

Regional Development of the Czech Republic in the Period 2014 – 2020: Consistency and Tasks

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Abstract

The involvement of the Czech Republic into integration processes has created appropriate conditions for strengthening the economic growth and thereby the increase of the economic level of the country, but also of individual regions. In this paper, the proposal of key challenges for the regional development in relation to the European Union is presented, not only for 2014-2020, but also the following period. Other presented proposals may help to improve the consistency of cohesion policy and regional development strategies in the country

Key words: Regional strategy in the Czech Republic, regional development, cohesion policy EU.

JEL Classification: R11

1 Introduction

In the past 25 years, particularly after our country's joining the EU, significant changes have occurred, including in the regional context. Regional development has then become one of the basic priorities of government policy, although appreciation for the economic development of regions at the central level has been growing slowly over time. Therefore, several questions arise:

1) How are basic strategic objectives of regional development presented in different documents being met in the current history of the Czech Republic and periodically updated, i.e. in the Regional Development Strategy of the Czech Republic (RDS CR), National Strategic Reference Framework (NSRF)?

2) Has there been a regional growth and mutual convergence at a national level as well as in relation to EU regions? Majority of the objectives of the regional development in the Czech Republic set out in strategic development documents have been and are gradually, although unevenly, met through operational programs. The economic crisis has selectively impacted on the accomplishment of the objectives.

First, a question must be asked – what are the implications of the EU membership for the Czech Republic and its regions?

Generally, it can be stated that the involvement of the Czech Republic into the integration process has created some favourable conditions for strengthening the economic growth and thereby increasing the economic position of not only the country but also of individual regions. Economic and social cohesion policy plays a specific role in this process. (Wokoun R. a kol., 2007; Wokoun, 2007)

In the past programming periods (2004-2006, 2007 - 2013; The National Development Plan of the Czech Republic 2007 – 2013) the Czech Republic was and in this programming period it still is entitled to receive funds for strengthening the economic and social cohesion. The rate and effectiveness of their utilisation, however, remain a key question in this context. Macroeconomic and regional processes must be taken into accounts which have influenced the possibilities of real take-up of funds for particular regions.

Therefore, we must take interest in this fact particularly with respect to the future development. The national economic policy can be considered as the decisive factor to influence the ability of the Czech Republic to align economically with currently developed EU member states (Wokoun R., 2011-[6]). In the case of regional disparities, regional policy will have to play a key role (World Economic Forum-WEF, 2011).

2 The Proposal of Key Tasks for the Regional Development of the Czech Republic in Relation to the European Union for Years 2014 – 2020

Each regional strategy, municipality, town and regional development programme, and regional part of operational programs in particular, should be primarily oriented at achieving a dynamic or even acceleration development trajectory by 2020 or in the longer term. At the same time, the regional strategy formulated in this spirit should fully respect the starting principles of the Czech regional policy and individual sector policies. Both these requirements must obviously govern the internal structure of the regional strategy content and related documents. (Wokoun R., Malinovský J. a kol., 2008; Wokoun R., 2008).

The following key tasks for strategic documents of the regional development can be proposed in these terms based on inductive, deductive, comparative and analytic methods and approaches (Wokoun R., 2008; Wokoun R., 2011-[7]):

- complete structural changes, supporting rural and traditional industrial regions in their efforts to adapt to these changes,
- promote cross-border cooperation in border area,
- complete the accessibility of the Czech regions to the European transport network, new orientation of transport networks, improve the connection to the states of the Western, Central and Eastern Europe favouring environmentally friendly modes of transport
- increase education level in regions, promote modern approaches to education and obtaining skills,
- create a system to implement innovations and transfer know-how into the practice,
- comprehensive support to SMEs with the aim of increasing regional competitiveness,

- reduce regional unemployment differences by promoting entrepreneurship in regions with high unemployment rates, increase employment rate particularly in persons endangered by social exclusion in concerned regions.

