

DEVELOPMENT OF REGIONS AND MUNICIPALITIES OF THE SLOVAK REPUBLIC BY APPLICATION OF EUROPEAN COHESION POLICY

Katarina Rentkova

*Comenius University in Bratislava, Faculty of Management, Slovakia
katarina.rentkova@fm.uniba.sk*

ABSTRACT

The Slovak republic, entering the European Union on the 1st May 2004, got the impulse on the improvement and growth also via the application of the Cohesion policy. For the programming period 2007-2013, the amount of 11.3 milliards Euros for the application of the Cohesion policy have been provided to the Slovak republic. In the present time, the programming period is finished and the Slovak republic meets the critical reviews in the area of the effective use and maintenance of projects and application of the Cohesion policy on its territory. Many specialists, economists and analysts try to reveal the errors, identify the subjects that enter into the project cycle wrongly or to identify the bodies that have the most important influence on the low level of the financial instruments use and they also try to deal with the criticism of the European Commission as to the project realization. From this point of view, the theme of the research is very actual and imperative because the research tries to enlighten and to analyze the application of the cohesion policy within the territory of the Slovak republic and so, to state recommendations for more effective application for the following programming period. The article is created by analyzing the application of the European cohesion policy in the programming period 2007 - 2013 in the Slovak Republic. The main objective of the article is to analyze and define the cohesion policy of the European Union and one of the partial objectives is to execute the analysis on the implementation state of the Cohesion policy on the level of the chosen regions in the Slovak republic and then, to propose and to create recommendations and techniques for its effective functioning.

Keywords: *structural funds, Slovak Republic, regional development, cohesion policy, programming period 2007 - 2013*

1. INTRODUCTION

Regional policy is a strategic investment policy which focuses on all regions and cities in the European Union (hereinafter EU). By application and realization of the regional policy (also known as the Structural policy or the Cohesion policy) the effective and respectable development on the national level may be ensured, but also the local level is really important.

2. RESEARCH OBJECTIVE

The aim is to boost economic growth and to improve the quality of people's lives. Solidarity is the main feature of the policy, because policy focuses on support for less developed regions. A fundamental aspect of regional development is to reduce disparities between the regions and cities. Cohesion policy includes ideas of solidarity policy for which main principles and objectives are based on structural policy. The Lisbon Treaty defines this policy as an economic, social and territorial cohesion and solidarity among states. The main issue of this article is the regional development, especially we observe the application of European cohesion policy in the Slovak Republic and we analyze the situation in Nitra Self-Governing Region (hereinafter NSR). NSR represents the region at the regional level NUTS 3. The general object of our research is the Slovak republic and their regions. We analyze the socio-economic indicators in one of our last paper - "The analysis of regional disparities in the Slovak Republic" (Rentková – Roštárová – Mazanovský (2016)). The aim of this paper was to analyze the indicators by using which we can observe, analyze and compare the regional disparities and the regional development. Regional disparities were defined as the differences in levels of socio-economic development. Empirical research was carried out and was based on a case study. The case study analyzed the actual socio-economic situation in the Slovak Republic at the regional level NUTS 3. Economic and social indicators were detailed analyzed. We concluded that it is necessary to analyze the situation in the NSG, based on the last analysis.

3. METHODS AND METHODOLOGY

The research is processed by using a wide scale of the scientific methods and procedures. The specific range of methods was based on the research needs of the individual parts. The intention is to follow the logical continuity of the articles' parts, the correctness and the adequacy of information and data. First part is focused on the different definitions – the regional policy, the cohesion policy. This section is prepared by using the analytical methods – the analysis, the casual analysis, the synthesis. We analyzed scientific publications and scientific articles, papers by various authors (e.g. Rentková, K. (2012), Pawera, R. et al. (2013), Šlahor, Ľ. – Majerčáková, D. – Barteková, M. (2016), Roštárová – Janač (2014), Komorník – Majerčáková (2016), Janač – Mariak (2013)). The first part is based on preparation and explanation of key terms. Results part consists of the main findings. A questionnaire survey has been carried during the research for diploma thesis (Janšíková (2016)). The survey was conducted in the NSG. 355 villages and towns are located in NSG, but only 166 municipalities answered to our questionnaire survey. Return rate was 46.7%. Analysis of the results of the questionnaire takes into account only the municipalities that responded to the questionnaire. Aim of this survey was:

- To establish whether the villages know the possibility of funding their development through the Structural Funds.
- To establish whether the municipalities use the Structural funds.
- To identify problems with application of the Cohesion policy.

