

DOKTORAL (PhD) DISSERTATION THESES

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**THE EFFECT OF REGIONAL POLICY
ON THE WEST PANNON REGION**

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1. PRELIMINARIES AND OBJECTIVES OF THE STUDY

I have been engaged in budget planning for small settlements as well as directing and supervising their development planning for nearly half a decade, which provided me with gaining significant professional experience. I have been on the financial committee of the town council of Zalaegerszeg for about seven years. As a committee member, I often participated in the meetings of the regional development board of the county and I also took part in the elaboration of regional and county developmental plans, settlement development plans concerning the town, and I gave expert opinion on them as well.

At the collage I have been a supervisor of research related to theses on regional and settlement development as well as on the local government. I have gained experience regarding several micro-regions of Zala County in connection with these tasks. All these backgrounds motivated me to choose the study of regional and settlement development as the subject of my dissertation.

I defined the following objectives in my research:

1. Studying the mechanism of regional development planning, and the contents and functions of the plans of different levels and duration, and how they are based on each other in county, micro-region, and settlement levels.
2. Analysing the funding conditions of regional and settlement development plans, with special regard to presenting the volume and the course of changes regarding the domestic decentralised sources, the accumulation sources of local governments, and the European Union subsidisation.
3. Analysing the settlement development subsidisation and source acquisition ability of different settlements, regarding their legal status, size and level of development.

I complete the following tasks in order to realize the aims mentioned above:

1. I look over and evaluate the practical questions and experiences of regional development planning in West Transdanubia, Zala County, the micro-regions of the county, and the settlements of Zalaegerszeg, Zalakaros, and Csesztreg (as a “city”, a small town and a small village that falls into the “ÖNHIKI” category – meaning disadvantaged through no fault of its own).

I look for the answers to the following questions:

- a) How regional development is carried out, which organisations (boards) form and approve long-term concepts and medium-term programmes, and to what extent the principle of partnership predominate during the process of planning.
 - b) What the functions of the different types of plans are, how the plans are founded on each other, how the lower level plans match the higher level ones.
 - c) How the assertion of regional (regional, county, and micro-regional) and settlement interests takes place, regarding plans of different levels.
- 2) I introduce the resource system of regional and settlement development, and within it I analyse the functioning of the European Union subsidisation and the domestic subsidisation system.
 - 3) I study the course of the domestic decentralised regional development subsidies on regional, county, micro-regional, and settlement level between 1996 and 2008; moreover, I evaluate the experiences regarding the functioning of the tendering and subsidisation system. I also examine the same subject concerning the EU subsidisation.
 - 4) I present the regional development resources of the local governments on the basis of budget analyses regarding the settlements of Zalaegerszeg, Zalakaros, and Csesztreg with special regard to the course of the accumulation income in the budget. Analysing the development possibilities of small settlements I will take into consideration data of Felsőrajk and

Zalacséb. Here I also mention to what extent the development positions of the settlements of different sizes and development levels are influenced by their resource requirements in connection with carrying out compulsory and voluntarily undertaken tasks, as well as the chances of ‘producing’ their own funds for tenders.

2. MATERIAL AND METHOD

The structure of the dissertation follows the Rules and Regulation of the Doctoral Training set by Kaposvár University. The studies in the field of regional development are related to Zala County and nine micro-regions. I present the most significant characteristics of settlement development and its relation to regional development on the basis of development plans, subsidisation sources, budget fulfilment data, and depth interviews regarding three settlements with different sizes and functions (county town: Zalaegerszeg, small town: Zalakaros, village: Csesztreg).

I base the research on secondary and primary sources. Within the secondary research I collate the target systems of the first and second National Regional Development Concept and the regional development concepts of the West Pannon Region and Zala County. I study the harmony between targets including the first and second National Regional Development Concept as well.

The data of national regional development subsidies of more than a decade come from the website of the Ministry of National Development. The data sources behind them are: the database of Hungarian State Treasury between 1996 and 2006, and the databases of regional development agencies from 2007 to 2008.

For statistical analysis I used data from official publications and from the data bank of the Hungarian Central Statistical Office. Data concerning tenders and awarded subsidies are obtained from the Internet (www.emir.nfu.hu; www.ngm.gov.hu; www.westpa.hu), from the publication, titled ‘Nyugat-dunántúli Régió – Múlt, Jelen, Jövő’ (‘West Pannon Region – Past, Present, Future’) published by the West Transdanubian Regional Development Council and Regional Development Agency, as well as from their other documents.

For analysing settlement development, I used data from budgetary reports of three settlements. I carried out my own data collection to obtain the data.

To establish the subject composition even better, I added ‘first hand’ data and information to the secondary sources (by collecting, systematizing, processing, etc. the available data, studies, and information that are related to the subject matter). For this reason I conducted primary research, carrying out depth interviews with leading officials working for local governments of settlements in the field of settlement and regional development, as well as with the officials of the Regional Development Council of Zala County and the West Transdanubian Regional Development Agency. Furthermore, I collected information on economic events and processes behind certain budget data from the financial director of the local government of Lenti.

3. RESULTS AND EVALUATION

3.1. The regional and settlement development plans

In this chapter I present and evaluate the regional development concepts and midterm development programmes (18 plans and programmes altogether) that have been carried out since the introduction of the Act on Regional Development (1996) concerning West Transdanubia, Zala County, micro-regions of the county and three settlements (Zalaegerszeg, Zalakaros, Csesztreg). When analysing development possibilities of Csesztreg as a small settlement, I also consider data of Felsőrajk and Zalacséb, while examining development conditions of Zalakaros, I touch upon development position of another town, Lenti, having medicinal water as a treasure. The main guidelines of the study are the following: the content of the plans, how they were built on each other, the harmony of the lower level plans with the higher level ones (e.g. with the National Regional Development Concept – OTK- as well as with the first and second National Development Plans -NFT).

In the West Pannon Region two regional development concepts were made after 1996.

In *the first concept* (1998-2013) it can be regarded positive that building from lower level prevailed during planning, and development plans of the counties of the region and several micro-regions were used when preparing the concept. The development directions (economic, human and technical infrastructure development) of the first National Regional Development Concept – OTK – regarding West Transdanubia were taken into account entirely during planning, and they were completed with the own aims of the region (e.g. environment protection, rural development).

Working out *the second concept* for 2007-2020 was also helped by the fact that the new OTK in 2005 had drawn up the major regional aims for West Transdanubia, which – according to the sense – were built in the regional development plan of the region. The second concept visualised a new frame of the future, a so-called ‘green future region’ instead of the earlier one (‘regional equalization and environmentally sound economic change of structure’). It also differs from the previous one in the fact that it shares the development directions between different regional levels and marks particular goals in order to reach the future prospects.

