Bauer, Rudolf; Knezova, Jana; Steiner, Andrej

Conference Paper

Governing development of regions- case of Slovakia

54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia

Provided in Cooperation with:
European Regional Science Association (ERSA)

Suggested Citation: Bauer, Rudolf; Knezova, Jana; Steiner, Andrej (2014) : Governing development of regions- case of Slovakia, 54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:
http://hdl.handle.net/10419/124316

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.
Governing development of regions - case of Slovakia

JEL: R58, R59

Jana Knezova - Andrej Steiner - Rudolf Bauer

Abstract

Dynamism of development and competitiveness of regions, as spatially and administratively defined units, depend not only on their natural, economic, social, and territorial potential but also on quality of regional development governance.

At the time of creation of the regional level of territorial management in Slovakia there was expected that by introducing this new governance level the regional governments would become strong players in the field of regional development policy and provide supra-local and sub-national public services more effectively and with better quality.

The paper, in its first part, concentrates on critical assessment of the current position and performance of entrusted tasks of the regional self-governments after 12 years of their existence, particularly in terms of their real opportunities to influence integrated development of territories pursuing principles of "good governance". Emphasis is put on analysis of key determinants conditioning legitimacy and power of regional self-governments in the area of ensuring and coordinating regional development. Findings suggest that territorial and administrative definition of the Slovak regions for fulfilling their core mission is not optimal. Furthermore there are gaps in their competencies, financial strength, fiscal autonomy and quality of development processes. We can state that despite regional governments are responsible, pursuant to law, for the comprehensive integrative development of the region, their direct impact on economic, social and environmental development of their territories is relatively small. The current status is confronted with the focus of the European policy for the period 2014-2020 and the need to react also on this level on global challenges such as climate change, ageing, lack of renewable resources, opening disparity scissors between regions etc.

The paper, in its second part, in order to achieve higher quality of governing regional development within existing legal, economic and institutional framework in Slovakia, presents the innovative model of good governance in conjunction with planning and implementation of development processes. Through the analysis of individual components of the model the set of recommendations has been elaborated with the aim of optimizing position of the regional self-government as the key actor in development of its territory having not only responsibility but also adequate conditions and tools.
The paper is based on results of the three years research within the project Governance financed by the Norwegian financial mechanism.

**Key words:** good governance, regional development, regional government

**Introduction**

After the twelve years, when the new regional government level in Slovakia already should have been integrated into major development players we can observe a lot of problems with this task.

Research findings presented in paper are based on the secondary and primary survey done in 2010 completed in 2014. Outcomes of the surveys have been subject to a through experts appraisal by specialists deeply involved in this field (both academicians and practitioners). Within the primary survey, forty respondents from two pilot regions (out of eight Regional Self-governments in Slovakia) were interviewed. Respondents came from regional self-governments’ internal environment (executive and elected representatives), as well as from the side of socio-economic partners of the regional self-governments (local governments, central government, business associations, agencies and NGOs). Results of the survey have a qualitative character.

The role of regional government depends on the system of local government and in particular on the decentralization of power to the regional government. Regions with directly elected governments and granted with many responsibilities can play a very active role in regional development and promote their own interests within the overall development of the state territory. (Sykora, 1999) Within an assessment of the ability of regional government to influence the dynamics of regional development in Slovakia, it is important to analyze its status in the public administration system in Slovakia in terms of multi-level governance as well as in terms of its position in the settlement structure.

The current dual model of public administration had resulted from the reformatory processes after 1989, when, via political, administrative and fiscal decentralization of the national government, local self-government was the first to be restored in 1990. Extensive decentralization processes directed at restoration of local democracy in euphoric confrontation with the previous political regime caused that the settlement structure formed (and has remained so) as exceptionally fragmented with a large number of small municipalities as its basic feature. As of December 31, 2012, there are 2,980 municipalities in the Slovak...
Republic, out of these, 138 have the town status. However, 66.12 % are municipalities of population of up to 1,000, and their population represents only 15.9 % of the entire Slovak population1.

The main motives for creating the regional tier of government in Slovakia were to offer higher quality in sub-national and supra-local public services provision and to create a new stakeholder in the regional policy, which might better understand the needs of the citizens in the region, which might better manage the socio-economic development using regional endogenous potential.

Creation of the regional level of self-government in 2001 had an ambition to provide coordinated development of a locally fragmented area not only administration-wise but also to facilitate more intensive engagement into the European regional politics. The final form of the number and areas of higher territorial units is a result of a political compromise rather than a model elaborated by experts which would take the key regionalist criteria into consideration. Today, a number of scientific and professional studies note that areas and sizes of individual self-governing regions had not been shaped correctly (such as Niznansky, 2005, Sloboda, 2006, Steiner et al., 2010, Vyrostova, 2010, Hamalova – Gecikova, 2012, Caja, 2012, Vrbincik, 2012 etc.).

