in Slovakia

Milan Husar 1, Maros Finka 1, Tomas Sokol 1, Vladimir Ondrejicka 1

1 Spectra Centre of Excellence of the EU, Slovak University of Technology in Bratislava, Vazovova 5, 812 43 Bratislava, Slovakia

milan.husar@stuba.sk

Abstract. The paper is discussing and critically looking at the new action plans prepared for the least developed regions in Slovakia (the criteria for eligibility is the unemployment rate 1.6 times above the national average in at least 9 of 12 consecutive quarters) prepared in cooperation among the experts and the Governmental Office of the Slovak Republic. These actions plans were designed in short period of time by spatial planning, education, industry and agriculture professionals and represent special, non-systematic legal measure within the system of regional development support in Slovakia. The first plans were agreed on and legally supported in the middle of 2015 and the paper is looking into the first results reflected in the decreasing unemployment rate. The paper, firstly, portrays the situation of regional development in Slovakia focusing mainly on eastern and south-eastern parts and explains the reasons for this step by the government and why this decision was taken relatively quickly. Secondly, the situation which necessitated the decision to create the action plans is described and explained. Then, the action plans are discussed regarding their structure and the main pillars on which the development is guided in these regions. Special emphasis is put on the financial and fiscal measures combining the national resources and EU financial support. Final part is dedicated to discussing the action plans, their advantages and disadvantages and ways forward. One of the preliminary conclusions of larger research project focused on preparing the strategy for new regional development in Slovakia is that the prepared and agreed on action plans together with focusing on these regions by the national government are initial success factors for regional development of the lagging regions. Furthermore, the action plans are increasing the local capacities and social capital to improve the regions by empowering local public and private stakeholders to be more actively involved in the local and regional development.

1. Introduction
The disparities among the regions within the EU, in spite of great financial help poured into the regional development programs over the past decades from the EU, national and regional resources, had been increasing [1]. Similar and in some instances even greater effect could be observed within V4 countries and specifically in Slovakia. Regional development in Slovakia since 1990s was starkly influenced by the economic and social transitions and until today the differences are growing rather than decreasing. This paper is dedicated to analysing the evolution of the regional development policies over the past 2 decades which since 2015 had been complemented by new tool – Action Plans for the Least Developed Regions in Slovakia. These plans are in the paper studied and described are the main pillars and principles. The final part of the paper is discussing the positive and negative characteristics of the action plans and the ways for to proceed further, i.e. the challenges for the future in terms of the legal context and practice in the regions in Slovakia.
2. Regional development in Slovakia

In the 1990s the process of deep and multilateral transformation in the economy and society of Slovakia had begun giving rise to new social, economic, political and spatial conditions [2]. These processes were launched by economic transformation from centrally-planned to market-oriented economy and globalization which are to some extent impacting the country until today in terms of differences between Central and Eastern European countries and the western economies. These processes contributed to intensifying the regional and interregional relations in the network of settlements and necessitated the mutual cooperation and integration with the employment of common planning activities and are leaving regions and settlements in different phases of modernization with different developmental dispositions and different temporal lags [2] fostering the increase in regional disparities.

The entry of regions into the transformation processes has affected by their different starting position in their ability to respond to new development trends, potentials and conditions [3]. The ongoing structural changes in the economy, the introduction of the market mechanism connected with the underdeveloped communication and technical infrastructures, supported by specific geographical conditions of the Slovak Republic and to some extent the enforced interregional competence in the investment market, all this has been evidently spatially or regionally projected and it leads to the deepening of interregional differences [2].

Lang [1] provides evidence about growing regional disparities and increase in regional polarization in the CEE countries. This is taking place despite large amounts of money spent by the national governments and the EU on non-systematic interventions over the last two decades. In case of Slovakia there are differences among the regions in the east and the west of Slovakia, but also there are significant differences between urban and rural areas as well as among individual regions rendering the situation favourable for growth of the main economic centres and developed regions [2] with developed economic and social capital. The results of these tendencies are startlingly lagging regions in the east and south-east parts of the country which development was rather neglected in the past two decades creating great stigma for the overall economic and social development and Korec [4] comes to conclusion that regional disparities in Slovakia are some of the most obvious outcomes of the transformation period in 1990s.

The reform of the settlement organization of Slovakia had been ongoing since 1990s with a big milestone in 2001 when eight self-governing regions had been created with objective to become strong players in the field of regional development policy, provide services effectively and foster overall development of the country [5]. Another incentive was to foster more intensive engagement into the European regional politics. The reform in 2001 was, though, a political compromise instead of expert consensus of the real needs of the regions [5]. The most significant critiques of the reform are that these regions do not follow the natural regional boundaries, it had disturbed the natural regional differentiation and it gave rise to heterogenous territorial units which are difficult to manage and they do not solve the problems as they are supposed to as they cannot effectively deal with functional areas.