There were also two concepts prepared in **Zala County** after 1996. *The first concept (1996-2010)* can be characterized on one hand by arranging the local (micro-regional) conditions and claims coming from lower levels, and on the other hand by building in the higher aspects (regional, sectoral). The future prospect of the county deduced from the one of the region is the ‘environmentally sound economic restructuring and regional equalization’. The long-term strategic aims of the concept contain the tasks arising out of characteristics of the county (e.g. industrial restructuring, increase of population retaining capability of micro-regions, renewed energy), while the mid-term aims highlight the quantitative completion of deficiencies (development of technical infrastructure). The worth of the concept is the consideration of the regional level development aims, furthermore, the attitude being different from the previous times, according to which it attempted to determine the development of the county by harmonizing the local, county, regional and national sectoral concepts. Notwithstanding the positive marks, the county concept can rather be regarded as a programme, not a strategy, as it determines tasks in great detail for almost every element of the regional system and does not form focal points.

The second concept of the county (2007-2020) visualises a new frame of the future with the title ‘the renewed green county of the future’. Amongst the long-

term aims of it important challenges occur such as economic development, retaining and obtaining the well-qualified workforce, getting the disadvantaged micro-regions closed up and improving the life chances of small villages.

Concepts of micro-regions before 2004 were made on 'ad hoc' basis. In most of the cases the planning was motivated by not the strive to create a development harmony, but by the fact that the existence of the plan had been governed as a condition of the resource acquisition of the tender. Preparing concepts of micro-regions has been characterized from the beginning by building from lower levels and systemizing the settlement plans. The determining forces in marking the goals were the local governments and the enterprises lobbying well, while the role of the population was minimal.

A characteristic feature of the micro-region concepts is that the objectives of them are very general, in several cases it means that they take over the national objectives literally, consequently, the development strives being adjusted to local conditions cannot really be apparent. We can mention also as a negative trait that weighting of the goals does not occur, while several goals and overwhelming circumstantialities are characteristic of them.

The research of *settlement level planning* covered Zalaegerszeg, Zalakaros and Csesztreg. *In concept of Zalaegerszeg (2007-2020)* it was highlighted that liveability of the city, competitiveness and sustainability should be guaranteed for a long term in order to be able to compete. It is a remarkable fact of the concept that the designers and the leaders of the city recognized the following: the harmonious development of the city can only be realized together with the agglomeration of it, in which both civil and competitive sectors should take part in.

Future prospect of *the concept of Zalakaros (2000-2010)* is: to obtain the role of a high-standard health resort and become the multifunction centre of the micro-region. The town development plan conforms to the county regional

development concept and to the development ideas of the settlements of the region.

Village of Csesztreg having minor development notions did not deem it necessary to prepare a concept in the studied period.

The *mid-term regional development programmes* of different levels are built on own and higher level concepts with outlook of the national plans as well. It can also be mentioned of these programmes that they set a lot of objectives and the focal points are not marked.

The programme of the region for 2000-2006 was harmonized in content with the target areas of Structural Funds, which made possible to employ the Pre-Accession Funds, and then the Structural Funds and different domestic resources. In the region there were two programmes made for the period of 2007-2013. One of them is a *comprehensive development programme* containing numerous objectives regardless the form of financing. The other one is a *regional operative programme (West Pannon Operative Programme - NYDOP)*, which contains only the programmes that can be realized by subsidy of the EU allocated on a regional level. It is already an independent regional programme, planning of which the counties and micro-regions were initiated in much more than in the foregoing.

In *Zala County* there were three regional development programmes made following 1998. The backbone of *the programme for 1998-2003* mainly contained sectoral developments, so the objectives of it were of sectoral and less regional character. Modernization of the programme was realized in the frame of *the renewed regional development strategy and mid-term programme of the county (2002-2006)*, which rendered possible to be adjusted to the National Development Plan I (NFT I.) and the regional development programme of 2000-2006 of the region. The time span of the *programme of 2007-2013 of the county* coincided with seven-year budget period of the EU and the planning period of the NYDOP. This coincidence made possible that the county needs would

incorporate in the NYDOP and through it they would appear in the New Hungary Development Plan (ÚMFT).

The *regional development programmes of the micro-regions of Zala County* before 2004 contained the development elements of the settlements that could be integrated with the regional programmes. For the 2007-2013 period ‘micro-regional integrated project packets’ were carried out covering all the micro-regions of the region adopting common principles and methods, which can be considered practically as micro-regional programmes. Their objectives were to serve as a base for the plans of the region (and the county) for 2007-2013. However, these programmes were not complex, as they only focused on some fields of the regional development (such as economy, infrastructure, tourism, public utility services).

Working out *settlement development programmes* in Zala County was not preceded by concept making in all cases.

Development plans *in Zalaegerszeg between 1996 and 2006* meant the *two economic programmes* in connection with the electoral rounds. The function of the first one was ‘positioning’ of the city through joining in the international and inland division of labour, while the second one was more elaborate and defined aims well-based with projects.

The further development strategies and programmes of the city were carried out within the framework of a programme system called ‘Partnership 2007-2013’. It was an original and common programming method, within the scope of which the concepts for 2007-2020 and the mid-term programmes for 2007-2013 were made regarding all the five towns of county rank and the micro-regions of them (consequently, Zalaegerszeg and the micro-region of it as well).

The mid-term programme (2007-2013) of Zalaegerszeg builds on the relative stretching force of the city (small and middle-sized entrepreneurships, thermal water, natural and environmental values, favourable geographical situation).

Development strives of the region are kept to the fore and in the sphere of economic development the possibilities hiding in the micro-regional partnership and co-operation of the local governments are utilized. Besides, the programme harmonizes national, regional and county development notions.

Conceptional aims of *Zalakaros* for 2000-2010 were concretized in two mid-term economic programmes. The objectives of the programmes were determined by touristy conditions, with which the necessary projects were associated well. The realization order of them varied according to the subvention intensity; however, the aims were not modified.

Settlement development objectives in *Csesztreg* following 1996 were also expressed in two economic programmes. For 2002-2006 the improvement of economic, environmental conditions and the quality of life (e.g. renovation of drinking water means, treatment of waste) were planned, though realization of which was justified because of the pressing necessities of the population, but the economic development fell into the background. The programme for 2007-2014 put the reinforcement of economic potential in the centre, and as a micro-regional centre it aimed to help the neighbouring settlements with reducing the concern of employment through economic improvement.

During planning they endeavoured to act in the spirit of partnership on all sectoral levels and initiate the persons and organizations involved in the development into different phases of the planning. However, the ‘socializing’ was often formal, which sometimes was thanked to impartiality of the population.