The original governmental proposal to create 12 self-governing regions2 backed up by an extensive analysis (from historical, economic, to spatial and other additional characteristics) was replaced with a model of 8 Higher Territorial units (HTU). This layout of self-governing regions copied, in that period, the system of central government institutions on a regional level3, which had created a symmetrical model of public administration bodies based on the rationale that both institutions were to synergistically influence an equal territorial and administrative unit4.

Most of the aforementioned authors agree that this action had greatly disturbed the natural regional differentiation of Slovakia, and instead of originally planned economically functioning homogenous units, it gave rise to artificial heterogeneous territorial units. An interesting fact, in this respect, has been highlighted by Sloboda (2006) who states that in the

---

1Statistical Office of the Slovak Republic, Urban and Municipal statistics, 2014
3County offices currently does not exist, there were canceled in 2007. At present it is ongoing in Slovakia the comprehensive reform of state administration ESO – „Efficient, reliable and open public administration”.
4Act No. 221/1996 Coll, on territorial and administrative structure of the Slovak Republic
period of 11th – 20th century, only five transformations of territorial and administrative structures had taken place, all respecting application of models of bordering regions based on socio-economic relationships created in a long term, inherent natural and cultural barriers and formed identification of people with their territories. In comparison with this, in the 20th century, under the power of centralistic governments, as many as ten transformations took place.

Korec (2005) defines territorial and administrative division and the territorial hierarchy factor as ones of basic determinants of creation of regional disparities.\(^5\) Matlovič – Matlovičová (2011) declare in their study that the regional polices had not yet reflected the polarization of Slovakia to developed west/north-west, and lagging-behind southeast/ east. The extreme regional disparities remained in place (while the worst indicators have been presented by the southern part of central Slovakia and north-eastern parts of the country).

Similarly, the OECD and Ministry of Transport, Construction and Regional Development of the Slovak Republic Report (2012) explicitly question the current territorial definition of regions as units functional for regional socio-economic development, and puts forward functional urban regions. In this respect, it can be noted that the territorial structure in Slovakia has been historically formed, from the point of view of the role of urban areas, as polycentric and urban settlements have always been key drivers of their own areas and their vicinity. Significance of towns as natural centres of development has been growing also in regard with the direction of the EU regional policies for 2014-2020\(^6\).

Good definition of a territory governance is the corner-stone for creation of a proper organizational structure contributing to its development. Higher territorial unit self-government (self-governing regions) Act defines a higher territorial unit as „an independent territorial self-governed and administered unit of the Slovak Republic“ (Act No. 302/2001 of Coll. on Higher territorial unit self-government). Higher Territorial Unit should adequately have filled out the space between the national level and the local level – municipalities – effectively. Principles of regional self-government expected active participation of citizens. However, its legitimativeness has been permanently doubted by low voter turnouts in elections for regional government organs\(^7\) (voter turnout in 1st round: year 2013 – 20.11%, year 2009 -

\(^5\)To factors for the creation and deepening of regional disparities see more: Michalek, A. 2012 Theoretical and conceptual bases of space and regional disparities research 2012

\(^6\)URBAN EUROPE STRATEGY 2014-2020: For Smart, Sustainable and Inclusive communities and cities

\(^7\)Act no. 303/2001 Coll, the election of the governing regions established majority voting system, as Members of council are elected candidates who received the largest number of votes and the Chairman of Regional Governments elected, the candidate who has received an absolute majority of valid votes (which enables 2 rounds of elections).
22.90%, year 2005 – 18.02%, year 2001 – 26.02%8). This situation is only made worse by the fact that Slovakia has not yet approached the implementation of municipal reform in the field of consolidation of settlement structure, and requirements on the coordination role of regional self-governments in the area of integrated development are therefore, higher.

![Figure 1: 8 High territorial units (regional government) in Slovakia](image)

Source: LDA-V4 project

Creating regions in Slovakia in 2001 was accompanied by creating also the financial frame for their needs and tasks pursuant to law. The process of fiscal decentralization to the second level of self-government has had two phases. At the beginning regions were financed through so-called “decentralization grant”. Starting point was to continue with financing all public services and public institutions which were shifted to the newly established regions and only such limited resources were granted to the regions to finance the same expenditures, like it was before the change. Ownership of the public properties was also limited through prescript way.