4. LITERATURE REVIEW

Foundations of the EU date to 1952 but the issue of the unequal development has been incorporated into Community law until 1986. The term "economic and social cohesion" was included in primary legislation through the Single European Act (hereinafter SEA). SEA, article 130a: "In order to promote its overall harmonious development, the Community shall develop

and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions." The Council instructed the Commission to make a proposal by which the action of structural funds would be harmonized. These funds operated independently at this time. So we can talk about definition of the regional policy since 1986. The role of regional policy is to find differences and causes of unequal development of regions. Recommendations, strategies, plans and objectives can be determined by application of this policy to eliminate these disparities. Over time, the action of regional policy targeted at the structural differences in the sectors and subsectors, application of policy crossed the borders of one country and the action was targeted to the whole territory. Later, problems came with the accession of new countries and their degree of economic divergence and economic development. Policy was again redefined. Nowadays, regional policy exceeds the borders of EU and the support is directed not only to the Member States and candidate countries, but the EU shows solidarity and cohesion to many other countries. Many authors, scientists and experts deal with the definition of regional policy, so we can find many definitions. Goodall (1987) mentions regional policy as "an integral part of state policy, which affects the distribution of the main economic resources and activities throughout the national territory or in its part. Regional policy includes measures to help increase the degree of economic activity in the territory where there is high unemployment and little hope for natural economic growth, on the other hand, measures serve to control the economic activities in the territories with overgrowth." Rajčáková defines regional policy as: "regional policy is represented by the activities of the state institutions and the territorial scope institutions. It is directed to the creation of favorable conditions for versatile and dynamic development of the regions in maximizing their economic, geographic and human potential." Regional policy is an instrument for removing the economic disparities. According to Lipková (2006), regional policy "is looking for the causes of the unequal development of regions, it shows how to know the consequences of unequal regional development and it forms the recommendations and strategies for the elimination of gaps in development between regions." Robson (Cihelková, 2007) defines regional policy with regard to the conclusions of the classical theory of integration. Regional Policy is defined as "controlled intervention seeking to modify the natural distribution of economic activities and to reduce social and economic disparities between regions." Robson defines regional policy through economic activities which take place in the examined regions. He analyzes a link between regional development and the reduction of social and economic inequalities through the correct allocation and management of selected economic activities. Cohesion Policy, which operates currently, incorporates the base of the policy of solidarity, the main principles and objectives are based on structural policy. The Lisbon Treaty defines the economic, social and territorial cohesion and solidarity between states. Cohesion policy therefore represents one of the most important instruments of economic and social development of the territory. It operates through structural, regional and social policy. Local development is carried out in a particular place - the village or town and regional development is, in terms of EU cohesion policy, largely associated specifically with regional governments, as well as with classification NUTS 2. Cohesion policy is targeted to the regional level NUTS 2. According to Skokan (Stejskal - Kovárník, 2009), regional development is represented by "complex processes in a complex system of regions. Systemic approach is needed to influence and control these processes." Stough and Roberts (Stejskal - Kovárník, 2009) have dealt with the issue of defining the regional development. According to