3.2. Financing of the developments

I extend the analysis of financing of regional development to national decentralized resources, as well as financial resources of the National Development Plan I (NFT I.) and the New Hungary Development Plan (ÚMFT), (*Fig. 1*).

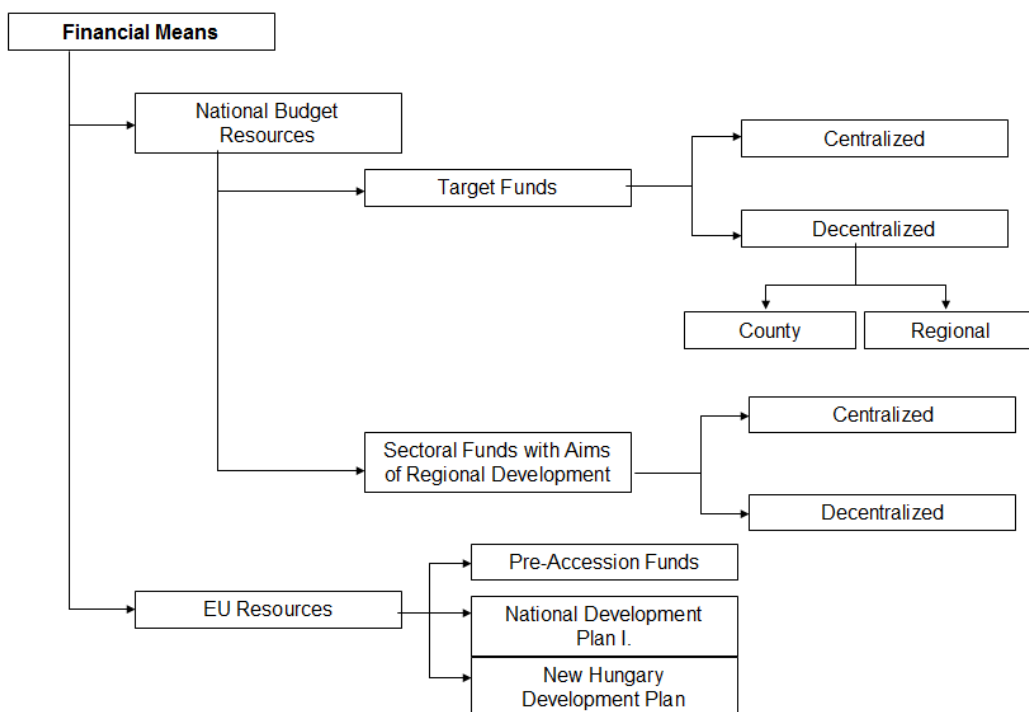


Fig. 1: National and EU resources of regional development, 1996-2010

Own compilation

3.2.1. National resources

Budgetary funds and sectoral funds with aims of regional development represent the two significant groups of the national funds. Both groups of resources consist of centralized and decentralized parts (frames). The centralized funds are handled by the sectoral ministries, while decisions in connections with the decentralized resources of West Transdanubia and Zala County are made by West Transdanubian and Zala County Regional Development Councils.

The following funds represented the national resources of regional and settlement development between 1996 and 2008:

- Regional Development Fund (TFC)
- Regional and Settlement Convergence Fund (TTFC)
- Target Decentralized Subsidy (CÉDE)
- Micro-Regional Subsidization Fund (KITA)

- Subsidy of Equalizing Regional Differences ((TEKI)
- Target and Dedicated Subsidy (CCT)
- Regional and Region Development Fund (TRFC)
- Fund of Entrepreneurial Areas (VÖC)
- Subsidy of Convergence of the most Disadvantaged Micro-Regions (LEKI)
- Subsidy of Improvement of Municipal Waste Services (TEHU)
- Subsidy of Paving-Reconstruction of Municipal Solid-Paved Public Roads (TEUT)

95% of the above funds were decentralized on regional and county level, while 5% remained central resource.

Regional breakdown of decentralized subsidies (West Transdanubian counties are stressed) are shown in *Chart 1*.

Chart 1: Allocated decentralized subsidies, 1996-2008

County, Region	CÉDE	KITA	LEKI	TEHU	TEKI	TEUT	TFC	TRFC	TTFC	VÖC	Total
Billion HUF											
Győr-M-S.	2.6	0.0	0.0	0.1	3.0	1.5	2.3	0.7	0.1	0.0	10.3
Vas	2.3	0.1	0.1	0.1	2.4	0.7	1.8	1.4	0.2	0.0	9.1
Zala	2.6	..	0.0	0.1	3.0	1.0	2.9	1.3	0.4	0.1	11.4
West Pannon	7.5	0.1	0.1	0.3	8.4	3.2	7.0	3.4	0.7	0.1	30.8
Hungary	62.1	2.6	20.9	2.9	140.9	40.3	116.3	57.4	19.1	1.0	463.6
West Pannon = 100%											
Győr-M-S.	34.6	0.0	0.0	23.3	35.7	45.0	32.7	22.0	16.1	0.0	33.3
Vas	31.1	88.0	100.0	36.2	27.7	24.0	26.2	40.2	31.2	0.0	29.6
Zala	34.3	12.0	0.0	40.5	36.6	31.0	41.1	37.6	52.7	100.0	37.1
Hungary = 100%											
West Pannon	12.6	3.1	0.3	10.1	5.0	8.0	6.0	5.9	3.9	12.3	6.7
Central Hungary	9.5	0.0	0.0	31.3	6.9	48.2	7.7	8.8	2.7	0.0	11.5
Central Transdanubia	10.1	1.1	0.0	9.2	8.3	9.3	9.0	6.8	8.0	0.0	8.2
South Transdanubia	15.2	25.3	12.5	13.3	13.0	8.2	12.9	11.6	16.2	16.4	12.8
North Hungary	16.9	29.9	31.9	10.8	20.5	8.6	22.8	23.8	21.2	23.0	20.4
North Great Plain	19.9	31.4	41.6	11.9	25.6	8.9	27.2	27.3	27.6	34.3	24.6
South Great Plain	15.8	11.2	13.7	13.4	19.7	8.8	13.7	15.8	20.4	14.0	15.8

Source: own calculation and compilation on the basis of data of www.ngm.gov.hu

In the order of regions, *West Pannon* is placed second following Central Hungary regarding GDP per capita. In the region there are few disadvantaged micro-regions and settlements due to the relatively high development of it. Consequently, share of it in the funds of regional development of the region was the lowest among the regions in 1996-2008 (6.7%).

Zala County, which is regarded as the least developed West Transdanubian county, was given the most of the decentralized resources (11.4 billion HUF), (*Chart 1*) in 1996-2008. 37% share of the county within the region exceeds well the 29% rata of the population, which represents significantly the predominance of the regional equalizing role of decentralized resources.

