

Regional policy and regional potential in Slovakia

VIKTOR NI ANSKÝ, MARTIN ŠIRAK

1) Shaping regional policy

The genesis of regional policy in Slovakia can be traced to the late 1960s, to the common socialist State of Czechoslovakia. In the 1990s, with political and economic reforms, the country was geared to democracy and market economy. Aiming at integration into the European Union, these reforms have gradually begun to change the form and direction of regional policy in the Slovak Republic. The process of regional policy formulation has continuously been affected by the overall economic, social and institutional framework conditions of its current operation and also by the prospects of the near future.

In the first section of the paper the authors wish to emphasise a retrospective view rather than a formula-type listing of the components of Slovakia's regional policy. They believe that such an approach is more useful in terms of reconstructing the continuity and changes of the system that is still in the process of shaping. Across various developmental stages, individual components, i.e. principles, definitions, legislation, conceptual and programme documents, authorized institutions, etc., were attached a different degree of significance, status, and priority.

1.1 Regional policy of the Slovak Republic prior to 1990: The legacy of central planning

Prior to 1990, the issues of territorial planning had been addressed within the system of regional and territorial (physical) planning. The so-called regional planning was a subsystem of the national economy planning, and its role was to ensure a proportional development of the regional structure of the national economy. Capitalizing on the specific features of natural and economic conditions, a rational organisation of production forces was to be established and the territorial factor of the economy was to be utilized. A planned development of the regional structure was to control the differentiation of the standard of living of the population across the individual regions, address the environmental issues, prepare for the defence of the State, and other tasks (Búšik, 1998). To meet these goals, long-term developmental projections were compiled, along with short-term regional plans, and implementation plans.

Territorial planning was part of the society management system and an activity geared towards the arrangement of functionally-linked components (natural and those created by the society) in a territory, with an objective to ensure a harmonious development of the material base of life in the socialist society. The Act No. 50/1976 on territorial planning and building regulations (the Act,

several times amended, is still in effect) defined territorial planning as a systemic activity which, in accordance with the fundamental goals and tasks of the national economy plan, addressed, in a comprehensive manner, the functional use of territory, the principles of its organisation, materially and timewise coordinated construction and other activities that affected territorial development. The fundamental instrument of territorial planning was a system of the documentation of territorial planning that required the matching of regional and territorial planning.

However, the umbrella planning of the entire territory was the national economy planning, composed of a set of central national economy plans (state plans of the national economy development, state budgets, monetary plan, economic plans, regional plans) that were elaborated for a long-term, medium-term, and short-term implementation period.

The planning activity at the central government level was ensured by the State Planning Commission, or, the Czech and the Slovak Planning Commissions. These commissions also finalized the regional planning process.¹ In the period that followed, the issues of territorial planning were addressed by the Ministry of Construction and Technology of the Slovak Republic, followed by the Slovak Commission for Scientific, Technological, and Investment Development, and, eventually, by the Ministry of Construction of the Slovak Republic.

Within the framework of the state socialist territorial-administrative structure, regional national committees (Bratislava, West-Slovakian, Central-Slovakian, and East-Slovakian), district national committees, town, and local national committees existed. Towns and communities were not incorporated. Likewise, the budget at all the levels of national committees constituted a part of the state (central) budget. Formally, the concept of local government was non-existent.

At the regional and district levels, regional and territorial planning was implemented by the relevant divisions (the regional planning divisions, town planning divisions, and construction divisions) that operated within the framework of national committees. The planning process was dominated by the sectoral approach, and regional and town structures and inter-regional relations were shaped under its dominating influence.

The legacy of central planning is summarized by Búšik (1998) as follows:

- due to non-existing value instruments the companies have lost orientation towards a rational use of tangible and financial resources, and, hence, higher social labour costs;
- companies have not sufficiently used internal resources (i.e. extensive development predominates), and cost-savings due to an efficient use of production and non-production infrastructure;

¹ After an administrative restructuring in Slovakia, this role was assumed by the Slovak Commission for Planning, Scientific, Technological, and Investment Development of the Slovak Republic.

- too rigid centralisation and the suppression of the role of the former national committees, i.e. state bodies responsible for the socio-economic development of the entrusted territories;
- with respect to the natural environment and the variety of individual regions, the absorption capacity of given territories has not been taken into account.

If we are to consider the regional policy prior to 1990 from the viewpoint of theoretical concepts and strategies of regional policy that have developed, the following may be stated (Buck, 1998):

- regional disparities were resolved by enforcing a command, mobility-oriented strategy, i.e. the development of the given regions was influenced on the basis of the localisation and distribution of companies to regions and the re-distribution of funds from a single source/centre;
- the role of companies per se was rather passive, without having any significant impact upon the decisions on strategic and medium-term localisation;
- similarly, the role of regional institutions (i.e. the then regional and district national committees) was predominantly oriented towards the economy managed by them, whereby the regional development plans were part of political lobbying in the central decision-making bodies;
- indeed, localisation factors in their neoclassical function were recognized on a perfunctory basis (proximity to resources, consumers, transportation costs, the use of local manpower, etc.), however, in the context of centrally managed decision-making, distorted prices and predetermination of localisation decisions, their actual impact was insignificant;
- in addition, the economic principles of localisation were interlinked with non-economic principles (e.g., military and strategic aspects, self-sufficiency of regions, the balancing of culture and social discrepancies, ensuring the “correct” class structure of a given region or town, relations with other COMECON countries etc.); hence, a single strategy or theoretical concept was difficult to find;
- administrative measures were among the predominating regional policy instruments; financial instruments, information and counselling did not exist, and the policy recipients (i.e. companies, the citizens, communities, and institutions) did not have any autonomy.

1.2 Regional policy between 1991 and 1995: The early years of transformation

In the early years of the transformation, the shaping of a comprehensive concept of the regional policy of the Slovak Republic was overshadowed by political changes and sweeping reform steps (price and foreign trade deregulation, privatisation, tax reform, agriculture reform, etc.). As stated by Ochotnický (1995), “the regional development reform and the shaping of regional policies (despite several attempts to attain conceptual coherence) in

the Slovak Republic was an outcome of a spontaneous process rather than a reflection of the shaping of other system components". It entailed organisational changes in government (inception of new ministries) and public administration (abolition of the regional level, sharing of powers and funds between the state administration and local government). At the beginning of the transformation process, regional policy-makers were confronted with an essential strategic dilemma (Ochotnický, 1995):

- is the transformation period (when the fundamental market signals, such as market prices, exchange rate levels, the overall price level, wage level, and the like are only being established) an appropriate moment for the enforcement of an active regional economic and structural policy? Will the attempts at alleviating regional economic and social problems not disturb the allocation functions of the market mechanism that is being created?
- is it more appropriate to address regional problems from the central or from the local (regional) level?

In 1991 and 1995, the above dilemma was reflected by several conceptual and implementation measures with a regional dimension. In the first half of 1991 the Ministry for the Economic Strategy of the Slovak Republic (at that time responsible for the issues related to regional development), conducted a survey of the socio-economic standard of the districts of Slovakia in collaboration with district and city authorities competent in the area of regional development. This survey was composed of companies accounting for about 70 per cent of the total industrial employment (343 leading industrial companies, mostly with more than 500 employees) and was based on the industrial pattern of districts. In combination with selected basic socio-economic indicators, the survey represented a significant basis of knowledge of the existing state. The results were compiled in a report which formed the basis of the Principles of Regional Economic Policy adopted by the Government in July 1991.²

1.2.1. Principles of regional policy

The Principles of Regional Economic Policy constituted an early document of a trans-sectoral nature, attempting to formulate the government policy in a systemic fashion with a view to improve the economic situation in the problem regions. By this document, Slovakia adopted the fundamental principles and objectives declared in the European Regional Planning Charter. The document set forth seven crucial principles, namely:

1) Harmonious regional development

Regional policy aims at establishing the preconditions for:

- rational use of resources and harmonious arrangement of economic and social functions of regions and municipalities;

² Resolution No. 390/1991 on the Principles of Regional Economic Policy.

- balanced economic and social development of regions;
- balancing of territorial development and environmental protection.

2) Coordination of the activities of the individual components of regional policy (the government, regions, communities, associations, etc.)

In its vertical dimension, regional policy is a part of economic policy, implemented through a continuous, mutually matched activity of the local self-government, territorial and central state administration bodies. The horizontal dimension of regional policy comprises a territorial coordination of the individual types of sectoral and branch policies. The division of powers of the regional policy entities is laid down by the law.

3) Combining government support with the regions' own resources

Central government activities aim at facilitating local and regional development potentials.

4) Support of territorial-administrative units and specifically delineated regions

Regional policy measures need not pertain to the territories delineated by administrative borders exclusively. They may also be applied to the so-called specifically delineated territorial units.