them, it is the "application of processes and resources available in the region by which we can observe the sustainable development and desired economic results for the region. These results satisfy the expectations of businesses, residents as well as non-residents." If a municipality or a city is the most elementary unit of regional development and their development is realized at the local level, as it is defined by the EU legislation, the local development is understood as development realized at the area which is less than the region, i.e. only in part of the observed region. (Stejskal – Kovárník, 2009) In our approach, town and village constitute only a certain part of the region in which the policy is implemented. In context of the EU cohesion policy, the municipality or city represent the elementary territorial unit in which cohesion policy is implemented. In Slovakia, the territory is divided into three regional levels (NUTS) and 2 local levels (LAU), which is made by the Statistical Office Decree no. 438/2004 Coll. as amended. Table 1 shows the classification of regions in the Slovak republic. The role of cohesion policy is to finance concrete projects for regions, towns, cities and their habitants. Slovak Republic, as an equal member of the EU, can use resources of EU in the form of so-called Structural funds. The basic definition of the policy stipulates that all Member States and all regions can to profit from Structural funds. Of course, this is not entirely true. Not all European regions are eligible regions, i.e. regions that can benefit from one or more Structural funds. Eligible region is one that fulfills specified criteria. Table 1 - The NUTS classification in Slovakia and the average size recommended (European Parliament and Council Regulation (EC) No. 1059/2003 of 26 May 2003 on the establishment of a common classification of Territorial Units for Statistics (NUTS) and Decree no. 438/2004 Coll., Issuing the classification of territorial units for statistics)

NUTS classification	Nombre	Territorial-administrative units falling under NUTS appropriate in the Slovak Republic	EU recommendations for NUTS - the average size of NUTS regions (population)	
			MINIMUM	MAXIMUM
NUTS 1	1	Slovak Republic	3 000 000	7 000 000
NUTS 2	4	Bratislava Self-Governing Region, Western Slovakia, Central Slovakia, Easatern Slovakia	800 000	3 000 000
NUTS 3	8	Bratislava Self-Governing Region, Trnava Self-Governing Region, Trenčín Self-Governing Region, Nitra Self-Governing Region, Banská Bystrica Self-Governing Region, Žilina Self-Governing Region, Košice Self-Governing Region, Prešov Self-Governing Region	150 000	800 000
LAU 1	79	Township		
LAU 2	2891	Municipalities		

We consider the main causes of regional disparities - the natural potential, residential structure, position attractiveness, demographic structure, economic specialization of regions, as well as territorial and administrative organization. The territory of Slovak Republic was divided into relevant statistical territorial units by the Government Resolution no. 156/2002. These statistical territorial units fulfill the conditions for using the pre-accession aid, but especially the financial aid through regional policy. The division of the Slovak Republic into NUTS units is shown in Figure 1. (Sloboda, 2014)