The county received the more from the resources of Regional and Settlement Convergence Fund (TTFC), Regional Development Fund (TFC), Regional and

Region Development Fund (TRFC), Subsidy of Improvement of Municipal Waste Services (TEHU) and Subsidy of Equalizing Regional Differences ((TEKI). Within the region only Zala County had an entrepreneurial area, thus Fund of Entrepreneurial Areas (VÖC) was used completely there. Micro-Regional Subsidization Fund (KITA) was also allocated in the county due to preferential settlements of it; however, Subsidy of Convergence of the most Disadvantaged Micro-Regions (LEKI) did not concern it.

Allocation of the county decentralized resources (Regional Development Fund (TFC), Subsidy of Equalizing Regional Differences ((TEKI), Target Decentralized Subsidy (CÉDE)) was carried out through tendering by the County Regional Development Council (MTT). They allocated 5.5 billion HUF to 1,615 winning competitions in 1996-2006, so in average a competition received 3.4 million HUF. The quite low sum marks disintegration of subsidies having a limiting effect on predominance of regional development influence of them.

The use of the subsidies concentrated on some of the priorities of the county regional development concept (economic development, environment protection), thus important objectives as for instance human resources or development of public infrastructure received only moderate subsidy.

Among the *nine micro-regions* of the county, the most decentralized resource was allocated in micro-region of Zalaegerszeg between 1996 and 2008, and the four disadvantaged micro-regions received more than 40% of the entire subsidy (*Chart 2*). The disadvantaged micro-regions (except for Lenti micro-region) are also situated at the head of order of county regional rank regarding decentralized subsidies per capita. Consequently, it can be concluded that during micro-regional allocation of resources respects of regional equalization and convergence predominated, however, in practice it implied reducing disadvantages rather than convergence (subsidy of disadvantaged regions per

capita [80,000 HUF/capita] was more than double of the county average [39,000 HUF/capita]).

The significant part – about 70% - of decentralized resources in Zala was given to local governments, which had an enormous role in supplying the small settlements with resources. For this reason, it would be advisable to preserve the operating of the national subsidiary system in the future (as there are no traits of national subsidiaries in the budget from 2010) in order that subsidies could get through to small settlements. (Tenders of the EU now support mainly developments of great sum, which sets limits for the majority of these settlements to take part in the competition because of the lack of the own resources.

Chart 2: Relation of the national subsidies and the development in micro-regions of Zala County, 1996-2008

Micro-regions	Inhabitants (in thousands) 01/01/ 2007	Total subsidy Million HUF	Complex rate 01/01/2007	Subsidy per capita	
				Thousand HUF per capita	%
Letenye*	17.4	1 795	2.56	103	15.7
Lenti	22.3	1 934	3.06	87	17.0
Zalaszentgrót*	18.2	1 457	2.80	80	12.8
Zalakaros*	13.2	990	2.63	75	8.7
Pacsa*	10.8	549	2.59	51	4.8
Zalaegerszeg	97.3	2 513	3.51	26	22.0
Keszthely	34.8	681	3.81	20	6.0
Nagykanizsa	67.0	1 258	3.19	19	11.0
Hévíz	12.5	225	4.04	18	2.0
County total	293.4	11 402	3.13	39	100.0
Disadvantaged micro-regions total	59.6	4 791	2.65	80	42.0
West Pannon	999.4	30 800	3.28	31	-
Hungary	10 066.2	463 554	2.90	46	-

*preferential micro-regions

Source: own calculation and compilation on the basis of data of the Hungarian Central Statistical Office (KSH), 2007; www.ngm.gov.hu

3.2.2. EU sources

Development potentials of Hungary have significantly extended after joining the European Union.

In the period of the *National Development Plan I (NFT I)*, (2004-2006) five operational programmes provided competitors with resources:

- Economic Competitiveness Operational Programme (GVOP),
- Human Resource Development Operational Programme (HEFOP),
- Environment Protection and Infrastructure Operational Programme (KIOP),
- Agriculture and Rural Development Operational Programme (AVOP),
- Regional Development Operational Programme (ROP).

Main tendering data of the National Development Plan I concerning West Pannon and the three counties of the region are presented in *Chart 3*.

Chart 3: Supported projects and allocations of the National Development Plan I in West Pannon Region and the counties of it*, 2004-2006

Operational programmes	Supported projects							
	number (piece)				rata (%)		National	
	Gy-M-S	Vas	Zala	West Pannon	West Pannon	Zala	County average (piece)	Region average (piece)
Supported projects								
KIOP	12	3	0	15	0.8	0.0	6	18
AVOP	254	279	407	940	48.8	54.3	326	931
HEFOP	80	56	138	274	14.2	18.4	165	472
GVOP	318	147	190	655	34.0	25.3	415	1 186
Sectoral OPs	664	485	735	1 884	97.8	98.0	612	2 607
ROP	12	16	15	43	2.2	2.0	28	79
Total	676	501	750	1 927	100.0	100.0	940	2 686
Allocations								
	million HUF				rata (%)		million HUF	
KIOP	11 197	3 801	0	14 998	25.3	0.0	6 038	17 251
AVOP	4 159	3 921	4 830	12 910	21.8	33.2	5 597	15 991
HEFOP	4 253	3 514	4 285	12 052	20.3	29.5	9 578	27 365
GVOP	6 468	2 849	2 586	11 902	20.1	17.8	7 335	2 958
Sectoral OPs	26 077	14 085	11 701	51 862	87.5	80.5	28 548	63 565
ROP	2 086	2 522	2 833	7 442	12.5	19.5	5 884	16 812
Total	28 163	16 607	14 534	59 304	100.0	100.0	34 432	98 377
Subsidy per capita (thousand HUF)								
-	63	64	50	60	-	-	69	-

*on the basis of concluded contracts

Source: own compilation on the basis of data of National Development Agency (NFÜ), Unified Monitoring Information System (EMIR), (17/01/2011)

West Pannon region falls behind the national region average, with almost 30% regarding supported projects (1,927 pieces) and with 40% regarding allocations (59.3 billion HUF). Agriculture and rural development subsidies got priority in the region. The amount of subsidies per head in the region was 9,000 HUF less than in the country.

The most supported projects were submitted in **Zala County** (750 pieces), although the least allocation was received of the three counties. The county falls behind the national county average regarding both the number of competitions

and allocations. Rata show a relatively unfavourable tendering activity of the county, meanwhile they refer to the fact that the county was characterized by investments which were of more moderate sum than the national average. Thus the disintegration can be referred not only to national but the EU subsidies also.

In Zala County 98% of winning projects and 80% of subsidies are connected with sectoral programmes. More than half of the projects and a third of the subsidies (4.8 billion HUF) are due to Agriculture and Rural Development Operational Programme (AVOP), and the intention of them was mainly to improve agriculture and settlements.