5) Regional support via market-conforme instruments

State regional policy aims at creating an environment that stimulates the development of companies and regions (as distinct from the interventionism of central planning of the socialist type) by means of tax, loan, and subsidy policies. Their regional and local differentiation should be specified in the relevant legal norms.

6) Regional development programming

The use of stimulation instruments leans on the analytical-projection, programme, and information documents elaborated by the individual entities of regional policy.

7) Interlinking regional policy with territorial planning

This entails the matching of two comparatively independent policies that overlap in a concrete territory. The mission of regional policy is to provide guidance to the socio-economic development, while territorial planning is targeted towards an optimum physical arrangement of the space.

In May 1994 the Centre for Strategic Studies, an agency charged with regional policy planning tasks, elaborated these principles in a document entitled “The Regional Policy of the Government”, adding further principles and emphasising the principle of subsidiarity. However, the six-months interim government of prime minister Jozef Moravčík lacked the time to implement the plans spelled out in the document.

1.2.2 Regional problems and problem regions

Economic depression was significant in the counties of Veľký Krtíš, Lučenec, Rimavská Sobota, Rožňava, Spišská Nová Ves, and Trebišov; in the counties of Zlatica, Dolný Kubín, Stará Ľubovňa, and Považská Bystrica, the structural economic problems were associated with the highest natural population growth in the Slovak Republic. The government treated the above counties with priority and identified 13 microregions with persisting socio-economic problems.³ In 1994, their number was reduced to nine, and after 1994, the permanent delineation of marginal areas according to strictly defined criteria was abandoned. In addition, the government also delineated nine regions most severely afflicted by environmental problems.⁴

At that time, the situation across the regions was monitored by the Centre for Strategic Studies, and according to the analyses elaborated by the Centre, the following issues were characteristic of the problem counties and microregions:⁵

- high unemployment rate (especially youth unemployment), a high proportion of long-term unemployment;
- low absorption capacity of small and medium-size enterprises in terms of employment;
- unsatisfactory development of private enterprise (and its concentration in trade);
- after the transformation, a drain of experts from scientific, research and training institutions;
- constraints due to an insufficient technical infrastructure.

In 1996, the government monitored nine counties within the framework of the original territorial-administrative structure of the Slovak Republic which, after the new territorial-administrative division became effective, were further divided into 16 counties, whereby seven new counties were added.⁶ The major criterion of a problem county was an unemployment rate above 20 per cent,

³ Government Resolution No. 390/1991.

⁴ Bratislava, Sereď – Šaľa, Ľadová nad Hronom, the Upper Nitra region, Ružomberok, Košice, Ješovňa – Lubeník, the Central Spiš region, Stráňské – Vranov nad Topľou – Humenné.

⁵ Cf. The Regional Policy of the Slovak Republic Government, 1994.

⁶ The counties were Lučenec, Rimavská Sobota, Rožňava, Spišská Nová Ves, Svidník, Trebišov, Veľký Krtíš, Michalovce, and Vranov nad Topľou, complemented by Poltár, Revúca, Gelnica, Levoča, Stropkov, Sobrance, and part of Detva county.

whereby each county reporting such a high rate of unemployment automatically became a beneficiary of a package of individual support measures granted by the central government.

According to the State Regional Policy Concept adopted in 1997, the territories of regions and counties pursuant to Act. No. 221/1996 Coll. on the territorial-administrative structure of the Slovak Republic are considered as the object of regional policy. The government or a regional authority may also delineate specific territorial units to address specific regional problems.

1.3 Regional policy between 1996 and 1998: A new territorial-administrative structure

From 1996 to 1998, special attention was paid to the legislative, administrative, and institutional framework of regional policy at the central level. In 1996, the second reform step of the local public administration was made, which may be characterized as follows (Búšik, 1998):

- far-reaching change of the territorial-administrative structure;
- uniform two-tier system of territorial state administration offices at the local and regional level, concentrating a wide range of tasks and powers;
- efficient arrangement of the local state administration authorities based on horizontal integration.

1.3.1 Progressing reform of the public administration

Pursuant to the Act of the National Council of the Slovak Republic No. 221/1996 Coll. on territorial-administrative structure, the Slovak Republic is divided into regions which are further broken down to counties, and counties are composed of communities and military districts. The new arrangement of administrative units (as of 31 January 1996) is shown in Table 1:

Table 1: The new territorial-administrative structure of the Slovak Republic

| Level | n | Administrative structure |
|--|-------------------|---|
| 1) Commune, of which: towns military districts | 2,871 136 4 | local self-government military district administration |
| 2) County (okres) | 79 | county offices and deconcentrated bodies of sectoral state administration |
| 3) Region (kraj) | 8 | regional offices and deconcentrated bodies of sectoral state administration |
| 4) Slovak Republic | | government and central state administration |

From the regional policy viewpoint, of significance was the amendment of the so-called Authority Act in 1995, by which the Office for the Strategy of the Development of the Society, Science, and Technology of the Slovak Republic (OSDSST) was vested with the role of coordinator and manager of the regional development at the central level. At the regional and county office levels, divisions for regional development and other sectoral relations were set up, which were to establish conditions for a more comprehensive and improved performance of the state administration in the regional development area.

1.3.2 Regional policy documents

One of the principles of the regional policy in the Slovak Republic states that the utilization of instruments should be based upon concept and programme documents elaborated by the individual entities of regional policy.⁷ As early as 1991, the Government Commission for Economic Strategy (renamed to the Centre for Strategic Studies later on), leaning on the above principle, recommended to establish a hierarchical system of the following concept and programme documents:

- *strategy* of regional development (the programme of the spatial structure of the national economy and regional development), applicable at the republic level;
- *concepts* of socio-economic development of regions attuning and coordinating the plans of the centre and local self-government bodies, applicable at the regional level;
- *programmes* of the socio-economic development of towns and communities that will attune the interests of local communities with the plans of economic organisations located in the community's territory.

The State Regional Policy Concept approved by the government is based on the new territorial-administrative structure. The concept envisages to elaborate these three types of documents. Currently, the Regional Development Strategy is in its negotiation stage. It was drafted and submitted to the government by the OSDSST in August 1998. In the analytical part of the document, the present state of the socio-economic situation in the Slovak Republic is evaluated, and, based on this, the OSDSST proposes strategic plans, objectives, priorities, and short-, medium-, and long-term measures. This strategic document will serve as the fundamental starting point for the drafting of the concepts of the socio-economic development of regions and the programmes of the socio-economic development of counties.

The concepts of the socio-economic development of regions that will be elaborated (and updated every four years) by regional authorities in collaboration with the manager and coordinator responsible for regional development (i.e. the OSDSST until late 1998) and approved by the

⁷ Cf. the Government Resolution No. 390/1991 on the Principles of the Regional Economic Policy.

government of the Slovak Republic will, first and foremost, contain the following elements:⁸

- analysis of demographic, socio-economic, territorial and technological development of the region;
- use of available human resources with respect to the envisaged demand in the labour market;
- evaluation of strengths and weaknesses of the region in question;
- measures proposed to ensure development objectives;
- quantified development objectives.

As a consequence of the Government Resolution No. 390/1991, the counties began to formulate socio-economic development programmes. Among the counties first elaborating these programmes as early as 1991 were the counties of adca, Dolný Kubín, and Rimavská Sobota which suffered most dramatically from the economic transformation. In 1992, over 24 counties had worked out development programmes, and in 1993, nearly all of the 38 counties of the Slovak Republic had a programme. The programmes were drafted by the county authorities, with methodological and financial assistance of the Government Commission for Economic Strategy and its successor, the OSDSSST. The latter agency gradually assumed coordination and management responsibilities for regional development. The work on these programme documents continued at the county level during 1994 and 1995, and it resulted in the elaboration of concrete development programmes, or, the involvement in specific state branch programmes. However, according to the opinion of county authorities, several projects could not be implemented due to a shortage of funds (notably projects concerning the restructuring of the industry, infrastructure, and the like).

The drafting of the state regional policy documents is contingent on a close coordination with territorial planning at the nationwide, regional and municipal levels.⁹ The Concept of the Territorial Development of Slovakia was elaborated by the Ministry of the Environment and approved by the government in 1997.

1.3.3. Rural development

If population density is used to classify a rural area and a limit of 150 inhabitants per km² (using OECD methodology) is taken as a criterion of “rurality”, the result will be that 78.4 per cent of the Slovakia’s population live in rural areas. Viewed in this light, Slovakia can be categorized as a rural country. This is why rural development policy is deemed a vital subsystem of the regional policy of the Slovak Republic.

⁸ Cf. State Regional Policy Concept, 1997.

⁹ Cf. tem no. 1.2.1 of the regional policy principles of the Slovak Republic.