Second phase of fiscal decentralization started in 2005 and both self-governing tiers obtained their own revenues through share on the personal income tax. The territorial self-government gained higher fiscal autonomy and its share on all public tax revenues increased into 23%.9 Regional government was given by its own tax – vehicle tax.10

Regions are vested with competencies in the areas of secondary schools, social services, transport, culture and health care, regional development and planning, they are owners of the public buildings and roads of the 2nd and 3rd class. Within the present financial frame they

---

8Statistical Office of the Slovak republic, 2014
9Tax revenues 2012: state budget – 8,547 billion Euros, regions – 0,518 billion Euros, municipalities – 1,616 billion Euros
10Capital region – Bratislava has had doubled revenues from this tax in comparison with other “non-capital” regions for many years, since vehicle tax was introduced. This tax is divided according to the place, where car is registered. Vehicle tax from companies, which operate in all the Slovak territory with their cars, but have their seats in Bratislava goes to the capital region’s budget.
operate, they provide almost exclusively financing of those competencies and invest into their property, which in many cases have a huge invest deficit. It is clear, that in the situation they have no resources for bigger development projects and their fiscal autonomy is limited. Regional self-government operates insufficient policy tools to influence integrated development more significantly and many regional self-governments even do not use the existing tools efficiently. Traditional, legitimate financial tools (tax, fund contribution allowances, etc.) are almost missing at the regional level in Slovakia.

The research findings indicate that regional self-government in Slovakia is not, at the time being, a significant player in the field of regional development on the concerned territory as it should be:

- territorial subdivision and administrative boundaries of self-governing regions is subject of political compromises instead of adherence to development principles
- existing legal environment is not favourable for regional self-government to act as the key player in regional development on the respective territory
- inadequately elaborated, applied and evaluated regional development policies on the NUTS III level;¹¹
- regional self-government operates insufficient policy tools to influence integrated development more significantly
- regions operate insufficient powers, resources and policy tools to influence integrated regional development,
- present combined model of fiscal federalism doesn´t provide sufficient financial resources for implementing goals and priorities of development plans of the region
- present model of financing doesn´t take into account particular needs of the regions and doesn´t allow the regions to fully manage the comprehensive development of their territories and needs of their inhabitants.

These findings show limitations for more effective functioning of regional self-governments in Slovakia from the external environment. But there are still many gaps in the internal environment, mainly in planning and implementation of Regional development plans, which can be addressed.

¹¹Self-governing regions in Slovakia represent the NUTS III level. For statistics NUTSII are used 4 region, that are for administrative purpose defined.
Improving the quality of regional development planning using concept of Good Governance

Governing regional development can be defined as accumulation of social and human capital, in order to increase dynamism and synergy of socio-economic development of the region. It rests in initiation and coordination of activities, and, at the same time, exploitation of public and private regional subjects’ potential for effective and efficient development of the region. The main tool for influencing the socio-economic development of the region is the Programme for Economic and Social Development. The programme has to be elaborated in line with goals and priorities defined in the National Strategy of Regional Development of Slovakia.

The current status of HTU in Slovakia in terms of their real instruments, scope and legitimacy is relatively questionable, but that does not mean that it loses its responsibility for the developments. It is therefore necessary to find solutions to improve the existing unfavourable situation and in this context the focus is on existing opportunities to improve regional development planning using the concept of Good Governance. Good governance approach is relatively known in the European area and it is widely discussed and occurs in different models and designs. Good governance is important for development despite differences in the way it is defined. It appears not only in scientific studies (Kjer, 2004 Doornbos, 2007 Van Doeveren, 2011 and others), but also in documents of international institutions that promote its implementation in practice. (OECD, World Bank etc.)

The governance refers to something broader than government, and it is about steering and rules of the game. Van Doeveren (2011) states that the variety of definitions creates difficulties for anyone who tries to assess what good governance really is. When considering the area of regional development the governance can be defined as a process in which the regional self-government is a real and respect leader, coordinator and mediator of the regional development. Shift from the governance towards „good governance“ is an assumptions for a more dynamic regional development based on synergic explanation of all available resources (expert, material, financial and informational) existing opportunities endogenous regional potential. Good governance, as the key factor of sustainable development, is the guiding principle in demanding adherence to proper administrative processes in handling

---

12 Slovakia was already confronted with the principles of good governance through SIGMA Programme. <http://www.sigmaweb.org/>
public resources. Adjective “good” gives the concept a dimension of evaluation, i.e. how the region is governed. It enables us to evaluate how proper the procedures used actually were, what the level of transparency is, what is the quality of decision-making. It covers voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, control of clientelism and corruption.