The National Development Plan I in Zala County put *micro-regions* having towns of county rank as centres in a favourable position, and did not help regional equalizing and convergence of disadvantaged micro-regions to an appropriate extent. It has to be mentioned that poor tendering activity of the favourable micro-regions also contributed to it.

In the period of the New Hungary Development Plan (ÚMFT), (2007-2013) – as opposed to the NFT I – every region has an own operational programme (e.g. West Pannon Operational Programme (NYDOP)). The New Hungary Development Plan contains eight sectoral operational programmes – beside the seven regional programmes:

- State Reform Operational Programme (ÁROP),
- Economic Development Operational Programme (GOP),
- Environment and Energy Operational Programme (KEOP),
- Transport Operational Programme (KÖZOP),
- Social Renewal Operational Programme (TÁMOP),
- Social Infrastructure Operational Programme (TIOP),
- Implementation Operational Programme (VOP),
- Electronic Public Administration Operational Programme (EKOP).

Hereinafter, I survey the winning projects and subsidies of the above-mentioned operational programmes regarding the period of 2007-2010 of the New Hungary Development Plan (*Chart 4*).

Chart 4: Supported projects and allocations of the New Hungary Development Plan in West Pannon region*, 2007-2010

Operational programmes	Supported projects							
	number (pieces)				rata (%)		national	
	Gy-M-S. county	Vas county	Zala county	West Pannon	West Pannon	Zala	County average (pieces)	Region average (pieces)
ÁROP	8	5	11	24	0.8	1.3	19	55
GOP	783	284	325	1 392	48.1	39.1	517	1 477
KEOP	107	54	62	223	7.7	7.5	83	238
KÖZOP	7	8	10	25	0.9	1.2	7	20
NYDOP	258	198	237	693	23.9	28.5	35	99
TÁMOP	168	104	161	433	15.0	19.4	233	667
TIOP	41	38	25	104	3.6	3.0	85	243
Total	1 372	691	831	2 894	100.0	100.0	979	2 799
Share of the counties in tenders of the region, %								
-	47.4	23.9	28.7	100.0	-	-	-	-
Allocations								
	Million HUF				rata (%)		Million HUF	
ÁROP	154	84	196	434	0.1	0.1	783	2 238
GOP	19 930	7 799	6 896	34 624	8.1	8.1	15 248	43 565
KEOP	54 241	3 935	19 749	77 925	18.3	18.3	25 421	72 631
KÖZOP	79 470	26 650	55 214	161 335	37.8	37.8	69 738	199 251
NYDOP	31 531	26 803	22 698	81 032	19.0	19.0	4 052	11 567
TÁMOP	12 581	3 916	5 115	21 612	5.1	5.1	19 682	56 236
TIOP	32 200	7 197	10 000	49 398	11.6	11.6	18 281	23 231
Total	230 107	76 384	119 868	426 360	100.0	100.0	153 205	437 728
Share of the counties in the subsidies of the region, %								
-	54.0	17.9	28.1	100.0	-	-	-	-
Subsidy per capita in thousands HUF								
-	514	295	415	428	-	-	307	-

*on the basis of concluded contracts

Source: own compilation on the basis of data of National Development Agency (NFÜ), Unified Monitoring Information System (EMIR), (17/01/2011)

The number of supported projects and the allocations in **West Pannon Region** is roughly the same as the national regional average. Almost the half of the winning projects originates from the most developed Győr-Moson-Sopron

County, where the number of projects and the rate of subsidies connecting to Economic Development operational Programme (GOP) are significantly high. The second place amongst the operational programmes is taken by West Pannon Operational Programme (NYDOP), (a quarter of the tenders and nearly a fifth of the resources comes from this).

On the basis of *the first action plan of West Pannon Operational Programme* (2007-2008) tenders were invited for measures of four priorities of the operational programme (economic, tourism, town development, environment and transport). The received demand on allocations exceeds 70% the available frame of subsidies, which can also be thanked to the favourable extent (55%) of the intensity of allocations.

Tenders of *Zala County* won in sectoral and operational programmes fall behind the average of West Transdanubia and the national average of counties concerning the numbers and allocations of them. The backwardness can also be explained by the fact that the intensity of the support and the amount of allocations was not quite attractive for the small and medium-sized entrepreneurs being dominant in the county, while local governments of small villages have great anxiety of raising own reserves necessary for tenders.

In the period of 2007-2010 the relatively high resource acquisition ability of *micro-regions* having towns of county rank as centres can be detected well; as opposed to the four disadvantaged micro-regions whose share in tenders and allocations were the lowest amongst the nine micro-regions. In the case of them, the positive discrimination with the aim of convergence was not effective, neither in the National Development Plan nor in the New Hungary Development Plan. (Resource acquisition ability of Zalakaros region can only be distinguished, which can be thanked to the dynamic development of Zalakaros having favourable conditions.)

3.3 Development resources of settlements

This subject was examined on the basis of performance data of budgets of three settlement local government. Resources of regional development occur in the accumulation revenues presented in *Fig. 2*.

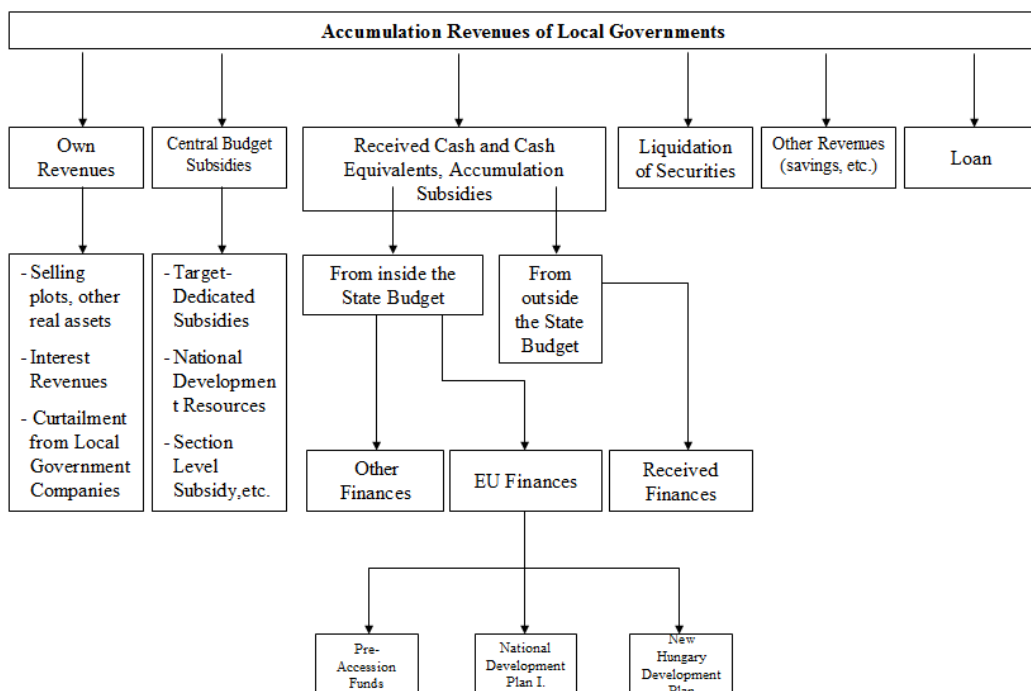


Fig. 2: Revenues of Accumulation Aims of Local Government

Source: Own compilation

Local governments of different sizes and with different fields of activity conduct their development tasks within various conditions, supply duties and financial relations. In the dissertation I analyse the major budget data of three settlements of this type (Zalaegerszeg, Zalakaros and Csesztreg), (*Chart 5*).