In the pursuit of the Community's strategic aspirations and objectives of the economic and regional development of the Czech Republic, the following priorities can be set (Wokoun R., 2011-[7]):

- Regional competitiveness and innovation: these shouldn't be limited only to technology but they should cover all activities, including educational, social and regional sphere. Aid should be available to the fields of entrepreneurship, research and development centres and SMEs.
- Regional attractiveness and quality of the location with a focus on the development of business activities and locations, logistics, improvement of transport infrastructure and risk prevention.
- Flexibility and competence of workers with a focus on skills and competence in innovative economy, lifelong learning and availability of jobs to the unemployed, particularly to the elderly, women and handicapped persons.
- Territorial cooperation should be applied to all aforementioned priorities
- Horizontal priority – promotion of learning and innovation capacities of the regions to increase the education level and skills of their population.

Then, the Community interventions could increase the competitiveness (Wokoun R., 2008):

- firstly, of the entire Czech Republic,
- secondly and particularly of all its regions.

That may be achieved by boosting knowledge base and business innovation, promoting research and development, balanced development, improving accessibility of regions and promoting employment. The Czech Republic should develop research and innovations, with emphasis available resources from the structural funds.

3 Proposals for Enhancing the Consistency of Cohesion Policy and Strategy of Regional Development in the Czech Republic

The fundamental problem the Czech Republic and its regional development face in relation to the EU cohesion policy for years 2014 – 2020 will probably lie in the inconsistency due to a slow, although documented, regional convergence between Czech and EU regions at the socioeconomic level, namely at the NUTS 2 level.

The Czech Republic should strive for (Wokoun R., 2008):

- 1) Improving education and skills of workers. Activities with higher added value can increase demand for skilled labour which may impact on the pace of adopting new technologies. This may significantly contribute to reducing productivity disparities.

However, regions should gradually re-focus on creating more job opportunities in services sector, particularly those which do not require a high level of education. The regions with intensive agriculture should continue modernizing the sector of agriculture including forestry and fishery.

As industrial production is in principal a very important sector in the Czech and Moravian regions, it is necessary that the cohesion policy enable/promote a significant reorientation of the industry toward highly productive activities and products with high added value with the aim of preventing specialisation in such industrial sectors that are particularly exposed to unscrupulous and merciless international competition and which only have a limited growth prospects.

Infrastructure is perhaps the costliest aid sector, particularly the transport and environmental one. Cohesion regions as well as the Czech Republic as a whole should primarily focus on promoting reconstruction and further development of road network and waste disposal.

Tourism should become an area of intense interest, with particular emphasis on its quality enhancement in appropriate regions.

- 2) Important support given to regional growth centres, as high level of productivity may increase regional competitiveness not only within the EU but also in relation to other European and third countries. This high productivity should be supported by investments into research and development. However, it must be mentioned that in order to maintain their global competitive edge these regions must succeed in the competition with other global players who have invested into research, development and education even more. Therefore, promoting even higher investments in innovation and human capital is essential, which may lead over time to fulfilling the Lisbon Strategy.

The mentioned discussion issues need to be taken into account appropriately in drafting strategic development documents for the CR (Wokoun R., 2011-[8]).

4 Preliminary Summary and Recommendations

Taking into account inter-relationship between national regional developments strategies, policies and programmes, recommendations can be proposed for the following areas (Wokoun R., 2011-[9]):

- Conceptual and system cooperation – in their programmes, regions and departments should explicitly establish links with the objectives and regional development priorities of the CR.
- Thematic integration – regions and departments should clearly state their support to regions with focused state support. Further, thematic integration of department and regional subsidy schemes.

For fulfilling the aforementioned recommendations the following concrete measures can be proposed (Wokoun R., 2011-[9]):

It would be appropriate to formulate action plans for shorter periods within strategic documents like RDS CR, as current needs in different regions often change quickly and the regions subsequently fail for different reasons to reflect the RDS CR as a whole. This can be achieved, for example by creating central methodical tool which would enable establishing quantitative and qualitative link with the SRR CR (similar concept used in programmes financed by the SF) or through methodical cooperation between the Ministry of Regional Development , individual departments, regions and municipalities at a higher level.

Regional strategies and programmes fulfil the objectives of the Regional Development Strategy of the Czech Republic (RDS CR), although regional concepts and strategies often fail to define it explicitly. The most serious finding in terms of interconnectedness of government policies, particularly regional policies and RDS with regional programmes and strategies is that there is hardly any link between concrete financial allocations to regions with focused state support and regions. This fact is, even with the maximum respect for regional self-government, alarming and it will have to be taken into account in the future so as to enable a closer interconnection of priority domains in regional programmes and strategies with the RDS. Regional specifics will have to be taken into account and their implementation considered to the RDS at a degree which is relevant to the national level.