In this context it is necessary to describe and complete the findings of mentioned primary research oriented on quality of governance region development which represent the following conclusions:

- decision-making process in the area of regional development is not sufficiently documented and provable
- development indicators are oriented mostly on measuring quantitative outputs instead of qualitative outcomes for evaluation of change
- insufficient effectiveness and efficiency of existing mechanisms, procedures and methodologies for the process of governance, particularly in the field of regional development;
- lack of cooperation among regional self-governments entities vested with co-responsibility in regional policy and regional development by virtue of law (central government, towns and municipalities) and with other socio-economic partners, lack of relevant analyses;
- limited knowledge and skills for managing regional development process on an adequate quality level;

To improve the quality of governance in the development processes needs to have development plans of better quality, better decision-making processes and higher evaluation culture. One option is to adopt and implement the model of good governance for the regional development as it was published in Steiner et al., 2010.
The Good Governance Model derives from the current legislative, institutional, financial and policy framework for regional self-governments (Higher Territorial Units) in Slovakia and aims at proposing an optimization of the processes, activities, structures, human resources profiles and evaluation in such a manner that the principles of good governance in regional development would be met. The Model is in fact some kind of guide to reforms and changes in regional self-governments leading to an optimal state of governance (coordination of various activities and interests of public and private institutions in order to reach the most
effective and efficient solution of common regional development issues) by means of the model’s individual elements creating an enabling environment for good governance.

There are three input factors (good development plan, adequate competencies and an effective mechanism of development plan implementation), which may be directly affected by the regional government. Elements of the Model can be divided into groups according to their character: processes – process of the development plan preparation, process of the development plan implementation, process of monitoring and evaluation of the governance, determining factors -competencies (knowledge, skills, attitudes), organizational environment of the regional self-government, partnerships, development plan and selected principles – participation, transparency, effectiveness and efficiency.

The Model of Good Governance is using so called procedural approach. In the Model visualization processes create a system (series of succeeding steps) – the development process chain. It refers to the process of preparation and the process of implementation of the development plan. Their functioning is provided by appropriately set managerial (systematic identification/visualization, measurement/evaluation and ongoing improvement) and supporting (standard regional self-government operations) processes. Identification and elaboration of indicators for observation of governance quality in management of regional development is a difficult and complex process. There are two approaches to follow. First one is based on evaluation of final impacts of good governance on the region and its citizens (quality of life). Despite there is proved positive causality between quality of governance and dynamism of development it is very difficult to determine proportional contribution of good governance to the indicators such as GDP, income per capita, unemployment etc. Those indicators are unambiguous and relatively easy measurable. The second approach – direct evaluation of governance quality assumes detail knowledge and description of development processes and their determining factors in regional self-government. Then a comparison with the optimized model of governance in the area of regional development with the real performance can provide us the picture how functioning of regional self-government supports quality of decisions and their implementation in development processes. The following section focuses on some selected parts of the model.

**Good Governance principles**

The core of good governance set out in respect of the key principles. The above mentioned analysis of Van Doeveren (2011) found five common principles of good governance - accountability, efficiency and effectiveness, openness and transparency,
participation, and rule of law - but it also demonstrated the confusion that surrounds the concept. The presence of these five principles in multiple definitions (World Bank, OECD, European Commission, The United Nations, Hyden et al, Smith, Weiss) makes it plain that there are values that are commonly considered important for political decision-making processes at all government levels. Development success is not only argued by mobilized, eventually invested financial resources but achieved results and observing values such as public responsibility, transparency, honesty, effectiveness and efficiency are more important than terms of their impact on the development dynamics of region. The key principles of good governance which are reflected in Good Governance Model are participation, transparency, effectiveness and efficiency. The importance and promotion of good governance is founded upon the idea that a “good” decision-making process necessarily produces good results.\(^{13}\)

**Development planning**

To ensure the integrated regional development it is necessary to use the development plan (Programme of economic and social development) as the basic development document on the regional level.\(^{14}\) Often regional governments complain that their attempts to introduce improved planning and control systems into their operations have not yielded the anticipated results. When self-governing regions procedures are investigated, it generally becomes quite clear that “planning” is seen as an activity which is separate from others, and has been added as a superficial afterthought to existing operations. The main challenges connected the Programme of economic and social development of region with using good governance principles of region are:

- it is a development guiding document for all subjects existing or realizing activities on the given territory which plan to launch activities of the regional character and it must be interrelated with Territorial plan of the area and with Programme budget (effectiveness and efficiency),
- it is open, publicly accessible document, updated periodically and it reacts to incoming incentives, opportunities or changes of the external environment (transparency),
- each activity involves those who “must” be involved and enables involvement of those who are interested to be involved in its preparation and implementation (participation),

\(^{13}\)Good government, quality of government/quality of governance, and sometimes even governance are used as synonyms for good governance (Van Doeveren, 2011).