In September 1998 the Government approved a rural development concept submitted the Ministry of Agriculture. The concept spells out the fundamental principles of rural policy, strategic and specific goals and priorities of the rural development in the Slovakia. It addresses four areas that are to be an object of assistance: economy and employment; creation and protection of the environment; human resource development; and the development of the scientific and research base. The concept is also expected to establish a starting platform for the ratification by the Slovak Republic of the European Charter of Rural Areas.

2) Regional disparities

Slovakia is a country whose regions are markedly differentiated. Regional disparities are caused by a different historical, cultural, political, geographical, but also economic and demographic development. Some regions have been severely disadvantaged by what sociologists refer to as historical marginalisation. These are regions that have been only marginally affected by industrialisation processes. As a rule, these territories were remote from the communication routes, which accounted for their ever-greater lagging behind the civilisation progress. Indeed, although the industrialisation affected these regions in the second half of the 20th century, the legacy of the past was not broken. On the contrary, the disparities between urbanized and (marginalized) non-urbanized regions became more marked, which was even true within the borders of a single county (Fal an, Gajdoš, Pašiak, 1995).

At a time when the devolution of the population in municipalities and the activity deconcentration took place in urbanized countries, Slovakia, on the contrary, witnessed an intensified concentration and centralisation which was manifested in a political and administrative merging of communities. Regions were polarized, and while urbanisation zones were located in central regions of Slovakia peripheral areas in the borderline regions emerged and became subject to a marginalisation process (Krivý, 1996).

After 1990, the main impetus for the intensification of the differentiation processes in the Slovak Republic regions was induced by the progressing transformation recession. Significant factors that appeared on the scene were the disintegration of the COMECON market, the collapse of the military production sale within the former Warsaw Pact countries, fiscal disturbances due to dramatic cuts in the hitherto regular state subsidies, the conversion of military production without appropriate preparation, the absence of some standard government policies (industrial, technological or a comprehensive regional economic policy), and also the break-up of the common state with the Czech Republic. These developments laid bare the structural weakness and low adjustment capacity of several regions.

The reaction of the regional policy-makers to the above developments are detailed in chapters 1 and 3. In this chapter, the authors shall make an attempt to describe regions under the conditions of the new territorial-administrative structure existing since June 1996. The current regions are the basis for the

proposed regionalisation of Slovakia according to the NUTS methodology (ref. to Table 4). These territorial units correspond to the NUTS 3 classification level, i.e. the last level up to which the direction and administration of the EU structural funds is assessed. In addition, these regions feature as the territorial units of the envisaged regional self-governments.

2.1 The economic potential of Slovak regions

The economic potential of regions may be measured in a number of ways. However, for the needs of the regional comparison in this paper, the authors shall use the following indicators: value added per capita, investments per capita, direct foreign investments per capita, the number of business operators per 1,000 inhabitants, and the number of the unemployed per 1,000 inhabitants (cf. M.E.S.A. 10, 1996). Within the framework analysis of the regional disparities, the authors shall draw from the published data of the Statistics Office of the Slovak Republic. Where official regional statistical data were not available, it was necessary to calculate the indicators. Table 3 arrays regions on the basis of six (i.e. the above five indicators, plus the total science and research expenditure indicator) selected economic indicators in 1997 (concrete data are shown in Table 2).

Table 2: Economic potential of regions by selected indicators in 1997

| Region | Population | Unemployment rate (%) | Firms per 1,000 inh. | Investments per inh. (SKK) | FDI per inh. (SKK) | Value added per inh. (SKK) | R&D per inh. (SKK) |
|------------------------|------------|-----------------------|----------------------|----------------------------|--------------------|----------------------------|--------------------|
| Bratislava | 618 673 | 5,6 | 105 | 255 107 | 54 378 | 306 618 | 3 985 |
| Trnava | 549 621 | 11,2 | 65 | 25 863 | 7 097 | 97 973 | 3 748 |
| Trenčín | 610 349 | 8,8 | 53 | 31 944 | 4 793 | 94 574 | 1 627 |
| Nitra | 717 241 | 14,4 | 60 | 20 282 | 4 079 | 76 963 | 824 |
| ilina | 689 504 | 8,1 | 57 | 24 790 | 1 404 | 76 071 | 858 |
| Banská Bystrica | 663 845 | 12,4 | 56 | 30 950 | 5 831 | 89 343 | 510 |
| Prešov | 777 301 | 16,1 | 48 | 14 042 | 4 279 | 58 172 | 267 |
| Košice | 761 116 | 15 | 55 | 35 024 | 1 583 | 96 022 | 652 |
| SR | 5 387 650 | 11,5 | 61 | 52 212 | 9 793 | 108 866 | 1 437 |

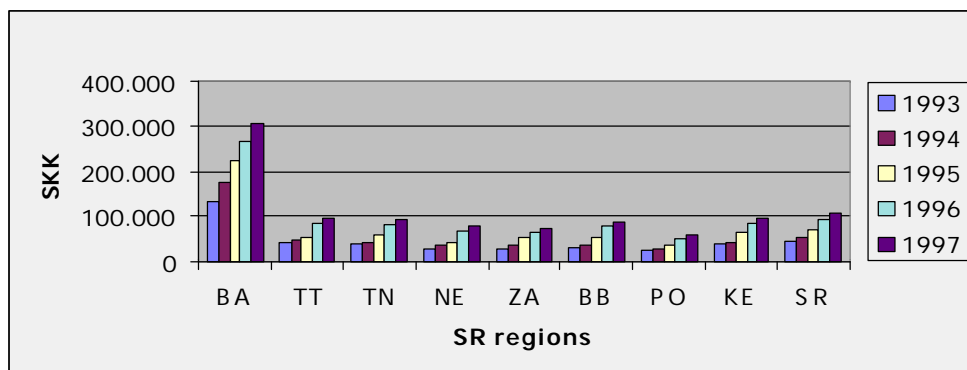
Source: Statistics Office of the Slovak Republic and authors' computations, 1998

Table 3: Ranking of regions, based on the economic potential in 1997

| Region (1997) | Unemployment rate | Firms p.c. | Investments p.c. | FDI p.c. | Value added p.c. | R&D p.c. | Scoring | Ranking |
|-----------------|-------------------|------------|------------------|----------|------------------|----------|---------|---------|
| Bratislava | 1 | 1 | 1 | 1 | 1 | 1 | 6 | 1. |
| Trnava | 4 | 2 | 5 | 2 | 2 | 2 | 17 | 2. |
| Trenín | 3 | 7 | 3 | 4 | 4 | 3 | 24 | 3. |
| Nitra | 6 | 3 | 7 | 6 | 6 | 5 | 33 | 7. |
| ilina | 2 | 4 | 6 | 8 | 7 | 4 | 31 | 5.-6. |
| Banská Bystrica | 5 | 5 | 4 | 3 | 5 | 7 | 29 | 4. |
| Prešov | 8 | 8 | 8 | 5 | 8 | 8 | 45 | 8. |
| Košice | 7 | 6 | 2 | 7 | 3 | 6 | 31 | 5.-6. |

Source: Authors' computations

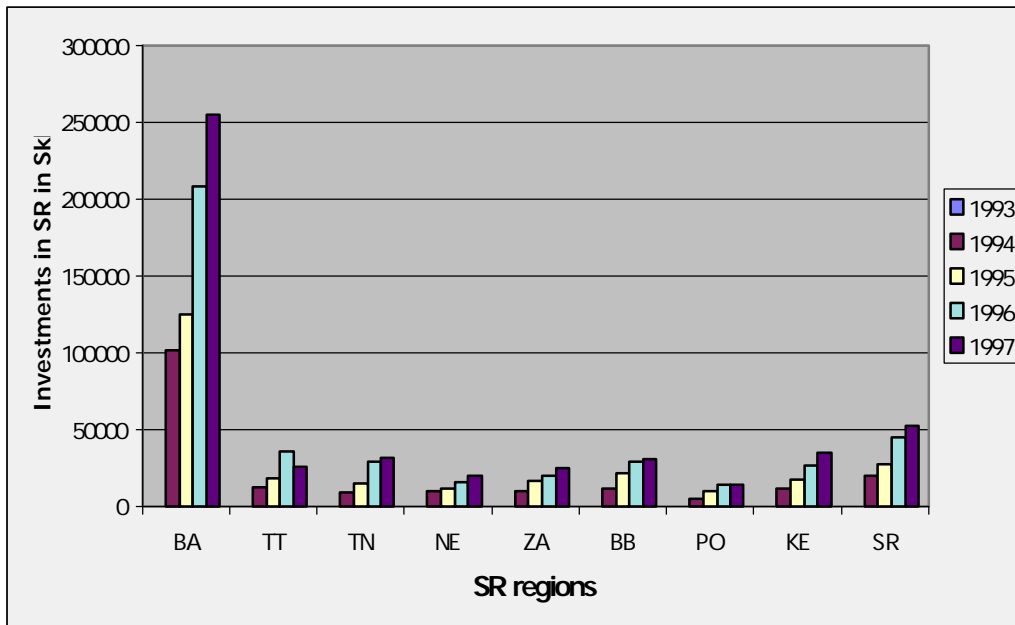
Graphs 1 to 5 show that the Bratislava region enjoys a unique position. Thanks to the economic potential of the city of Bratislava, the economic potential of this region is so large that in three of the six indicators monitored, the data for the Bratislava region raise the nationwide average so prominently that the remaining seven regions are placed below the Slovak average. For instance, in 1997, the values of the two crucial indicators - valued added and investments per capita - in the Bratislava region boosted the Slovak average (about three and five times higher than without Bratislava). Furthermore, in 1997, the GDP per capita in the "most powerful" Bratislava region was computed to be six times higher than in the Prešov region - the "weakest" region - and in the case of the unemployment rate indicator, the difference was almost quadruple (Bratislava region - 4.9 per cent, Prešov region - 18.4 per cent, refer to Table 5).¹⁰