The examination covers the subjects as follows:

- proportion of a operational and accumulation revenues,
- the role of the major local taxes within operational revenues,

- within accumulation revenues, the proportion of own revenues, central budget subsidies with development aim, subsidy revenues with accumulation aim, received finances for development and
- the loan.

Besides, I conduct a comparative analysis on several specific indicators of the two examined settlement types (small town and small settlement) and similar settlements (Lenti; Felsőrajk and Zalacséb).

Chart 5: Distribution of performance of revenues and expenses in several settlements

Title	Zalaegerszeg			Zalakaros			Csesztreg		
	2000	2006	2009	2000	2006	2009	2000	2006	2009
Per cent (%)									
Revenues = 100%									
Operational *	73	75	73	49	68	72	50	82	78
Accumulation *	27	25	27	51	32	28	50	18	22
Operational revenues = 100%									
Local Industry Tax	22	20	24	7	12	13	10	12	13
Tourist Tax	-	18	15	13	-
Communal Tax	-	-	-	1	1	1	-	-	-
Building Tax	-	-	-	3	3	3	-	-	-
Subsidy of Disadvantaged Settlements through no Fault of their own	-	-	-	-	-	-	14	16	7
Accumulation Revenues = 100%									
Own Revenues	34	24	11	68	31	9	5	19	7
Central Budget Subsidies	4	2	3	1	8	-	-	-	1
Accumulation Subsidies	-	19	43	-	-	23	-	31	61
Received Finances	28	3	5	12	21	..	73	-	-
Liquidation of Securities	21	2	-	-	-	-	5	-	7
Other Revenues	13	26	32	7	14	68	17	12	24
Loans	-	24	6	12	26	-	-	38	-
Expenses = 100%									
Operational*	71	75	73	48	60	57	51	83	79
Accumulation*	29	25	27	52	40	43	49	17	21
Expenses = 100%									
Obligatory Duties	92	82	83	98	95	96	100	100	100
Voluntary Tasks	8	18	17	2	5	4	-	-	-

* Operational and accumulation revenues are cleared from compensating, floating, transit items and alteration of securities. The expenses are also corrected this way and contain the renovations as well.

Source: Budget Reports of Zalaegerszeg, Zalakaros, Csesztreg, 2000; 2006; 2009
Own collection (counting) and compilation

The proportion of operational and accumulation revenues differs annually and in types of settlements, furthermore, it depends on several factors. This type of factor could be the supply duty, the ability of resource acquisition, tendering activity and the incidental utilization of accumulation revenues for operational purposes.

Among the *local taxes*, the local industry tax, and – in case of settlements with tourism - the tourist tax have a determining role in making settlements operate. The importance of the revenues originating from the two tax categories is highlighted by the fact that they make possible to produce the own funds for tendering as well.

One item of the accumulation revenues is represented by *own revenues*, the majority of which comes from marketing of real estates and utilization of property. The amount of revenues of this type is determined by the plots marketable, the quantity and value of other property, which all depend on the financial situation of a certain settlement and the prevailing marketing conditions.

Domestic subsidies aiming local government and regional development are listed among *central budget subsidies with development aims*. Five types of the earlier mentioned national subsidies can exclusively be demanded by local governments. The analysed settlements won Target Decentralized Subsidy (CÉDE), Subsidy of Equalizing Regional Differences ((TEKI) and Subsidy of Paving-Reconstruction of Municipal Solid-Paved Public Roads (TEUT), which were used for infrastructure development and road-reconstruction. The amount of the mentioned subsidies had been reducing gradually since joining the EU, then it terminated, and the national subsidies have been replaced by the EU funds since 2010. Regarding future, it could cause great anxiety mainly in financing small settlements, as the tendering system of the European Union gives towns advantages preferring projects of great amounts.

The EU allocations obtained by competitions have been listed under the head of *subsidy revenues with accumulation aim* in the budget of local governments since 2006. Since joining the EU, the emphasis of the EU subsidies has also increased in financing settlement development and become determinant more and more. Consequently, the ability of resource acquisition got a decisive role in settlement development as well.

The majority of the *received finances* with development aims come from economic organizations. Local governments finance mainly privity developments from these resources. Regarding the amount of the received finances, settlements having more significant economic conditions are in a favourable position. Zalaegerszeg can be ranked amongst these settlements been examined.

Development loans are also listed under the heading of accumulation revenues, which were employed by every examined settlement in the years of 2000, 2006 and 2009. Loans outstanding between 2000 and 2009 increased to the highest degree (15fold) in Zalaegerszeg, while the growth doubled at the most in the other settlements. Notwithstanding the growth, the loans mounted up to 12% of the central budget revenues in Zalaegerszeg in 2009. The proportion was 6% in Zalakaros and 9% in Csesztreg, so neither government got into debt. It can also be proved by the fact that the 2009 national average of loans outstanding of the local government sector per capita (89.2 thousand HUF) exceeded the value of the debt index of the analysed settlements by 40-60%.

Voluntary tasks in the examined settlements are typically connected to education, culture, public education and tourism. Expenses allotted to these tasks doubled in Zalaegerszeg between 2000 and 2006, and they have mounted up to 18-20% since then. The proportion in Zalakaros is about 2-3%. In settlements of a greater size, the gradual decrease of voluntary tasks could be reasonable, regardless demands of population.

I analysed the accumulation ability of the settlements for years of 1996-2009 with the help of the index of *accumulate expenses per capita* (Fig. 3).