Knezova et al [5] summarize the findings about NUTS3 regions in Slovakia: territorial subdivision and administrative boundaries of self-governing regions is subject of political compromises instead of adherence to development principles; existing legal environment is not favourable for regional self-government to act as the key player in regional development on the respective territory; inadequately elaborated, applied and evaluated regional development policies on the NUTS III level; regional self-government operates insufficient policy tools to influence integrated development more significantly; regions operate insufficient powers, resources and policy tools to influence integrated regional development; present combined model of fiscal federalism does not provide sufficient financial resources for implementing goals and priorities of development plans of the region; and present model of financing doesn’t take into account particular needs of the regions and doesn’t allow the regions to fully manage the comprehensive development of their territories and needs of their inhabitants.

Regional development is one of the basic policies of the state directly influencing the quality of life of its citizens, economic development, services in the territory and other aspects of spatial development. These policies are characteristic by the principle of subsidiarity which is deepening the incorporation of
administrative levels and stakeholders [6] and the plurality principle which is widening the participation [7].

The interest in regional development policies had been increasing since the middle 2000s due to growing tendencies of spatial differences and inequalities among regions to reflect into spatial polarization on various levels weakening the cohesion of spatial structures within Slovakia and the EU [8]. There are many ways how to approach the development of the lagging regions, one of them being copying the more successful regions [9]. Another, perhaps more appropriate attitude is the need for branches of regional and local government to work together with other public and non-public actors to better attract investments and support the regional economy.

Disparity can be defined as a difference or inequality of attributes, processes or phenomena and its identification and comparison makes regional sense [10]. Hucka et al [11] define regional disparity as a difference having clear spatial allocation and need to be present in at least two entities of settlement structure. They are taking place as a result of regional development when in specific historic conditions unequal regional development is taking place leading to a series of inequalities – social, cultural, infrastructural, in life conditions or quality of life etc. and it can lead to regional polarization [12].

The current state of regional development in the least developed regions in Slovakia located in the east and south-east of the country can be summarized in the following bullet points:

- Little to no labour force qualification and insufficient working habits limiting the success in the labour market and using the available job positions;
- Absence of wider concept of public community service works aimed at long-term unemployment;
- Contention between state and school education programmes and labour market demands, insufficient responds to the needs of smaller employers and insufficient or old equipment of laboratories;
- Undeveloped infrastructure, mainly transport infrastructure increasing the costs for employers and worsens the workforce mobility;
- Low attractiveness of areas for young and qualified workforce as a combination of lack of jobs for qualified workforce, low salaries, insufficient social and citizen infrastructure and overall imbalance of disadvantages linked to peripheral areas;
- Ineffective use of territorial capital as a potential, potential of local economy and social economy;
- Complicated public procurement not taking into account the possibilities of the least developed regions and nearly non-existing guidelines for public procurement with social aspect slowing the use of local potential, job creation and reinforces imports and unemployment;
- Insufficient coordination of sectoral activities in the regions for example among tourism, agriculture, culture and environment, insufficient exchange of information among entrepreneurs, misusing the advantages stemming from economic clusters;
- Insufficient coordination and strategic planning on NUTS3 and NUTS4 levels and missing competences and capacities of public authorities when coordinating development plans;
- Insufficient support and incorporating innovative development tools such as green economy or social economy and the existing results of pilot actions in Slovakia;
- Inappropriate set up of national policies for the needs of the least developed regions, these policies need to better incorporate their specific conditions characteristic by lower income, less qualified workforce and less developed infrastructure.

3. Motivation for new tools for regional development

The current approach to the least developed regions in Slovakia is aimed at changing the undesirable status quo in regional development. Regional development on regional and local level in Slovakia was degraded as a tool for using the EU structural funds and other complementary resources. The Explanatory report to the law no. 336/2015 Coll. On Supporting the least developed regions [13] it is
stated that the objective is to decrease the regional differences and kick-off the economic, social and environmental development by combining the cooperation among the Government of the Slovak Republic, the regional and local branches of government and civil society. The basic problems and challenges are in the conceptual background document formulated the following [14]:

- Absence of system framework for effective use of innovative tools of regional development policies;
- Non-reflecting the principle of subsidiarity in the National strategy;
- Absence of inter-sectoral coordination and subordination;
- Absence of policy integration and its synergic effects;
- Insufficient cooperation with regional development actors when designing and implementing the strategies.