Graph 1: Value added per capita by region

Source: Authors' computations based on selected data on Slovak Republic regions for 1993-1997, Statistics Office of the Slovak Republic, 1994-1998)

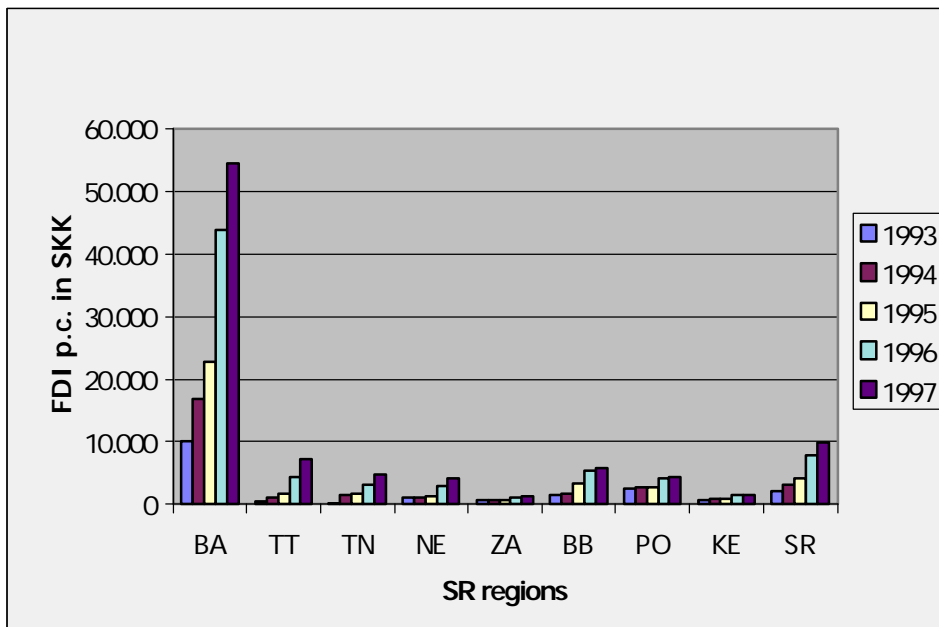
¹⁰ The regions are: Bratislava (BA); Trnava (TT); Trenín (TN); Nitra (NE); ilina (ZA); Banská Bystrica (BB); Prešov (PO); Košice (KE).

Graph 2: Investments in Slovakia in SKK by region



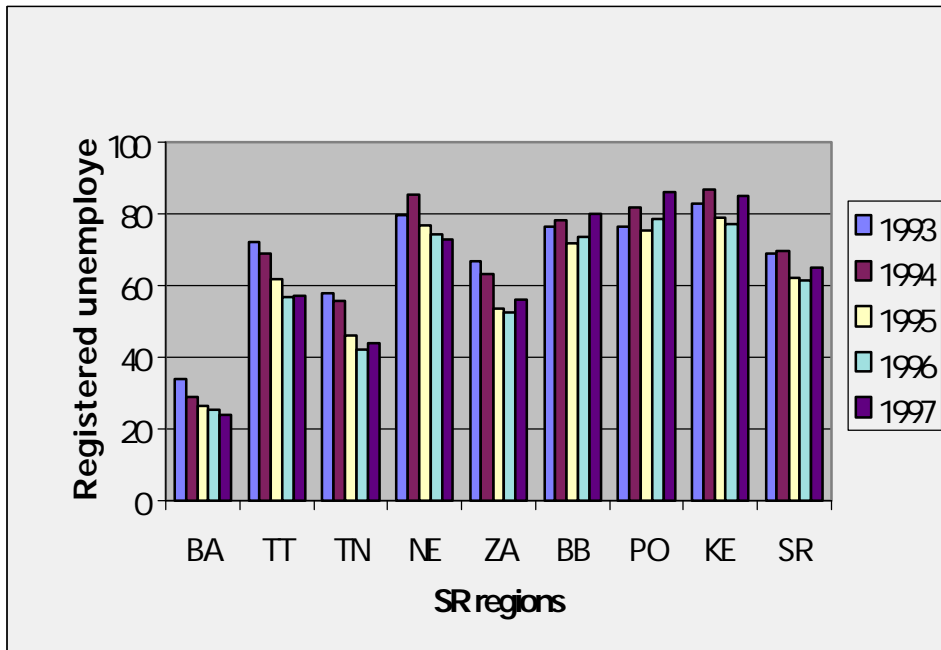
Source: Author computations based on selected data on Slovak Republic regions for 1993-1997, Statistics Office of the Slovak Republic, 1994-1998)

Graph 3: Foreign direct investments per capita by region



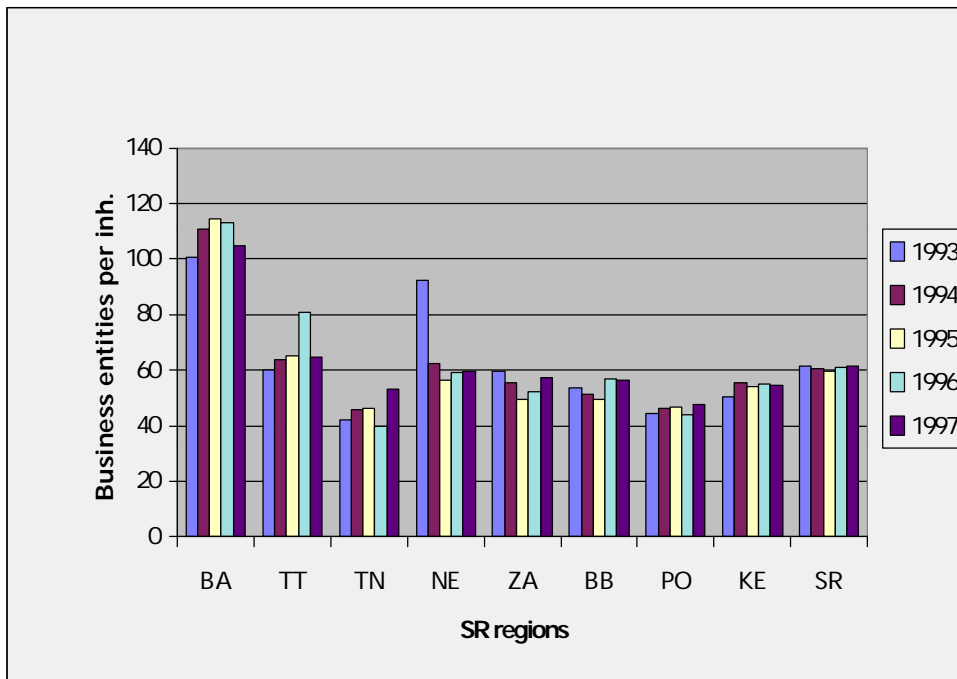
Source: Author computations based on selected data on Slovak Republic regions for 1993-1997, Statistics Office of the Slovak Republic, 1994-1998)

Graph 4: Registered unemployed per 1,000 inhabitants, by region



Source: Author computations based on selected data on Slovak Republic regions for 1993-1997, Statistics Office of the Slovak Republic, (1994-1998)

Graph 5: Number of business entities by region



Source: Author computations based on selected data on Slovak Republic regions for 1993-1997, Statistics Office of the Slovak Republic, (1994-1998)

In the first quarter of 1998, a stronger interest of foreign investors in Prešov and Košice regions was reported while in 1997 the majority of FDI went to Bratislava. As regards the long-term spatial pattern of FDI, one may discern three localisation centres, namely, Bratislava and its catchment area (the 1997 volume of FDI exceeded the Slovak average 5.5 times), followed by the counties of Trnava, Senica, Nitra, and Trenčín, and the third centre were the counties of Banská Bystrica, Ľahov nad Hronom, and Prievidza (Gedopen, 1998). The latter counties create a compact area in central Považie (i.e. along the central part of the Váh River), the upper and central parts of Ponitrie (the Nitra River), and the central part of Pohronie (the Hron River).