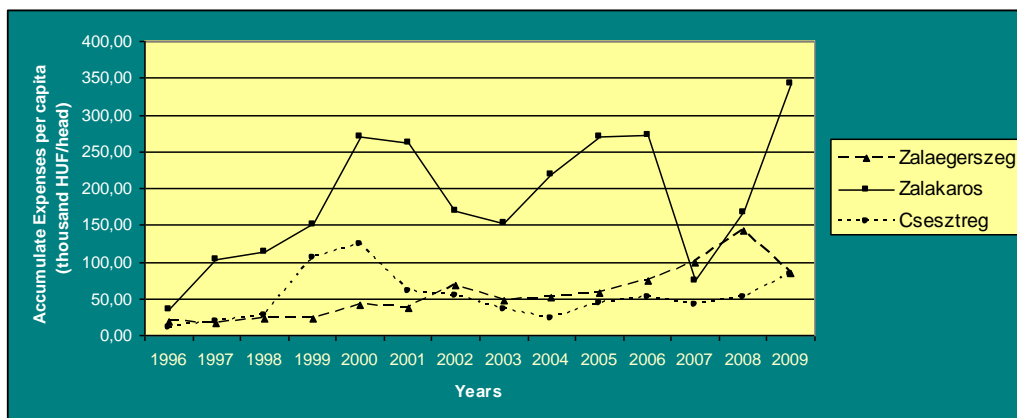


Fig. 3: Accumulate expenses per capita in several settlements, 1996-2009

Source: Budget Reports of the Local Government of Zalaegerszeg Town of County Rank, Local Government of Zalakaros, Local Government of Csesztreg, 1996-2009

<http://statinfo.ksh.hu/Statinfo/haViewer.jsp>

Own collection (counting) and compilation

Csesztreg, which is a disadvantaged settlement through no fault of its own, has the weakest development conditions (the average accumulation expense per capita during years of 1996-2009 was: 51.9 thousand HUF). The unfavourable development condition is characteristic of not only Csesztreg, but also other small settlements, which can be proved by the specific accumulation expenses of Felsőrajk and Zalacséb regarding three years (2000; 2006; 2009), (Chart 6).

Chart 6: The average of specific accumulation expenses in several settlements, 2000; 2006; 2009

Title	Felsőrajk	Zalacséb	National Average
Average Accumulation Expense per capita (thousand HUF)	13.3	14.3	36.3

Source: Budget Reports of Local Government of Felsőrajk, Local Government of Zalacséb, 2000; 2006; 2009; www.allamkincstar.gov.hu

As it is presented in the chart, in case of the two small settlements the average accumulation expense per capita for three years is narrowly 40% of the national average.

Local governments of small settlements do not have enough resources at disposal to perform the obligatory tasks, which has an effect on producing the necessary own funds for tendering and this way on development resource acquisition.

In Zalaegerszeg, the specific accumulation expense mounts up to 56.1 thousand HUF (*Fig. 3*) on the basis of the budget data of 1996-2009, which can be regarded as a medium development position. For the same years, Zalakaros has 185.5 thousand HUF/head average accumulation expense, which is by far outstanding. The cause of the favourable economic position of this small town is basically the potentiality of medicinal water treasure of it. However, it is not sufficient by itself for economic breaking through. A good example for this is Lenti, also having medicinal waters, this condition, although, did not lead to prosperity because of the gradual failure of development. The main hindrance of it is the lack of the own funds that are necessary to obtain competition resources. The difference between the development conditions of the two resorts can be presented well on the basis of the following data: regarding budget data of three years (2000; 2006; 2009) the value of the specific accumulation expense of Zalakaros (294.9 thousand HUF/head) is almost six-fold of the one of Lenti (47.9 thousand HUF/head).

To sum up, the extent of the specific accumulation expense reflects the different conditions and specialities of the examined settlements well: the disadvantaged position of Csesztreg, the relatively favourable resource acquisition ability of Zalaegerszeg, as well as the power of Zalakaros to utilize its conditions due to tourism in order to obtain national and EU subsidies.

4. CONCLUSION, RECOMMENDATIONS

In the chapter presenting the results of the dissertation I studied the mechanism of regional development planning, fulfilment of the plans, and funding the developments in regional, county, micro-regional, and settlement relations. I studied settlement development separately, including the role of local governments of settlements of different sizes, as well as settlement development budget resources. From the study of the subjects mentioned above the following conclusions could be drawn.

- Regional planning (working out concepts and programmes) in the West Pannon Region was overall of a high standard in the period examined. The excessively general or too detailed formulation of the development targets, however, can be ascertained as a problem. Planners made little effort to establish take-off points, besides that they altered their views on the future often; they determined future scenarios in each new concept differently from the previous one.
- Regarding development planning on county level, the lack of focal point establishment was also characteristic. Besides, they determined such goals (or at least did not separate them from others) the fulfilment of which does not belong to local competence, but depends on decisions made outside the county.
- The importance of regional development planning has not been recognised everywhere on micro-regional level yet. Planning on this level used to be influenced by methodological problems for a long time, and nowadays the interests of local governments of the settlements belonging to the micro-region are not harmonised.
- Working out settlement development plans is the responsibility of the local governments. Primarily larger settlements (mainly cities) attach importance

- to planning, smaller settlements ‘substitute’ plans with (mayoralty) economic programs adjusted to electoral cycles.
- According to the analyses, plans of different levels are built on each other in the examined regions, the lower level plans are in accordance with the upper level ones. Since the accession to the EU great attention has been paid to revealing the possibilities of acquiring the EU sources within the first National Development Plan and the New Hungary Development Plan in regional, county, micro-regional, and settlement levels as well. This source acquisition requirement occasionally overrides even real regional/local needs; therefore it occurs that tendering opportunities orientate local development policies rather than local needs or plans.
 - The study revealed that efforts were made on all levels to implement the principle of partnership, and to involve the participants of regional and settlement development in the different stages of planning. The result of ‘nationalizing’ the plans, however, is quite differentiated. Although compulsory plan harmonizing were arranged everywhere, becoming acquainted with opinions and taking them into consideration were often formal. Disinterest often occurred at different plan harmonizing forums on the part of the local residents.
 - It has been pointed out in the dissertation that the formation of the *financial subsidisation system* in relation to regional development has been accelerated by the Regional Development Act of 1996, however, the number and the name of the forms (preliminary estimates) has been changed many times. The frequent changes made foresight difficult, discouraging potential developers.
 - Between 1996 and 2009 there were ten types of targeted budget estimates and funds, 95% of them decentralised on regional and county levels, which provided the *domestic sources* of regional and settlement development. This subsidising system on both county and micro-regional level has had an