Setting of the national government policy for supporting the least developed regions is responding to the aforementioned problems by implementing new principles and tools in terms of institutions (e.g. composition of the Council of the least developed regions integrating besides the governmental actors also other levels of governance such as relevant ministries) or economic measures aimed at using the local potential (subjects of social economy, social public procurement). Similarly, it deals also with interconnection of education with local economic environment and also is using education as a tool of social inclusion.

Slovak economy as well as one post-socialist countries in the last decade was developing as a result of large foreign investment resulting in the growth of quality of life in cities and wider areas of its construction [15,16]. Sustainability of these investments remains in question [17]. The real impact of these investments also causes migration for work influencing the families and potentially leading to family disruption and from the economic point of view it causes outflow of capital from the country. The priority should also be the cumulation and use of financial resources for economic development of Slovakia. Supporting local small and medium-sized entrepreneurs seems to be one of the ways to limit migration from the regions and commuting long distances for work. One of the ways to make this happen is by supporting the subjects of social economy.

4. New approaches to the development – the Action Plans for the Least Developed Regions

The need for new innovative approaches to regional policy in Slovakia was given by growing regional disparities as mentioned in the section above, but there were also at least two political reasons. Firstly, the support of the national government was slowly but steadily decreasing in these regions and the government saw the need to respond to the needs of these regions if they wanted to be elected in the next elections. Secondly, there was a rise in support of the right wing political parties in these regions as they were announcing quick and easy solutions if they will be elected and the citizens in the last election were demonstrating their support for these statements. Nevertheless, the national government had come to a decision to create the action plans for supporting the least developed regions as a new tool of regional development. The criteria for eligibility were set the unemployment rate 1.6 times above the national average in at least 9 of 12 consecutive quarter. In 2015 when this law was accepted by the parliament twelve NUTS4 regions were eligible and preparation of action plans was commenced.

The information base for the action plans is the analytical part which includes brief description of the region, analysis of the reasons its below-average development, the development potential of the region including a list of priorities and a list specific projects to be supported based on the analytical part to foster the economic and social growth. The objective of the plans is to be concise, easy to read and focused on kicking-off the development for delivering quick, but sustainable results.

The aim of the action plans is the support of job creation in short- and long-term time horizon. The action plans include entrepreneurship projects, projects creating better interconnection between the needs of the labour market and the offer of education programs as well as projects for increasing the attractiveness of the territory.

The formal structure of the action plan is as follows:
• Analysis of the undesirable economic, social and environmental status of the region
• Evaluation of the development potential of the region
• The background information for the action plan of specific region
• Proposal of measures and activities for ensuring implementation and fulfilling the action plan of the region, time plan and sources of financing
  o Systematic measures on the NUTS4 level
  o Priority axis Development of regional and local economy
  o Priority axis Development of agriculture, forestry and related fields
  o Priority axis Development of human capital through education for the needs of labour market
  o Priority axis Investments to the development of technical and social infrastructure, improving the quality and accessibility of services, increasing the attractiveness of the region
  o Supporting systematic measures for implementation of the action plan on the NUTS3 level
  o Supporting systematic measures for implementation of the action plan on national level
  o Sources of financing for the specific action plan
• Process of monitoring and evaluation of the development in improving the economic, social and environmental situation in the region
• Integration of the existing sectoral or cross-cutting programs and proposal of limiting the barriers for the implementation

The main principles of the plans are to foster the job creation and to make the development of the regions sustainable, i.e. not relying on inviting large foreign investment and migration of citizens for work outside the regions, but to support local capital and local people in spirit of Smart Specialization Strategies.

5. Discussion
The action plans are by far not perfect or the panacea for regional development in Slovakia or wider regions. This section is discussing the advantages and disadvantages of the Action plans for development of the least developed regions in Slovakia.

After 25 years since establishing the Slovak Republic the action plans are the first holistic tools for development of these specific lagging areas with high unemployment rate. The citizens of these regions began to understand and perceive that the national government located in the capital began to pay close attention to them and is trying to increase the quality of life of the places they are living in. The objective of the action plans is primarily to increase the employment rate as the majority of social and economic development is closely linked to income and employment. The action plans are built on cooperation among the public sector (state, regional and local branches), companies and subjects of civil society and collaboration among the key actors in the regions (those with direct impact on economic condition of the regions) and local citizens and using the local territorial capital (people, agriculture, industry).