2.2 Comparison with the EU

Table 4 shows the proposal of the regional classification levels of the Slovak Republic elaborated by the Statistics Office of the Slovak Republic in collaboration with the European Commission in early 1998. Table 6 shows the status of the NUTS 2 regions in Slovakia, compared with the EU average.

Table 4: Regionalization of Slovakia according to NUTS

| NUTS | | No. of Territorial Units |
|------|-----------------------------|--------------------------|
| 1 | Republic | 1 |
| 2 | Aggregations of new regions | 4 |
| 3 | New regions (kraje) | 8 |
| 4 | New counties (okresy) | 79 |
| 5 | Communes (miesta/obci) | 2,871 |

Source: (Búšik, 1998)

Table 5: Economic indicators of NUTS 2 and NUTS 3 regions

| NUTS 2 region | NUTS 3 region | % of population | % of GDP | GDP p.c. (SKK) | Unemployment (%) | % of Investments |
|------------------|------------------|-----------------|----------|----------------|------------------|------------------|
| Bratislava | Bratislava | 11.5 | 35.0 | 292,900 | 4.9 | 52.1 |
| West Slovakia | Trnava | 10.2 | 25.4 | 70,070 | 12.3 | 20.9 |
| | Trenčín | 11.3 | | | | |
| | Nitra | 13.3 | | | | |
| Central Slovakia | Ľahov nad Hronom | 12.8 | 19.3 | 73,975 | 13.6 | 13.8 |
| | Banská Bystrica | 12.3 | | | | |
| Eastern Slovakia | Prešov | 14.4 | 20.3 | 68,880 | 18.3 | 13.2 |
| | Košice | 14.1 | | | | |
| Average | | 12.5 | 25.0 | 96,500 | 13.4 | 25.0 |
| SR | | 100.0 | 100.0 | 96,500 | 13.4 | 100.0 |

Source: (Búšik, 1998); data refer to the first quarter of 1997.

Table 6: GDP per capita in NUTS 2 regions

| Region | GDP per capita (SKK) | GDP per capita (ECU) | % of EU average |
|------------------|----------------------|----------------------|-----------------|
| Bratislava | 292,900 | 21,536 | 122.5 |
| West Slovakia | 70,070 | 5,152 | 29.3 |
| Central Slovakia | 73,975 | 5,438 | 30.9 |
| Eastern Slovakia | 68,880 | 5,065 | 28.8 |
| | | | |
| Slovak Republic | 96,500 | 7,096 | 40.4 |
| EU average | | 17,580 | 100.0 |

Source: (Buck, 1998); data refer to the first quarter of 1997

2.3 Summary

The dominant characteristics of the economic structure and potential of the Slovak regions is the centre – periphery relationship. In the majority of economic activities and indicators, the central position of Bratislava is given prominence, followed by Košice, and, when evaluating the situation more comprehensively, these regions are followed by the counties with markedly developed and urbanized centres, i.e. Žilina, Banská Bystrica, Prešov, Trnava, Trenčín, and Nitra (current seats of regions). The central location of Bratislava, the country's capital, with its location directly on the borderline with the EU (along with the re-orientation of foreign-trade relations to the advanced market economies of the West) will be the decisive direction of the development impulses in the future. Hence, the centre – periphery relationship ought to be viewed in the light of the status of Bratislava as a centre of development immediately linked to the EU impulses and as a mediator of the impulses for the future development of other, notably marginal, counties of Slovakia. Therefore, some indicators, although enhancing marginality at first sight (e.g. a high share of foreign investments in Bratislava), ought to be viewed within the above development and time context (Buck, 1998).

At this point it should be noted that the extent and quality of available statistical data are vital for the determination of the extent and interpretative value of any regional analysis under the Slovak conditions. If the analysis of the regional development potential (economic, social, political, and the like) is to provide a sound basis for the formulation of a conclusion, it is necessary to supplement the quantitative computations with the processing of the so-called soft data, i.e. miscellaneous information that detail the situation in the individual Slovak regions.

3) Regional and rural development

In this chapter, the authors shall focus on regional policy as a targeted activity of the centre geared towards the solution of the abovementioned regional disparities: first, the focus will be placed on institutions and agencies that, within the framework of their agenda and powers, participate in the drafting

and implementation of the state regional policy (institutional framework effective prior to 1998), and, subsequently, concrete government instruments furthering regional and rural development in Slovakia will be addressed.

3.1 The institutional framework of regional policy

The 1997 concept of state regional policy spells out goals and their realisation via a system of concept and programme documents at the nationwide and regional levels. It is this core government document that has set up the institutional framework for the formulation and implementation of regional policy, and has proposed its modification to suit the use of the EU structural fund mechanism. Individual entities participate in the creation and implementation of economic policy as follows:

The government

- approves the Strategy of the Regional Development of Slovakia;
- approves the State Regional Policy Concept;
- approves the Concepts of the Socio-economic Development of Regions;
- approves the Criteria for the Evaluation, Approval, and Funding of Projects promoting regional development;
- approves Regional Support Programmes.

The Office for the Strategy of the Development of the Society, Science, and Technology (OSDSST, until 1999)

- coordinates the formulation and implementation of the state regional policy;
- elaborates the State Regional Policy Concept, the Regional Development Strategy, Regional Support Programmes; the drafts of legislative provisions for the implementation of regional policy; and criteria for the evaluation, approval, and funding of projects promoting regional development;
- issues methodological guidelines and rules, to guide the contents of the elaboration of concept and programme documents;
- provides methodological support to the activities of the regional development divisions and other sectoral relations at regional and county offices;
- initiates and organizes inter-regional and cross-border cooperation;

Ministries and other bodies of central state administration

- participate in the elaboration of the Regional Development Strategy and the Regional Support Programmes;

- within their powers and sectoral policies, comply with the goals and perform tasks established by the Regional Development Strategy;
- collaborate with regional authorities in the elaboration and implementation of the Concepts of the County and Regional Socio-economic Development;
- approve the Concepts of County and Regional Socio-economic Development.

Regional authorities

- elaborate the Concept of Regional Socio-economic Development;
- collaborate with ministries and other state administration bodies in the implementation of the State Regional Policy Concept;
- collaborate with regional and county authorities in the area of employment and labour market policies;
- participate in the elaboration of the Strategy of the Regional Development of Slovakia, taking into account the conditions in their region;
- monitor the socio-economic situation in their region;
- coordinate the planning and analytical activity of county authorities with other state bodies in the region;
- elaborate annual reports on the state and implementation of development goals within their respective territorial jurisdiction that are submitted to the OSDSSST.

County authorities

- elaborate the Programmes of the Socio-economic Development of the Counties;
- provide for the necessary background documentation and analyses essential for the elaboration of documents;
- monitor the socio-economic situation at the county level;
- collaborate with regional and county employment agencies in the area of employment and labour market policies;
- collaborate with communes in the implementation of goals and targets of the state regional policy.

Regional self-governments (not yet established)

- collaborate in the creation of the Concept of the Regional Socio-economic Development;
- elaborate regional development programmes and projects in collaboration with the local state administration bodies and communities;

- coordinate communes in addressing problems concerning several communes.

The National Regional Development Agency

Within the framework of the institutional infrastructure building, the Slovak government is preparing to establish the National Agency for Regional Development that will act as an umbrella institution for the EU structural and cohesion funds. The agency will form the core of a network of Regional Development Agencies (RDA) and will ensure the implementation of regional development priorities, assisted by PHARE funds. The principle of co-financing by the national government and the relevant local bodies will be accepted. In addition, the agency is to coordinate the PHARE programmes of cross-border cooperation (CBC, CREDO) and other horizontal (ECOS, OUVERTURE, PARTNERSHIP etc.) and sectoral programmes (support of small and medium-size enterprises, labour market, energy sector etc.). The agency will coordinate and support the elaboration of regional development studies and the preparation of individual projects.¹¹

3.2 Instruments of regional policy

By their types and influence, regional-political instruments may be broken down into four basic categories: financial incentives, information and counselling, infrastructure support, and administrative measures (Maier and Tödling, 1996). If the above classification is applied to the Slovak Republic, it may be stated that, among the instruments the regional policy, the first two types, i.e. financial and information-consultancy instruments are the most commonly used ones.

3.2.1 Financial incentives

In 1994, the government embarked on the National Program of the Support of Small and Medium-size Enterprise under the auspices of the Ministry of Economics. The funds are allocated from the state budget and other sources (i.e. PHARE, European Investment Bank, Slovak-American Enterprise Fund, EXIM Bank of Japan, and others). The programme is based upon Act No. 100/1995, and in 1994-1995 the Ministry ushered in financial support programmes with distinct regional implications as listed below:

- Loan programmes;
- State sectoral development contributory programmes (in coordination with the relevant ministry);
- Guarantee programmes;
- Other support funds and programmes (e.g. foreign credit lines).