To improve the situation in terms of assessment as well as meeting objectives of regional development, it would be appropriate to meet the conditions (Wokoun R., 2011-[9]):

- the regions will clearly interconnect their strategies, or programmes with priority areas/ RDS CR priorities;
- periods of regional development strategy application will be comparable/identical to those of RDS CR;
- the regions will assess impacts of interventions not only in the light of results but also impacts, particularly in approaching microregional and inter-regional specifics.

5 Conclusions

In overall, we can summarize some basic findings, recommendations and formulate certain questions. The fundamental question is: To which areas should the resources from the Cohesion Fund be primarily allocated in the period from 2014 with regard to the needs of the Czech Republic (transport infrastructure, education, research and development, industry) to increase the competitiveness of the country and its regions, particularly with respect to drafting the RDS CR and/or sector development documents?

After 2014, the Czech Republic should focus its major efforts on harmonious development of the entire country and individual regions (cohesion regions) and to invest as much as possible depending on EU aid areas to (Wokoun R., 2011-[10]):

- human resources;
- research and development;
- knowledge economy promotion;
- developing physical infrastructure (such as transport in particular) as the infrastructure is a necessary pre-requisite for the development of all other projects.

The following objectives should constitute core elements for drafting strategic documents including updating the RDS CR with respect to its consistency with the future of cohesion policy (Wokoun R., 2011-[10]):

- promoting innovations and new technologies in compliance with theses and elements of the Lisbon Strategy based on a better cooperation between universities, between universities and science and research institutions, across academic, public and business

sector, within private business sector, etc., including the exchange of information and know-how;

- interconnection of infrastructure (i.e. enhancing road, railway, air transport and shipping, developing municipal/urban infrastructure – water treatment plants, sewage system, waste, environment and other – these should include “hard” infrastructure projects),
- interconnection of business and investments between different regions (regions and microregions) and areas (i.e. joint financing of some projects from EU funds and national funds at regional or local level) ;
- creation of new job opportunities/employment policy
- sustainable territorial development (including strengthening cooperation between entities involved in these projects) ;
- Urban and rural area networking, including concentration and coordination of tools of policies concerning the territorial development with the aim of improving synergies of mutual links between urban and rural areas.

When formulating strategic development documents, particularly the RDS CR, a more efficient coordination on territorial cohesion and urban development policy issues needs to be driven forward. At the same time, analyses and opportunities of expected EU development areas need to be taken into account, that is to say that urbanized regions are not only current but also future drivers of regional development though suffering from certain weaknesses. Firstly, these include unfinished transformation of regional and local economies, secondly, a deteriorating demographic, a in some towns also social situation, thirdly, a complex and less-than-adequate transport infrastructure and fourthly, not quite sufficient environmental infrastructure (the sewage system and wastewater treatment plants in particular)

Regeneration of the centres of growth (some 20-30 most important Czech towns) needs to be highlighted in strategic development documents of the Czech Republic. An increased attention should be paid to these centres of growth as the multiplier effect will become evident not only in their immediate urban vicinity but also in wider background including rural area. It is appropriate to support this positive impact of big cities and larger towns with suitable measures in the future.

Potential risks arising from the orientation of cohesion policy towards progressive areas will not necessarily result on a European scale in streamlining funds to rich regions of Europe. It is a matter of fact that cohesion policy will apparently hold on to its orientation towards supporting weaker regions, which is of the main principles and objectives of this policy. Therefore, there is practically no worry (or perhaps only a very slight concern) that funds will be diverted away from the territory of the Czech Republic. The question of benefits for the Czech Republic is thus clear – aid will also be provided within the RDS CR to the regions which will be leaving the group of the weakest regions over time and which generate the highest revenue and account for the largest contribution to the GDP. The aid provided to lagging and structurally affected regions (which is the main cohesion policy objective) will thus remain in place, which is necessary also in a wider intellectually-political context of the EU functioning. In this respect it should be noted that cohesion policy is not expected to be abolished after 2020. The Czech Republic can thus significantly participate in cohesion policy, that is to say to draw down funds for the development of weak regions as well as centres and regions of growth in the long-term (Wokoun R., 2011-[10]).