\(^{14}\)Act no. 539/2008 Coll. on regional development support.
- it is the basic background for creating of sectoral conceptions/strategies,
- elected and executive authorities of regional self-government are responsible for implementation, updating and communication of it.

Assignation of the process of the development plan implementation, as one of fundamental elements of the Good Governance Model, is based on the fact that it tends to be often the weak spot of the management of regional development processes. The development plan implementation process (in compare with plan preparation process) often does not relate to the common routine agenda of regional self-government (implied by their direct competencies) and it is not even sufficiently reflected in its tasks and responsibilities. This resulting situation is caused also by a bad adjustment of the organizational environment, lack of knowledge as well as by insufficient using of partnerships.

**Key determinants**

Regional self-government deals, in the development process, also with issues which are not under its direct control and thus it has to share the responsibility with other subjects of public, private and nongovernmental sector, common problems are solved better in cooperation and decision-making on the level of networks or partnerships is under certain circumstances more for development than decisions made on the principle of higher authority. Partnership initiation, formalization and functioning should be provided by regional self-government. The functioning partnerships are now a key component of many innovative concepts of regional development (regional innovation systems, learning region etc.)

Competencies for good governance in the area of regional development, hence for the process of preparation and implementation of the regional development plan, sum up a set of knowledge, skills and attitudes of those who take decisions, those who manage development processes and those who participate in these processes on the basis of their professional background.

Organizational environment of regional self-government refers to such institutional arrangement (organizational structure of an executive office, job descriptions of office staff, professional relationships in the office and between the office and regional parliament) which would enable and facilitate effective and efficient processes in terms of good governance in regional development.
Conclusions and recommendations

In the context of a changing global environment it is necessary to improve and constantly innovate the regional planning process considering the principles and elements of good governance. Slovakia is characterized by high regional disparities and belongs to the countries where there is quite a lot of lagging regions, which in the future may be even more vulnerable.

The report OECD (2013) presents that the resilience of a regional system strongly depends on the quality of the public and private policy responses to natural, economic or social shocks.

Due to the foregoing, regional development activities which should have been led by regional self-governments in Slovakia are on an insufficient level and do not contribute more substantially to the increasing of development dynamism what entails low rate of the socio-economic development, primarily in under-developed regions and, at the same time, an increase in regional disparities. Despite all conflicts and dilemmas questioning the concept of good governance we are convinced, there is a strong correlation between long-term economic performance and good governance. In other words, the quality of governance fundamentally determines developmental outcomes in the long run. Obviously, there are also other determinants of sustainable growth involved so to define long-term governance indicators demonstrating positive impact on socio-economic development might be useful.

Following recommendations suggest answer, or more precisely set of partial answers, on the question “What should be changed in order the regional self-governments in Slovakia become really key actors in governing regional development?”

- Optimize spatial-administrative conditions for regional development, including municipalisation on the local level.
- Strengthen and specify position, tools and mechanisms of regional self-government in design and implementation of the regional policy.
- Increase financial power\textsuperscript{15} and authority of regional governments in the area of regional development.
- Establish one integrative planning process leading to feasible and manageable regional development document consisted of the Programme of economic and social development and the Spatial plan.
- Evaluate process of governing regional development based not only on the

\textsuperscript{15} An option to shift regional vehicle tax to the central level and divide those resources from that level much more equally is now prepared at the Ministry of finance.
quantitative (measuring outputs) but also qualitative criteria (measuring change).

- Put into practice benchmarking of regional self-governments’ performance in the field of governance of regional development on their territory.
- Adapt the organizational environment of regional self-governments in order to fit more their development mission and tasks.
- Enhance linkages between development activities of regional and local public authorities.
- Prepare and introduce the tailor-made programme of building awareness and capacity of those who are involved in preparation and implementation of the regional development plan.

The discussion on the abovementioned recommendations has already started not only among regionalists but also in the political sphere.

References

- MARCOU, G., ESPA, E., SWIANEWICZ, P., BAUER, R. 2013. Regionalisation and decentralisation reforms in Romania, report prepared on the basis of expert contributions, Council of Europe, DG II. 2013, 58 p., Restricted
- OECD, 1999, SIGMA Programme [online] Available at: <http://www.sigmaweb.org/>
- LDA-V4 project, [online] Available at: <http://extranet.krvysocina.cz/download/odbor_informatiky/lda_v4/_an/an01_uvod.htm>