- important role in becoming acquainted with the EU-conform tendering system and in practising it extensively. In 2010 the domestic sources of regional development ceased existing; they were replaced by EU allocations.
- Between 1996 and 2008 Zala County received the most domestic subsidy as far as the West Pannon Region is concerned, which is in accordance with the relatively low development level of the county. Two thirds of the subsidies were utilized by local governments in the county (this ratio is 90% countrywide), from which developments improving circumstances of life (local infrastructure, education, road renovation) have been realized. Relatively little amount of subsidy was allocated to economic and human resource development. A significant part of the subsidies obtained by the local governments, especially in the case of small villages, played a role as supplements to resource gaps in their budgets, helping the fulfilment of compulsory local governmental basic duties.
 - Grounded on the analyses and the interviews, it can be established that EU subsidies support mainly large amount (high cost) investments, which are usually realized in towns. Thus, the present EU tendering system does not foster the development of small villages adequately, since its target structure does not match their needs. Therefore – considering the cessation of the domestic regional development subsidies, too – revising the tendering/subsidising system, and altering it in a way that could make the development subsidisation of villages (small settlements) possible to a greater extent, would be expedient.
 - Development resources available to local governments appear in the *budgets* of the settlements. The structures of operative and accumulative incomes differ from each other regarding settlements of different sizes and functions (Zalaegerszeg, Zalakaros, and Csesztreg). It can be concluded from the analysis that within the development sources of the local governments the own sources fell back, while, depending on the sizes of the settlements and

the utilization of their conditions, the proportion of budgetary subsidies increased, as well as the proportion of domestic tender resources later on, and the EU tender resources following that. The process has finally resulted in the present situation where most of the development sources of small settlements come from budgetary subsidies, whilst in the case of larger settlements from EU sources.

- Regarding the influential factors of the *development position* concerning settlements of different sizes, in the late 90s the amount of state subsidies was determining, by these days, however, the ability of resource acquisition has become decisive. In this respect, larger settlements, mainly towns are in advantageous position. The development positions of settlements, which can utilize their favourable conditions for resource acquisition (e.g. tourist attractions), are similar to those of towns. On the other hand, the development (catching up) opportunities of settlements, which lag behind and are considered disadvantaged for some reason, have become significantly limited, and in this regard only the alteration of the EU tendering and subsidisation system can bring about improvement.

5. NEW SCIENTIFIC ACHIEVEMENTS

- 1) The ambiguous definition of ‘outbreak points’ did not obtain a proper stress in regional and settlement development plans in West Transdanubia concerning the period of 1996-2020, rendered more difficult the concentrated and more efficient use - regarding regional sense - of subsidies. The efficiency of the planning in micro-regional level was damaged by the non-harmonized development notions and interests of settlement local governments. The local development policy (dominantly in small settlements) was influenced in a disadvantageous way by the fact that in several cases the prime factor was the tendering opportunity instead of local needs. However, the efforts aimed the catching up, the registered results and the development indicators show backwardness and falling behind.

- 2) In formation the development differences between the settlements in West Transdanubia the regional/settlement characteristics, the size of settlement and the source acquisition ability play the defining role. Beside these, development differences are influenced by tendering activity, subsidizing intensity and the extent of disposal of own tendering reserves. In the overwhelming majority of settlements, mainly in cases of small settlements adverse circumstances form: there is not enough own reserve develop due to the lack of proper economic activity and acceptable developments, however, without these sources there is no possibility to obtain external financial resources, i.e. to develop economic and human resources. It can be detected that the greatest drawback is with the settlements which were compelled to use the state subsidies for improving living conditions and supplying with the missing money needed for the operation expenses, consequently, no ‘energy’ remained to build the future.

- 3) Analysing the budgets of the local governments of settlements in Zala County between 2000 and 2009, I drew attention to factors, which differentiate settlements considering their acquisition of sources of finance, and also lead to the fragmentation of resources due to the resource allocation mechanism. I demonstrated that subsidies and resource acquisition ability are crucial factors in the field of development, and this condition might strengthen the already existing differences between settlements further.

- 4) Revealing the network of the relations between the mechanism of regional planning and financing of the developments, I constructed charts highlighting new interdependences which can be utilizable in the areas of research and education very well.

6. PUBLICATIONS

Publications on the thesis topic

- 1) Csanádi, Á. – Sarudi, Cs. (2012): Támogatási lehetőségek kihasználása vidéken zalai példákön. *Gazdálkodás*. (Agro-economic scientific journal), Budapest, (2012) (forthcoming, accepted)
- 2) Csanádi, Á. (2012): Különbözö méretü települések fejlesztési lehetőségei a felhalmozási forrásaik tükrében. *Területfejlesztés és Innováció*, 2012, Vol 6, No 1, pp 2-9. (Electronic Journal of the University of Pécs Faculty of Sciences, Institute of Geography: Department of Political Geography and Regional Development, and Department of Human Geography and Urban Studies)
- 3) Csanádi, Á. (szerk.) (2012): Pódiumon az önkormányzatok finanszírozása. BGF Tudományos évkönyv, 2011, Útkeresés és növekedés, Budapest, Budapesti Gazdasági Főiskola Rektori Hivatala, 2012 (accepted, forthcoming 12th November, 2012, Celebration of the Hungarian Science, plenary session of Budapest Business School - BGF)
- 4) Á. Csanádi (2011): The Chances of Bringing Zala County into Line with Others Concerning Development Assistance of Enterprises. *Acta Scientiarum Socialium* 32 (2010): 3-11, ISSN: 1418-7191 (Electronic publication)
- 5) J. Tóth – Á. Csanádi (2010): The effect of the subsidization system on agriculture. *Regional and Business Studies* (2010) Vol 2, No 2, 1-6 Kaposvár University, Faculty of Economic Science, Kaposvár, ISSN 1789-6924
- 6) Csanádi, Á. (2007). Támogatott, visszatérítendő fejlesztési források (III.) *Elektroinstallateur*, Vol 15, No 11-12, p 48
- 7) Csanádi, Á. (2007). Támogatott, visszatérítendő fejlesztési források (II.) *Elektroinstallateur*, Vol 15, No 10, p 38
- 8) Csanádi, Á. (2007). Támogatott, visszatérítendő fejlesztési források (I.) *Elektroinstallateur*, Vol 15, No 8-9, pp 40-41
- 9) Csanádi Á. (2007). Vissza nem térítendő fejlesztési támogatások *Elektroinstallateur*, Vol 15, No 7, pp 40-41

- 10) Csanádi, Á. – Tóth, J. (2002): Az önkormányzatok pénzügyei (Chapter 11-15, Chapter 18-19) Budapest, Perfekt, 2002, pp 157-212, pp 226-246, ISBN 9633944740

Conference presentation

1. Csanádi, Á. (2011): Tévedések és jó gyakorlatok az önkormányzatok finanszírozásában. Pódium-beszélgetés moderálása. Magyar Tudomány Ünnepe, 10-11th November, 2011, „Útkeresés és növekedés” 11. Tudományos Konferenciasorozat, Pénzügy és Számvitel szekció, Budapesti Gazdasági Főiskola, Budapest.