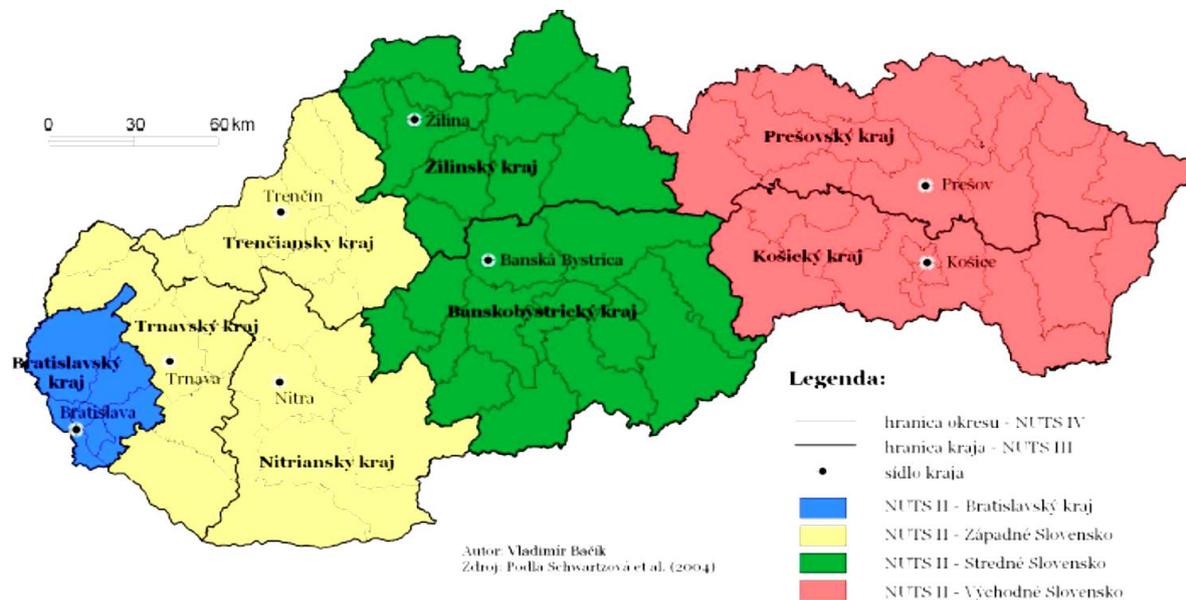


Fig. 1 - NUTS classification of territorial statistical units in Slovakia

5. PROGRAMMING PERIOD 2007-2013

Cohesion policy is characterized by a number of specifics that are defined in EU legislation. Financial resources from the EU budget were earmarked for the 7 year period. The objectives must be identified, tools defined and principles of implementation adopted and the policy can be implemented. In the programming period 2007 – 2013, policy fulfilled three objectives: the Convergence, the Regional competitiveness and employment and the European territorial cooperation.

1. Target – Convergence. Target aims to stimulate growth and employment in the least developed regions. It highlights on the innovation and the knowledge society, the adaptability to economic and social changes, the environmental quality and the efficiency of the administration. Activities were directed to research, innovation and upgrading skills, promotion of knowledge economy, human capital development through targeted education and training, as well as training and support the SMEs.

2. Target - Regional competitiveness and employment. The growth of regional competitiveness and employment contribute to strengthening the competitiveness and attractiveness as well as employment by emphasizing the importance anticipation of economic and social changes. The funds are used in the field of risk reduction of poverty and promotion of active labor market policies, but also to promote the role of social economy and create quality jobs, to promote innovation. The benefits are also for the development of rural areas. Regional competitiveness and employment is financed from structural funds.

3. Target - European Territorial Cooperation. European territorial cooperation is a complement to the previous targets because eligible territories are under objectives of the Convergence, the Regional competitiveness and employment. It is a goal that smoothly follows the INTERREG. Its mission is to promote the harmonious and balanced development of urban, rural and coastal areas, development of economic relations and the establishment of small and medium-sized enterprises.

6. PROGRAMMING PERIOD 2007-2013 IN THE SLOVAK REPUBLIC

Policy objectives and financial resources are defined for regions at the NUTS 2 level. The programme period of 2007 – 2013 was the first programme period during which the Slovak Republic was able to draw from the EU funds in its entire duration. The document known as the National Strategic Reference Framework for the period of 2007 – 2013 (hereinafter NSRF) provided the baseline for this drawing. This strategic document has been drawn up pursuant to the new regulations of the EU for the Structural Funds and Cohesion Fund. The Government of the Slovak Republic approved the document on December 6, 2006 and the European Commission on August 17, 2007. The main strategic goal formulated in the NSRF was "significantly increase by 2013, the competitiveness of the regions and the Slovak economy and employment while respecting sustainable development."

During the programming period 2007 – 2013, 14 operational programs was set up. The Slovak Republic had the opportunity to draw on a financial liability of 11 482.76 million EUR, but Slovak Republic exhausted only 89.47% of the funds, which is 10 394.81 million EUR (till 31.12.2015). Funding was also possible as pre-financing from the state budget, so we must adjust spending and we must increase funding. Slovak Republic exhausted 10 826.03 million EUR (93.19%, till 31.12.2015) after adjustments.

NSR is subject to the study. SWOT analysis provides the basis for building a good strategy. Appropriately selected SWOT analysis forms the basis for formulating development strategies and strategic objectives.