What remains as challenges for the action plans are the approaches of some local actors that the government is coming with these plans after 25 years of little or no activity in the regions and feeling that regional development was in general forgotten and neglected. This makes the initial contact very difficult and the expert group responsible for designing the action plans had difficulties approaching and convincing them. From the financial point of view, the coverage of financial means is not 100% guaranteed as approximately 10% of the overall budget comes from the national budget and the rest is supposed to be covered by the EU structural funds which are not guaranteed, yet. Other problem connected with financing the ineffectiveness of the process of money coming to the final user – there are frequent delays in payment discouraging the local actors. Another overall problem is involvement of local actors which were discouraged by previous inactivity of regional policies and designing the action plans is bringing them together, albeit slowly. The marginalized groups, which are often
perceived as object of the action plans are difficult to deal with in isolated way and more holistic approaches are needed. From the legal point of view, the action plans are not systematic solution on the national level and will be a subject of the new law on regional development which is in the process of designing, but its acceptance and implementation is a matter of the next few years. Lastly, the human capacities and local leadership are frequently absenting which is connected to the sustainability of these approaches from the social and economic point of view. It is a result of 25 years of neglecting and local authorities not being used to manage the territories. It is directly linked to the self-trust of local leaders and building their own capacities which can be done, but it takes time to establish.

6. Conclusions
The paper is discussing the new tool for regional development of the least developed regions and their implementation in the eastern and south-eastern part of Slovakia. The regional development of Slovakia was rather neglected in the past two decades and the current alarming situation resulting in overall decay and out-migration from the least developed regions together with political pressures called for the new impulses in regional growth. At the moment it is difficult to assess the success or failure of the action plans, but already it is clear that the local subjects are welcoming the renewed interest in the lagging regions and are slowly becoming pro-active in fostering the development of these regions.

Acknowledgment(s)
This contribution is the result of the project TRANSGREEN supported by Danube Transnational Programme co-financed from European Regional Development Fund. This contribution was contributed and is the result of national grant scheme Vega 2/0013/17.

References
[1] Lang, T. Socio-economic and political responses to regional polarisation and socio-spatial peripheralisation in Central and Eastern Europe: a research agenda. Hungarian Geographical Bulletin, 64(3), 171-185. 2015.
[2] Gajdoš, P. Regional development in Slovakia–developmental trends and social-spatial impacts. AGRIC. ECON. – CZECH, 51, 2005 (6): 257–263. 2005.
[3] Falťan L., Pašiak J. (eds.) (1995): Regional Development of Slovakia – Solutions and present situation. Institute for Sociology of Slovak Academy of Sciences, Bratislava
[4] Korec, P. General and individual reasons of development of regional structure of the Slovak Republic. Russia and Slovakia: modern tendencies of demographic and socioeconomic processes, Ekaterinburg, Institute of Economics, 50-72. 2009.
[5] Knežová, J., Steiner, A., Bauer, R. (2014) Governing development of regions - case of Slovakia. ERSA 2014 conference: Regional development & globalisation: Best Practices.
[6] Laboutková, Š. et al. Economic Inequalities and the Level of Decentralization in European Countries: Cluster Analysis. In Comparative Economic Research, vol. 19, no. 4, pp. 27-46. DOI 10.1515/cer-2016-0028. 2016.
[7] Williamson, O. E. (2000). The New Institutional Economics: Taking Stock, Looking Ahead. In Journal of Economic Literature, vol. 38, pp. 595–613.
[8] Gajdoš, P., & Pašiak, J. Regional Development of Slovakia from the Point of View of Spatial Sociology. Institute for Sociology of Slovak Academy of Sciences. 2006 (in Slovak).
[9] Steiner, A. Planning Regional Development of ‘Lagging Regions’ – Example from Slovakia. Open days 2005, Brusel, 2005.
[10] Kutscherauer, A. Background for studying regional disparities. Regional disparities [online]. [cit. 2017-11-14]. Available at: http://disparity.vsb.cz/dokumenty2/RD_0701.pdf ISSN 1802-9450. 2007 (in Slovak).
[11] Hučka, M., Kutscherauer, A., Tománek, P. Methodological background for studying regional disparities. Regional disparities [online]. [cit. 2017-11-16]. Available at: http://disparity.vsb.cz/dokumenty2/RD_0802.pdf ISSN 1802-9450. 2008 (in Slovak).
[12] Výrostová, E. Regional economy and development. Bratislava: Iura Edition, 2010, s. 152 ISBN 9788080783617. (in Slovak).

[13] Law no. 336/2015 Coll. on supporting the least developed regions, Slovakia

[14] The Government of Slovak Republic Evaluation of Contribution of Implementing Structural Funds and Cohesion Fund to Reduce Regional Disparities in Slovakia - Final Report [online], [cit. 04-21-2017]. 2015

[15] Bell, M. Technology transfer to transition countries: are there lessons from the experience of the post-war industrializing countries? 1997.

[16] Zloch-Christy, I. (Ed.). (1995). Privatization and Foreign Investments in Eastern Europe. Praeger Publishers.

[17] Pavlínek, P. Regional development implications of foreign direct investment in Central Europe. European urban and regional studies, 11(1), 47-70. 2004.