¹¹ State Regional Policy Concept, 1997.

The Ministry of Economics of the Slovak Republic implements its programmes via:

- the National Agency for the Development of Small and Medium-size Enterprise (NADSME)
- the Slovak Guarantee and Development Bank and some Slovak commercial banks (Tatrabanka), the Czechoslovak Commercial Bank, the General Credit Bank (VUB), the Slovak Savings Bank, Po nobanka, and Istrobanka).

The Ministry of Finance allocates investment subsidies that help arrange the overall financial relationship between the state budget and local budgets. In addition, the Ministry provides territorial compensatory subsidies to local budgets.

The Ministry of Labour, Social Affairs, and the Family of the Slovak Republic takes regional specificities into account within the framework of labour market policy and through its network of district employment agencies. Until late 1996, the Employment Fund had been the source of funding these programmes, and in 1997, its tasks and powers were assumed by the National Labour Office (the current Fund administrator). Recently, the projects of public interest have become a significant part of the rural development assistance. This entails works of manual and administrative nature that need to be carried out in city offices and local non-governmental organisations supporting rural development. Of similar significance are programmes geared towards the provision of the so-called socially useful jobs that are largely used by small and medium-size companies in urban and rural areas.

The Ministry of the Environment has managed the Environmental State Fund since 1991. Its target group are local governments in towns and communities that may apply for assistance with environmental projects. This assistance is provided in the form of a subsidy covering a part of the financial needs in the relevant year, whereby other expenditures must be covered by the communities from their own sources, or, via a loan granted by the First Municipal Bank Inc., or other banks.

In March 1997 the government approved the Revitalisation Programme for Rural Areas (Resolution No. 222/1997). The responsibility for the programme was assumed by the Ministry of the Environment, and the Ministry of Agriculture co-implemented the programme. The Ministry of Agriculture uses subsidies, credits, loans and interest rate support as instruments to assist rural development. In addition to the system of agricultural subsidies there are five earmarked funds (legally independent of the Ministry) which assist rural development directly:

- The State Support Fund in Agriculture and Foodstuff Industry assists business entities in agriculture and the foodstuff industry, the environment, and the forest revitalisation. The assistance is rendered in the form of loans, guarantees and interest rate support. In 1996, the Fund

disposed of SKK 937.1 million, of which SKK 805.3 million were allocated for loans and SKK 131.1 million for guarantees.

- The Forestry Improvement Fund extends loans and furnishes guarantees to forest proprietors, for growing and environment-friendly activities in forest management. In 1994, the Fund had a volume of SKK 100 million, and in 1996, it was SKK 546 million.
- The Land Protection and Improvement Fund grants loans and furnishes guarantees on investments geared towards the land fertility improvement (amelioration, irrigation, etc.) The beneficiaries are owners of land and the amelioration equipment administrators (in 1994, the Fund disposed of SKK 200 million, in 1996, of SKK 156.8 million).
- The Guarantee Fund furnishes guarantees to small and medium-size enterprise in agriculture via the state Slovak Guarantee and Development Bank in Bratislava. In 1995, SKK 7.926 million were allocated to 32 projects; in 1996, SKK 150 million were allocated. The Fund activities are part of the Program of the SME Guarantees, and they are conducted in collaboration with the Ministry of Economics.
- The Water Management Fund has not yet been provided with any funding. According to its statutes, its activities are geared towards communes, notably for the building of water mains, water treatment plants, and sewage.

3.2.2 Information and consulting

In 1993, the National Agency for the Development of Small and Medium-size Enterprise (the NADSME) was established as a nationwide institution funded from the state budget, its main mission being institutional support of small and medium-size enterprises (SME). The NADSME collaborates with the Ministry of Economics and other sectoral ministries in drafting support programmes and creating framework conditions, including legislation. In this respect, it has a coordinating function. In addition, it also operates as an information centre for entrepreneurs, both locally and internationally, as an organizer of training and consulting programmes and as a coordinator of financial assistance. It too acts as the PHARE project task force for small and medium-size enterprise. Twice a year, the Agency submits reports to the Government on the development of SME.

In 1994, on the initiative of the Ministry for Economic Strategy, Regional Consulting and Information Centres (RCICs) were established in 38 districts of the Slovak Republic. A number of them were gradually transformed into business entities or were assigned to the NADSME. Currently, there are 13 RCICs operating in Slovakia, with five field offices and five Business and Innovation Centres (BICs).

The RCICs are non-profit organisations founded on regional initiative and in partnership with the public and private sectors as independent associations of legal entities (state administration, local government, regional entrepreneurs). In terms of funding, they are assisted by Slovak and foreign funds that provide

assistance to small and medium-size enterprises. The RCICs deliver comprehensive consulting, information, and training services to:

- entrepreneurs-beginners as founders of new small and medium-size businesses, notably the unemployed who wish to implement their business ideas;
- the existing small and medium-size enterprises that need to resolve their business problems or are interested in expanding the scope of their entrepreneurial activity.

BICs are independent legal entities organised as limited liability companies. In addition to the delivery of comprehensive services to entrepreneurs, their aim is to establish an entrepreneurial environment for companies with innovative business plans - a new product, service, or technology. The BICs provide long-term assistance for these companies (2–3-years incubation supervision). Through their activities, BICs enforce regional preferences.

The Government's Revitalisation Programme for Rural Areas is implemented by two agencies, i.e. the Slovak Environmental Agency based in Banská Bystrica, and the Rural Development Agency based in Nitra. The elaboration of the Community Revitalisation Programme is conducted via a facilitator, i.e. a person that compiles background documentation, organizes meetings with citizens, and acts as a liaison officer between the agencies and the local government.

The Rural Development Agency is a consulting institution. Among its major tasks is providing assistance to communities and entrepreneurs in communities in planning their development. In the initial stage (1995-1996), the agency gathered experiences in programming largely through contacts with its foreign partners. The rural areas programming procedures and methodologies of the Food and Agriculture Organisation and the experiences of LEADER II groups were the source of the agency methodology which the agency staff applied in pilot regions later on. This methodology has also become an official procedure in the drafting of the Community Revitalisation Program within the framework of the Rural Area Revitalisation Program (Tvrdová, 1998).

Furthermore, development agencies (currently, there are five district (okres) development agencies) are being established in problem regions. After the National Agency for the Regional Development of the Slovak Republic has been established, the idea is to set up regional development agencies, whereby the Regional Development Agency Inc., ilina is expected to transform itself into a regional development agency. As regards the existing county development agencies, their transformation into the field workplaces of regional development agencies is envisaged. The agencies' core activity would comprise the coordination of the setting-up of regional development projects, fund-raising in support of SME, regional mobilisation in the support fund raising (grants), the development of interregional and cross-border cooperation, attracting external investments (seed and venture capital), and the like.

3.3 Activation of local components and building a flexible infrastructure in the territory

In 1990, town and community local governments were incepted and a two-tier local state administration was established in the form of 38 counties (okresy) and 121 districts (obvody). It was the regional component of self-government that was non-existent in the system, since no territorial self-government body operated between city councils and the National Council of the Slovak Republic. A rather dramatic reform of the local state administration took place in 1996, which entailed switching to a two-tier system of 8 regions (kraje) and 79 counties (okresy). The envisaged Act on Regional Self-Government is to entrust regional self-government with tasks of regional development. To coordinate regional policy at the regional level, as early as 1991 regional socio-economic councils (the so-called regional tripartite bodies) began to emerge across the counties that were to operate as consulting bodies of the county office managers.¹² Their task was to provide a common platform for all the important players. Representatives of the (territorial and specialized) state administration, local government, leading industrial companies, financial institutions, academic community, trade unions, and the association of towns and communities of the relevant region participated in the councils.

Slovak municipalities have also declared their common interests and have started various associations within the framework of the state as well as within the framework of foreign aid and cooperation. In addition to nationwide organisations such as the Association of Towns and Municipalities of Slovakia and the Union of Towns and Municipalities of the Slovak Republic, since 1992 the municipalities have established fairly extensive regional associations (which included over 40 associations, for instance, in the Transmontane region (Záhorie), the Rye Island – itný ostrov, Liptov, Kysuce, Spiš regions, and also municipalities located in the proximity of a nuclear power plant, mayors of regional towns, and others).

Within the framework of inter-municipal cooperation, municipalities and their associations have elaborated numerous projects and come up with initiatives in which they actively participate, provide information and counselling to entrepreneurs in the area of rural tourism, or, agritourism (for instance, the Low Carpathian Wine Route), elaborate marketing offers for investors. Both formal and informal cooperation and coordination of the activities of city councils with local entrepreneurs, farmers, and the representatives of churches, voluntary associations, with regional chambers of commerce in larger towns (the Slovak Chamber of Commerce and Industry), the third sector (charitable organisations, for instance), and others, represent a new force of the regional bottom-up development. Towns and communities are increasingly involved in the realisation of the development by means of redistributed and own funds (local taxes and fees, share taxes, and lately, by issuing municipal bonds).