Table following on the next page

Table 2 – SWOT analysis of NSR (authors' work according to own research and www.unsk.sk)

<p>Strengths</p> <ul style="list-style-type: none"> - A good natural-geographical position - Plenty of brown and green zones - The sectors with high added value - Educated human potential - Existence of businesses - operating in the trade, services, manufacturing, transportation - Good conditions for the development of agriculture, forestry - Skilled labor - Potential in industry and agriculture - Geothermal water 	<p>Weaknesses</p> <ul style="list-style-type: none"> - Low level of entrepreneurial activity - Insufficiently developed tertiary sector - A wide disparity in economic performance of sub-regions - Low level of utilization of alternative energy sources - The low level of economic diversification - Poor co - partnerships - High regional unemployment rate - municipalities, graduates - Stagnation in the development of SMEs
<p>Opportunities</p> <ul style="list-style-type: none"> - Development of industries based on position potential of the region (combined transport) - Development of industries - chemical industry, the electrical industry - Development of the tertiary sector - civil services, crafts, counseling and information services - Increasing the attractiveness of the territory for investors - completion of transport infrastructure - Increasing the attractiveness of the region - tourism - restoration of historical and cultural monuments - The possibility of using the river 	<p>Threats</p> <ul style="list-style-type: none"> - The risk of ecological disaster - environmental burdens - Insufficient use of EU funds for the economy - Lack of participation of scientists and researchers in international research and innovation networks - Lack of integration of research institutions - Young people moving abroad - Strong competition market - Low attractiveness of the region for investors

Analysis of socio-economic indicators pointed to regional disparities in Slovakia. Differences were seen throughout the period, some disparities increase. Bratislava Self-Governing Region held a dominant position. NSG lagged behind in many indicators. SWOT analysis shows that positive factors dominate over the negatives. NSG is classified among the developing regions with the growth potential. Analysis of status of implementation of the Structural Funds can help to better analyze the observed object, Nitra Self-Governing Region (NSR). In the programming period 2004-2006, NSR realized 810 projects. Table 3 shows the Status of implementation of regional projects of the Structural Funds according to the Operational program during 2007-2013 in NSG.

Table 3 - Status of implementation of regional projects of the Structural Funds according to the Operational program during 2007-2013 in NSR (authors' work according to own research and <http://www.nsr.sk/cerpanie/>)

Operational program	Operations submitted (number)	Contracted operations (number)	Contracted operations (budget)	Realised/declared expenditure
Informatisation of Society	9	8	11 602 396,00	6 278 477,60
Competitiveness and Economic growth	732	311	168 020 141,24	107 295 047,95
Research and development	87	38	104 920 162,46	84 400 152,46
Education	333	103	30 002 586,42	20 941 359,84
Environment	397	86	214 671 037,46	151 967 961,82
Bratislava region	0	0	0,00	0,00
Transportation	0	0	0,00	0,00
Technical assistance	0	0	0,00	0,00
Employment and Social inclusion	367	156	22 560 005,81	13 301 555,30
Healthcare	48	12	42 853 705,78	41 708 933,47
Regional operational program	574	333	225 507 413,05	198 254 618,90
Sum	2 547	1 047	820 137 448,22	624 148 107,34

We can say that the issue of drawing of funds from the European Union may be critical in NSR. 2,547 projects were submitted, but only 1,047 projects were contracted. Drawing represents also a problem. Based on statistical findings, a questionnaire survey was conducted in the region, during the research for diploma thesis. 166 towns / cities took part in the questionnaire survey. Survey result are:

- 14% of respondents have not implemented a project financed by the Structural Funds. 22% of respondents have implemented one project, 16% of respondents implemented two projects. 48% of respondents have implemented 3 or more projects.
- The issue of lack of interest on the implementation of the Structural Funds was interesting for analysis. They were the most common causes:
 - corruption perceptions in drawing (40%),

- high cost of preparation of the project (39%),
- lack of funds to co-finance the project (37%),
- bureaucracy (35%).
- The least problematic areas are - lack of information, inability to develop project documentation.
- 69% said that they wanted to draw EU funds, but the project was not successful. The problems identified in the spending of EU funds were - public procurement (20%), difficulty in spending (13%), the European Commission was not satisfied with the outcome of the project (6%), loans (2%).

7. CONCLUSION

Implementation of cohesion policy is a complex process involving an large number of subjects and objects that make up a policy. They implement, monitor, evaluate and ultimately carry out the policy. According to the adopted plan and the objectives of cohesion policy, output is represented by a demonstrable reduction of regional disparities. The base is a strategic, financial and legislative definition of policy in Slovakia, as well as the creation of conditions for the grant applicants. Only if we will have the correct setting and application of basic criteria, the policy can be implemented effectively.