A question arises: what would be the most effective individual objective weight setting in order to obtain the optimum uptake from structural and cohesion funds after 2014 or even after 2020 with regard to total volume of funds available for cohesion policy in the EU budget. With regard to materials dealing with similar issues, particularly the following recommendations can be made for drafting documents like RDS CR (Wokoun R., 2011-[10]):

- 1) Completion of transport infrastructure, especially highway network, high-speed roads and rail corridors, and important regional roads in regions

Recommended allocation: 30% of funds

- 2) Improving the quality of environmental infrastructure, particularly that of sewage network and wastewater treatment plants. Waste disposal and treatment of old environmental burdens to a lesser extent.

Recommended allocation: 20% of funds

- 3) Promotion of SMEs, particularly with respect to innovations, transfer of know-how, cooperation among universities, science and research institutions on one side and commercial sector on the other.

Recommended allocation: 20% of funds.

- 4) Promotion of education and worker skills with a focus on innovation-oriented economy and lifelong education. This includes mainly support to universities, development of their research and development potential in the link to study programmes and also, to a smaller extent, vocational education, that is to say the improvement of the quality of apprenticeship and its continuation. In this area both investment and so called “soft” projects are considered. In essence, it means supporting the development of the main knowledge economy base, learning regions, in compliance with the objectives of the Lisbon Strategy

Recommended allocation: 10% of funds.

- 5) Addressing employment issues, unemployment, social exclusion, discrimination and equality of opportunities.

Recommended allocation: 14% of funds.

- 6) Cross-border cooperation

Recommended allocation: 3% of funds

- 7) Other unspecified support.

Recommended allocation: 3% of funds

The initial question concerning the effectiveness of individual objective weight setting, e.g. for the purpose of updating the RDS CR, can be thereby considered as answered.

Nevertheless, a more complex reflection and perhaps also analysis for regional and sector development document purposes like for the Strategy of the Regional Development of the Czech Republic, with regards to already mentioned current global financial and economic problems and their impacts on the whole Czech Republic and particularly to its individual regions. Despite widespread reassurance about small influence of external turbulences on the Czech economy, impacts can be assumed varying from region to region which need to be assessed and incorporated, if possible, to the updated RDS CR.

A number of EU and Czech documents indicate the benefits of cohesion policy for the development of the country and its regions, as the principle additionality, i.e. co-financing, is

beneficial to the Czech Republic, even despite considerable payments into the common EU budget. From the Czech Republic's point of view, cohesion policy should remain in place in the future as the Czech Republic will make payments into the common EU budget and cohesion policy will enable systematic development of certain progressive sectors in long-term and particularly weak regions in compliance with European and global trends – transfer of know-how, interconnection of research and business sector for the purpose of implementing innovations, systematic development of infrastructure and its linking to European systems, development of human resources, and particularly interconnection of academic and business sectors, etc.

It's only in the case of the Czech Republic leaving the EU that reduction can be considered of the transfer of resources outside the Czech national budget, we are not speaking about absolute cessation of payments for cohesion policy indeed, as the Czech Republic would continue to be a part of at least some European structures even after its separation from the EU and continue to profit from, for example, membership in the European Economic Area or the Schengen system while enjoying certain advantages of not only political character but particularly positive economic effects. In this context, we can mention the contributions of non-EU countries, like Norway or Switzerland (Switzerland is yet not even a member of the European Economic Area) to the EU cohesion policy (Wokoun R., 2011-[10]).

Should there be an opinion shift on regional aid, any significant new change needs to be incorporated into strategic documents, including the Regional Development Strategy of the Czech Republic while maintaining the necessary continuity of the Czech regional policy. Essentially, support should be given to long-term objectives like enhancement of competitiveness of the Czech regions, particularly to help them better adapt to structural and global changes, and of the environment including transport infrastructure with emphasis on employment.

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Work experience

2011 - 2015: J. E. Purkyne University in Ústí nad Labem: the rector – management of the university, research and teaching activities

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Specialization

Regional competitiveness, regional development, socio-economic geography, impacts of economic recession on regions, strategic planning of regions, municipalities and central government, regional policy of the EU and the Czech Republic.

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