Lately, the significance of soft infrastructure in a territory has been growing. Among its most important elements are the existing regional development

¹² This was based on the Resolution No. 390/1991 of the government.

agencies (5), RCICs (13), and BICs (5), the regional offices of the Slovak Chamber of Commerce and Industry, regional and county employment agencies, regional branches and subbranches of banks and insurance companies, universities and scientific and research centres (including R&D workplaces within the framework of some companies), secondary technical schools, various professional associations, associations of communities, various agencies and foundations.

3.4 Conclusion

In the spirit of the 1991 Regional Policy Principles comparatively a wide range of regional and rural development tools have been gradually built up in Slovakia. However, their efficient application is impeded by deficiencies of financial, legislative, and institutional nature. Currently, regional policy is largely implemented via central bodies of the state administration (state sectoral programmes). The collaboration between the centre and the local government is only in its initial stage; this collaboration is carried out at a very slow pace and is facilitated via several pilot projects aided financially and expertwise from abroad.

Although the economic potential of regions is a clear precondition of their promising development, it is equally important to activate the endogenous development forces, the support network of various governmental, private, or, semi-private consulting and development agencies, particularly, dedicated local entities that prepare and implement this development as a long-term process, leaning on their individual understanding of the needs and potential of the respective region. Regional partnership and cooperation networks begin to emerge gradually.

4) Problem solving and opportunity seeking

There is a fairly wide-spread opinion across Europe that although the elimination of regional disparities is feasible only in the long term, regional policy should be implemented in a fashion that gives each region a chance. This is also one of the challenges the Slovak Republic must take into account in its EU integration efforts. Regional policy-makers in Slovakia will have to cope with problems and bottlenecks which may be subsumed under the heading “building the institutional infrastructure for regional development”.

4.1 Principles and goals of regional policy

The State Regional Policy Concept of Slovakia interprets regional policy as a “targeted influence of the government (at central, regional, and local levels) upon the dynamism and the development structure of regions and also the changes under the conditions and structure of the space arrangement of the national economy.” Regional policy ought to be geared towards the

establishment of the preconditions for an efficient use of resources and a harmonious arrangement of all the socio-economic functions of municipalities and regions, a balanced socio-economic development, environmental balance in a territory, and environmental protection.¹³

Basically, this is how regional policy is approached in the EU countries. A feature peculiar to regional policy in the transition countries of Central and Eastern Europe is the dilemma of preventing socio-economic backwardness of their regions with greatest adaptation problems while economy and society are themselves undergoing a process of transition. On this background, the Slovak Republic should especially observe the so-called operational principles of the EU regional policy and establish such mechanisms that will make the assistance of the EU structural and cohesion funds feasible in the future. This concerns the need to concentrate (pool) the funds of Slovak regional policy for the so-called problem regions (concentration principle) and the need to stretch out planning over several years and enhance concept-orientation (programming principle) in this area. In accordance with the EU practice, emphasis will have to be laid on devolution (decentralisation) in decision-making and assuming responsibilities (the principle of subsidiarity), including the co-financing requirement (the principle of complementarity), and also the cooperation with various parties in addressing regional problems (partnership principle).

The declared “Europeanisation” of the Slovak regional policy may also be viewed in the light of the above requirements. To some extent, the current shortage of funding and the insufficient institutional back-up of the regional policy instruments account for “the declarative nature” of the approved basic principles (cf. section 1.2.1). In addition, the principles of the Slovak Republic regional policy are very broadly conceived at the present, and for the time being, have not undergone the inevitable “operationalisation” process; this condition could result in problems with the EU structural fund integration into the Slovak Republic regional policy system. For instance, the concentration principle assumes a precise ex ante formulation of the so-called problem regions that are eligible for a concentrated structural support, which, despite several proposals, remains unresolved in the Slovak Republic.

4.2 Instruments of regional policy

Despite the fact that an autonomous regional policy is still in the process of formation, fairly extensive foundations have been laid for the development of a wide range of support instruments for regional and rural development. However, attention should also be paid to bottlenecks that hamper a more efficient implementation of the declared development plans in a territory.

The financial instruments of regional policy have been used to a limited extent. The government’s direct financial support to the regions ranges below 0.02 per cent of the GDP (in 1996 and 1997, it amounted to about SKK 100 million p.a.). About 80 per cent of all the funds (allocated in the General Treasury

¹³ State Regional Policy Concept, 1997.

Administration within the state budget) are directed towards the activities of the Regional Development Agency that operates in the Žilina region, and to problem counties that were identified by the government in the early years of transformation (cf. section 1.2.2). In the majority of cases, the decisive criterion for the allocation of the government support is a high unemployment rate which is also considered the main indicator of a low adaptation capacity of a county/region.¹⁴

As regards the instruments in the information and consultancy area, it may be said that the Regional Consulting and Information Centres and the Business and Innovation Centres operating since 1994 have had a positive impact upon the entrepreneurial environment of regions. However, RCICs and BICs operate in towns and their clientele is largely urban. They have only negligible impact upon the rural areas where entrepreneurial culture is either non-existent or lags behind the urban areas. The citizens lack information and institutions they could turn to and trust and that would help cultivate this trust (Tvrdoňová, 1998). An attempt to remedy the situation was the establishment of the enterprise support centres in the White Carpathian and Podhorie (Submontane) microregions which to cultivate enterprise awareness in rural areas. However, these institutions are only in their initial stage and it is too early to evaluate their activities.

4.3 Legislative and institutional frameworks of regional policy

The experiences of the OECD countries show that the structure of regional institutions is the crucial factor to decide on the effect of a region's responsiveness to the ongoing global structural changes (OECD, 1993). The quality of relations between the industry, the regional government and other institutions, such as universities and regional development agencies has a significant effect on the innovation processes in a region. Rigid organisational structures established within the framework of old and inefficient industrial branches, or in regions with a non-existing advanced industrial culture, lack innovative spirit and activity, which is especially true of peripheral (marginalized) regions. In the immediate and more distant future, these regions will become the beneficiaries of several concrete measures geared towards the improvement of the existing legislative, organisational, financial, and other mechanisms within the framework of the agreed pre-accession strategy.

4.3.1 Absence of core legislation

The drafting of the Regional Policy bill that is to become the fundamental (binding) legislative instrument of regional policy was commenced in 1995. To date, it has not been submitted to parliament and only its working version is available. This Act is intended to codify a systemic approach to regional policy

¹⁴ This indicator is also used in tripartite negotiations on economic and social policy: The General Agreement within the tripartite arrangement obliges the government to adopt adequate measures in those regions where the unemployment rate exceeds 20 per cent

and stipulate its goals, tools, territorial units as objects (beneficiaries) of support, and the institutional framework (i.e. authorized entities and organisational procedures).

For several years, the solution of other legislative issues concerning regional and rural development has been postponed. Local governments have not been given the decision-making powers they require if they are to develop cross-border partnerships and further cooperation within the Euro-region framework (Carpathian Euro-region and Tatro Euro-region), and the Slovak Republic has not yet participated the Europe Framework Agreement on Cross-border Cooperation. With respect to the plans of starting the so-called special economic zones (business and industrial zones, parks of science and technology etc.) that are frequently used as an effective mechanism to support territorial development abroad, not only the financial back-up of these projects but also legislation (tax and related legal norms) is missing.

4.3.2 A volatile institutional environment

Since 1991, numerous regional policy concept documents have been elaborated at the central level. From 1991 until 1998 the coordination and management of regional policy was under the responsibility of five institutions: The Ministry for Economic Strategy, the Government Council for Regional Development, the Government Council for the Economic Strategy of the Slovak Republic, the Centre for Strategic Studies, and the Office for the Strategy of the Development of the Society, Science, and Technology of the Slovak Republic. These continuous competence changes in the institutional system hamper the necessary continuity of regional policy efforts. Conceptual work on the Regional Policy Act, the establishment of the State Regional Development Fund, the Act on Regional Self-government, the setting up of a governmental regional policy research institute, the National Regional Development Agency etc. has started fairly long ago, however, the unclear and shifting distribution of powers for regional policy have caused too lengthy and counterproductive discussions.

4.3.3. Lack of communication and coordination

Currently, in addition to the Slovak government, ten bodies of the central state administration participate directly in the formulation and implementation of regional policy, and six state administration bodies as well as appr. ten other institutions linked to the state budget are indirectly involved. This fragmentation not only complicates the existing regional development cashflows, but under Slovak conditions, it may eventually become a serious impediment to drafting the programme documents (Operational Programmes, OP) for the using of the EU structural funds.