LITERATURE:

1. CIHELKOVÁ, E. (2010). *Regionalismus a multilateralismus – základy nového světového obchodního řádu*. (1. edition). Praha: C. H. Beck.
2. CIHELKOVÁ, E. (2007). *Nový regionalismus – teorie a případová studie (Evropská unie)*. (1.edition). Praha: C. H. Beck.
3. *Čerpanie a zoznamy*. Retrived 15.10.2016 from <http://www.nsrr.sk/cerpanie/>
4. GOODALL, B. (1987). *Dictionary of Human Geography*. (1.edition). London: Penguin Group.
5. JANAČ, J. – MARIÁK, V. (2013), *Budúcnosť systému starobného dôchodkového zabezpečenia v Slovenskej republike*. Proceedings of Horizonty podnikateľského prostredia II. zo 08.11.2013. Bratislava: Fakulta managementu UK, Katedra ekonómie a financií.
6. JANŠÍKOVÁ, D. (2016). *Analýza čerpania finančných prostriedkov Európskej únie v Nitrianskom samosprávnom kraji*. (Diploma thesis). Comenius University in Bratislava, Faculty of Management.
7. KOMORNÍK, J. – MAJERČÁKOVÁ, D. (2016). *Základy finančného manažmentu*. Bratislava: Kartprint.
8. LIPKOVÁ, Ľ. (2006). *Európska únia*. (1. Edition). Bratislava: Sprint.
9. *National Strategic Reference Framework for the period of 2007 -2013*. Retrived 15.10.2016 from <http://www.nsrr.sk/en/narodny-strategicky-referencny-ramec-2007-2013/>
10. PAWERA, R. A KOL. (2013). *Regionálna politika a politika súdržnosti Európskej únie a jej vplyv na Slovensku*. Bratislava: Univerzita Komenského, 2013.
11. RENTKOVÁ, K. (2012). *Manažment projektov financovaných zo štrukturálnych fondov Európskej únie*. Theory of management 6 – the selected problems for the development support of management knowledge base. Žilina: Edis.

12. RENTKOVÁ, K. (2012). *Európska politika súdržnosti aplikovaná na rozvoj regiónov a obcí Slovenskej republiky*. (Dissertation). Comenius University in Bratislava, Faculty of Management.
 13. RENTKOVÁ, K. – ROŠTÁROVÁ, M. – MAZANOVSKÝ, M. (2016) *The Analysis of Regional Disparities in the Slovak Republic*. Norristown, PA: IBIMA, 2016.
 14. ROŠTÁROVÁ, M. – JANÁČ, J. (2014). Analýza podnikateľského prostredia v Srbsku. In: *Horizonty podnikateľského prostredia*, Bratislava: Univerzita Komenského v Bratislave.
 15. SLOBODA, D. (2014). *Slovensko. Kraje alebo župy?*. Piešťany: Komunálne výskumné a poradenské centrum, n.o.. Retrived 15.10.2016 from http://www.komunal.eu/images/pdf/Slovensko_kraje_alebo_zupy_2014.pdf
 16. ŠLAHOR, Ľ. – MAJERČÁKOVÁ, D. – BARTEKOVÁ, M. (2016). *Implications of low/negative interest rates for banks' asset and liability management – an example*. Proceedings of the 13th International scientific conference, Brno: Masaryk University.
 17. STEJSKAL, J. – KOVÁRNÍK, J. (2009). *Regionální politika a její nástroje*. Praha: Portal.
 18. ŠVECOVÁ, A. – RAJČÁKOVÁ, E. (2013). *Regionálne disparity v sociálno-ekonomickej úrovni regiónov Slovenska v rokoch 2001-2013*. Retrived 15.10.2016 from http://www.regionalnageografia.sk/publikacie/pub/RDS/11_svecova_rajcakova.pdf
- UNSK. *Nitriansky samosprávny kraj*. Retrived 15.10.2016 from <http://www.unsk.sk>