First and foremost, the OP is a political document that is among the basic tools of the enforcement of one's own interests vis-à-vis other parties applying for the financial support from public funds. Hence, the negotiation process calls

for team cooperation in the OP preparatory stage; this cooperation is based on pragmatic communication, understandable and transparent background documentation elaborated within an agreed deadline, and respect for the differing views of partners. Since both regional and sectoral OPs require extensive interdisciplinary cooperation, it is not possible that each ministry, office or institution drafts its own OP.

The current deficiency of communication and coordination that needs to be overcome in a step-by-step fashion is manifested in institutional relations, at the intersectoral (interministerial) level as well as in the relations of the centre with the lower levels of the public administration system in the Slovak Republic. At the intersectoral level, this is reflected in inadequate coordination and the isolation of regional policy from other horizontal policies (environmental, industrial, agricultural, and social policy). A good example of this are infrastructure projects that are currently under way (transportation and telecommunications) - these are being implemented within the industrial policy technological and funding framework without any particular regard for regional criteria and aspects.

Furthermore, despite the fact that the coordination of regional policy and territorial planning are clearly enshrined in the 1991 Regional Policy Principles and the 1997 State Regional Policy Concept, its persistent failure accounts for the fact that the sector is isolated in its drafting efforts and implementing the territorial development goals. For instance, regional development is assigned to the management and coordination of the Office for the Strategy of the Development of the Society, Science, and Technology of the Slovak Republic, rural development belongs to the Ministry of Agriculture, and territorial planning falls under the Ministry of the Environment. In this respect, the Czech Republic in which the interdependent subsystems of territorial development (i.e. regional economic policy and territorial planning) were integrated in the Ministry for Local Development serves as a good example.

One of the reasons for the present situation is the non-existence of regional self-government which is currently the main barrier to a full implementation of the subsidiarity principle in the relationship between the centre and the lower levels, and, eventually, a problem for the management of the envisaged EU structural support. The principles of subsidiarity and partnership can be optimally demonstrated and incorporated in regional-level decision-making processes like the elaboration of concept and programme documents, development projects and the support of local initiatives.

4.3.4 Disintegrated research and development base

In the initial stage of the transformation process, the capacity of regional policy to react to new challenges adequately and basically in the right direction was also facilitated by a good research and knowledge base (Bureš, 1998). Until late 1992, the Research Institute of Regional Planning had been in operation and, from 1996 onwards, it represented an expert base for the regional policy set-up in the Slovak Republic (it was abolished by an administrative decision

of Vladimír Mečiar's government); also, research workplaces have been operating at some institutions of higher education. The idea to re-establish a similar expert workplace has been considered since 1994, however, until now this goal has not been met (the OSDSSST which was to provide the framework for the workplace was closed down in late 1998).

In order to strengthen the development capacities, it is necessary to establish applied research centres and technology transfer centres that are intended to create the local technological base for companies operating in the relevant region. Local industrial branches must have access to readily available technical capacities. Although meeting this objective is unlikely in a short-term, development services will have to be provided to companies by local experts; geographic proximity and easy access to the technical facilities and the availability of consultancy services and information will have to become, more than ever, a commonplace.

4.3.5 An undeveloped training system for regional policy players

Under the current conditions of globalisation and regional integration, the planning and implementation of the regional development strategy calls for the adoption of such a methodology and skills that shift the programme document drafting and the goal implementation to the marketing and management areas. This requirement is topical especially in conjunction with the negotiation of the EU structural fund support (this is especially true of the so-called operational programmes - OPs). The quality of the negotiating team and the analytical materials an OP draws from are of paramount importance. Even an able negotiating team cannot fully defend the OP requirements without a solid background of arguments, and, naturally, inappropriately selected negotiators may even damage an OP that has been prepared with due care.

Viewed in this light, the training of all the regional policy players (meaning the state administration staff, local government staff, citizens, etc.) is crucial and at the same time the weakest link in the regional policy system in Slovakia. An improvement of the situation presupposes to monitor and evaluate systemically the required quantity, and, above all, quality of human resources in regional economies and also to adapt the higher education system in the spirit of these requirements. The higher education system of Slovakia is oriented towards general education rather than towards an intensive training of future top specialists. Although research shows that general training will continue to be a prerequisite of an efficient workforce, the experiences of many countries show that successful economies, as a rule, dispose of a developed system of technical training. In order to simultaneously meet the current and future needs of the local business sector especially in the marginal regions, a closer cooperation of affinity groups is necessary, i.e. managers, technical lecturers, specialized labour market agencies, and the like. The hitherto experiences in Slovakia indicate that in several cases new companies were established thanks to technical training arranged in this fashion.

Bibliography

- 1) Bu ek, M.: Regionálna politika a jej nástroje v období transformácie v Slovenskej republike (Politique régionale et ses outils dans la période de transformation en République Slovaque). *Región a verejná správa/Region et Administration Publique* 3/1998 (Magazine published within the collaboration of the Department of Regional Development and Geography at the Economic University, Bratislava, and Centre D'Economic Regionale, Université d'Aix-Marseille III, Aix en Provence, France).
- 2) Búšik, J.: Regionálna politika na Slovensku v 90. rokoch. (Regional Policy in Slovakia in the 1990s). Ministry of the Interior, the Public Administration Section, Bratislava, 1998.
- 3) Fal an, . – Gajdoš, P. – Pašiak, J.: Marginálne územia na Slovensku – história a sú asnos . (Marginal Territories in Slovakia, the Past and the Present). In: *Sociológia*, 1995, No 1-2.
- 4) Gedopen: Regionálna analýza vybraných demografických a hospodárskych ukazovateľov na území Slovenskej Republiky. (The Regional Analysis of the Selected Demographic and Economic Indicators in the Territory of the Slovak Republic). Bratislava, 1998. Unpublished.
- 5) Karász, P. et al.: Ekonomický potenciál regiónov Slovenska z aspektu rozvojových možností. (The Economic Potential of the Regions of Slovakia from the Viewpoint of Development Opportunities). The Institute of Prognostication of the Slovak Academy of Sciences and Friedrich Ebert Foundation, Bratislava, 1995.
- 6) Krivý, V.: Regióny Slovenska: východisková situácia a nedávny vývin. (The Regions of Slovakia: the Starting Point and Recent Development). In: Bútora, M. – Hun ík, P. (eds.): *Slovensko 1995. Executive summary of the state of the society*. Bratislava, Sándor Marái Foundation, 1996, p. 257-173.
- 7) Maier, G.-Tödling, F.: Regionálna a urbanistická ekonomika 2 (Regionálny rozvoj a regionálna politika). (Regional and Urban Economy 2 / Regional Development and Regional Policy). Elita, Bratislava, 1998.
- 8) Míkloš, I. – Ni anský, V. – árska, E.: Nový systém financovania samosprávy na Slovensku (A New System of the Self-government Funding in Slovakia). M.E.S.A. 10, Bratislava, 1996.
- 9) Ochotnický, P.: Regionalizovaná štruktúrna politika (Regionalized Structural Policy). *Trend*, 1995, No. 24.
- 10) Territorial Development and Structural Change (A New Perspective on Adjustment and Reform). Local Initiatives for Employment Creation, OECD, Paris, 1993.
- 11) Tvrdo ová, J.: Aspekty rozvoja vidieka na Slovensku. The Aspects of the Rural Development in Slovakia. (In: Proceedings of the international symposium Rural Development and the Rural Population Issues organized within the framework of the 15th Agrofilm '98, Nitra, on October 7-8, 1998, under the auspices of the Research Institute of Economy in Agriculture and Foodstuff Industry).

Publications of the Statistics Office of the Slovak Republic:

1993 selected data on the Slovak Regions. Bratislava, Statistics Office S.R., 1994.

1994 selected data on the Slovak regions. Bratislava, Statistics Office S.R., 1995.

1995 selected data on the Slovak regions. Bratislava, Statistics Office S.R., 1996.

1996 selected data on the Slovak regions. Bratislava, Statistics Office S.R., 1997.

1997 selected data on the Slovak regions. Bratislava, Statistics Office S.R., 1998.

Newsletter of the Statistics Office of the Slovak Republic No. 5/1998. Bratislava, Statistics Office, 1998.

Selected indicators of research and development organisations in the Slovak Republic, in 1997. Bratislava, Statistics Office S.R., 1998.

Official documents related to regional policy:

Resolution of the government of the Slovak Republic No. 390/1991 on the Principles of the Regional Economic Policy.

Regional policy of the government of the Slovak Republic Bratislava, the Centre for Strategic Studies, 1994.

Draft of the state regional policy concept. Bratislava, Office for the Strategy of the Development of the Society, Science, and Technology of the s.R., 1997.

Draft of the strategy of the regional development in the Slovak Republic Bratislava, OSDSST Slovak Republic, 1998.

The Rural Development Concept in the Slovak Republic Bratislava, the Ministry of Agriculture, 1998.

